

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Single Audit Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



MARCH 2017

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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 1, 2016

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.5%	25.2%	7.3%
Business-Type Activities	76.2%	100.0%	37.3%
Higher Education Special Revenue Fund	54.4%	55.7%	52.7%
Higher Education Endowment Fund	97.0%	96.9%	100.0%
Higher Education Student Services Fund	72.1%	95.8%	84.4%
Workers' Compensation Fund	94.3%	100.0%	24.9%
Guaranteed Education Tuition Program Fund	92.2%	100.0%	1.7%
Aggregate Discretely Presented Component Units and Remaining Fund Information	92.9%	93.8%	62.7%

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

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

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

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

Opinion

In our opinion, based on our audit and the reports 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at \$3.22 billion, which comprise 28.6 percent of total assets and 31.0 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion was not modified with respect to this matter.

Other Matters

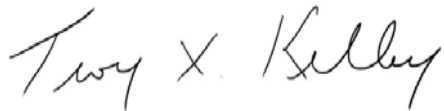
Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 1, 2016

MD&A
Management's Discussion and Analysis

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MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by \$22.27 billion (reported as net position). Of this amount, \$(11.42) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.
- The state of Washington's governmental funds reported a combined ending fund balance of \$15.79 billion, an increase of 7.5 percent compared with the prior year.
- The state's capital assets increased by \$1.17 billion, total bond debt increased by \$930.8 million, and the state's net investment in capital assets is \$20.69 billion.

Overview of the Financial Statements

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

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

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

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

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

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, as well as Washington's lottery, the Guaranteed Education Tuition Program (GET), and various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 38-41 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 44-47 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, data processing services, risk management, employee health insurance, 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, the Higher Education Student Services Fund, and the Guaranteed Education Tuition Program Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 48-57 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 statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 58-59 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 four major component units, the Valley Medical Center, Northwest Hospital, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 70-71 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 60-65 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 67-173 of this report.

OTHER INFORMATION

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 175-202 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining financial statements and individual fund schedules can be found on pages 205-269 of this report.

STATE OF WASHINGTON						
Statement of Net Position						
<i>(in millions of dollars)</i>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	\$ 25,362	\$ 23,812	\$ 25,335	\$ 24,557	\$ 50,697	\$ 48,369
Capital assets	38,962	37,783	2,918	2,925	41,880	40,708
Total assets	64,324	61,595	28,253	27,482	92,577	89,077
DEFERRED OUTFLOWS OF RESOURCES	771	481	126	83	897	564
LIABILITIES						
Current and other liabilities	5,643	5,339	926	1,035	6,569	6,374
Long-term liabilities outstanding	32,797	30,459	30,888	30,104	63,685	60,563
Total liabilities	38,440	35,798	31,814	31,139	70,254	66,937
DEFERRED INFLOWS OF RESOURCES	886	1,944	59	158	945	2,102
NET POSITION						
Net investment in capital assets	19,942	19,958	745	973	20,687	20,931
Restricted	8,518	8,320	4,485	4,240	13,003	12,560
Unrestricted	(2,691)	(3,944)	(8,724)	(8,945)	(11,415)	(12,889)
Total net position	\$ 25,769	\$ 24,334	\$ (3,494)	\$ (3,732)	\$ 22,275	\$ 20,602

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$22.27 billion at June 30, 2016, as compared to \$20.60 billion as reported at June 30, 2015.

The largest portion of the state's net position (92.9 percent for fiscal year 2016 as compared to 101.6 percent for fiscal year 2015) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets), less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital

assets to provide services to citizens; consequently, these assets are not available for future spending.

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

A portion of the state of Washington's net position (58.4 percent for fiscal year 2016 as compared to 61.0 percent for fiscal year 2015) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(11.42) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is largely due to deficits in business-type activities.

In governmental activities, net position increased from \$24.33 billion in fiscal year 2015 to \$25.77 billion in fiscal year 2016. The increase reflects increases in grants and tax revenues that outpaced the increases in expenses.

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

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

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

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

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	\$ 6,039	\$ 5,985	\$ 6,915	\$ 6,631	\$ 12,954	\$ 12,616
Operating grants and contributions	15,357	15,158	70	77	15,427	15,235
Capital grants and contributions	1,113	867	-	-	1,113	867
General revenues:						
Taxes	20,692	18,132	21	20	20,713	18,152
Interest and investment earnings (loss)	168	307	999	377	1,167	684
Total revenues	<u>43,369</u>	<u>40,449</u>	<u>8,005</u>	<u>7,105</u>	<u>51,374</u>	<u>47,554</u>
EXPENSES						
General government	(1,658)	(1,987)	-	-	(1,658)	(1,987)
Education - K-12	(10,153)	(9,426)	-	-	(10,153)	(9,426)
Education - Higher education	(7,532)	(7,095)	-	-	(7,532)	(7,095)
Human services	(17,209)	(16,890)	-	-	(17,209)	(16,890)
Adult corrections	(983)	(956)	-	-	(983)	(956)
Natural resources and recreation	(1,264)	(1,335)	-	-	(1,264)	(1,335)
Transportation	(2,363)	(2,309)	-	-	(2,363)	(2,309)
Interest on long-term debt	(991)	(981)	-	-	(991)	(981)
Workers' compensation	-	-	(3,238)	(3,018)	(3,238)	(3,018)
Unemployment compensation	-	-	(1,020)	(968)	(1,020)	(968)
Higher education student services	-	-	(2,494)	(2,314)	(2,494)	(2,314)
Washington's lottery	-	-	(535)	(466)	(535)	(466)
Guaranteed education tuition program	-	-	152	585	152	585
Other business-type activities	-	-	(161)	(158)	(161)	(158)
Total expenses	<u>(42,153)</u>	<u>(40,979)</u>	<u>(7,296)</u>	<u>(6,339)</u>	<u>(49,449)</u>	<u>(47,318)</u>
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,216	(530)	709	766	1,925	236
Contributions to endowments	67	66	-	-	67	66
Transfers	152	136	(152)	(136)	-	-
Special item	-	-	(319)	-	(319)	-
Increase (decrease) in net position	1,435	(328)	238	630	1,673	302
Net position - July 1, as restated	<u>24,334</u>	<u>24,662</u>	<u>(3,732)</u>	<u>(4,362)</u>	<u>20,602</u>	<u>20,300</u>
Net position - June 30	<u>\$ 25,769</u>	<u>\$ 24,334</u>	<u>\$ (3,494)</u>	<u>\$ (3,732)</u>	<u>\$ 22,275</u>	<u>\$ 20,602</u>

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of \$1.44 billion. A number of factors were in play including increases in both spending on K-12 education and tax revenues.

- Expenses grew by \$726.5 million for K-12 education in 2016 as compared to fiscal year 2015. The state is working to meet the requirements of the state Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.
- Tax revenues increased by \$2.56 billion in fiscal year 2016 as compared to fiscal year 2015 reflecting positive growth in the economy. Sales and use taxes reported an increase of \$739.4 million. Sales and use taxes are the main tax revenue for governmental activities. Real estate excise tax revenue increased by \$320.3 million. Real estate excise taxes are levied on the sale of real estate. These tax revenue increases reflect the rebounding economy, recovering housing markets, and improving employment picture in Washington.
- Tuition and fee revenues at higher education institutions held steady in fiscal year 2016 compared with fiscal year 2015.
- Operating grants and contributions grew by \$199.0 million in fiscal year 2016 compared with 2015 and were matched with an increase in human services expenses.

Business-Type Activities. Business-type activities increased the state of Washington's net position by \$237.4 million. Workers' compensation, unemployment compensation, and guaranteed education tuition activities contributed to the increase. Key factors contributing to the operating results of business-type activities are:

- The workers' compensation activity increase in net position in fiscal year 2016 was \$202.2 million compared to a decrease of \$400.9 million in fiscal year 2015. Premium revenue increased by \$178.8 million as a result of an increase in the number of hours reported by employers, a mid-year premium rate increase, and an increase in the number of hours reported by businesses in higher rate classes. Claim costs increased by \$207.5 million in fiscal year 2016 compared with fiscal year 2015 reflecting an increase in the number of

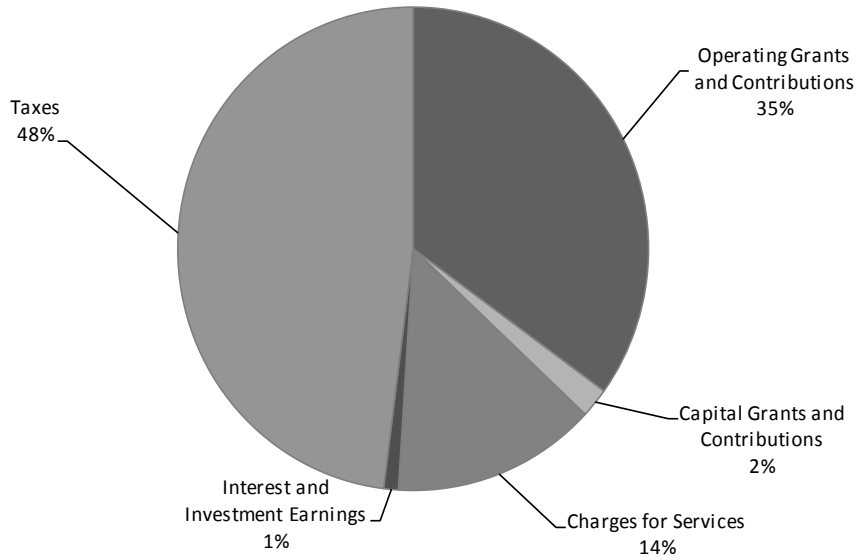
time-loss claims and an increase in the state's average annual wage. Nonoperating investment income increased by \$640.6 million due predominately to a net increase in realized and unrealized gains on debt securities. The workers' compensation portfolio is 87.4 percent debt securities.

- The unemployment compensation activity reported an operating income in fiscal year 2016 of \$157.6 million compared to \$344.9 million in fiscal year 2015. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff experience over the past four years. The economic recovery in the state has stabilized employment and resulted in a slight increase in unemployment insurance benefits of \$52.0 million in fiscal year 2016 over fiscal year 2015. The unemployment rate for the state for June 2016, was 5.5 percent, up slightly from 5.3 percent in June 2015, and the insured rate declined to 1.4 percent in fiscal year 2016 from 1.5 percent in fiscal year 2015. The state's unemployment insurance premiums are experience based and the insured rate is declining, which resulted in premium revenue decreasing by 9.3 percent. The \$17.8 million decline in federal aid also reflects the decrease in the unemployment rate.
- The Guaranteed Education Tuition (GET) Program reported a decrease in net position of \$201.0 million decreasing its funded status to 136 percent, down from 140.1 percent the previous year. This is due to the board authorizing account holders to request refunds of contributions with no penalties, the net effect of the refunds and associated valuation change was \$318.8 million.

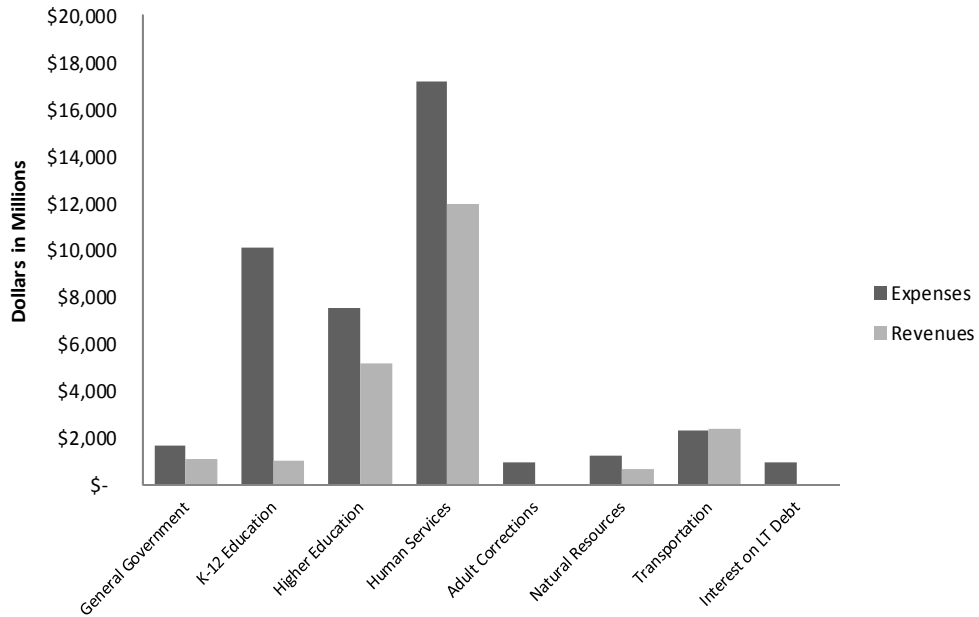
While current year investment returns were down, the actuarial valuation of the obligation for future tuition benefits assumed a higher rate of investment return based on a recent experience study. The valuation also assumed a lower rate of tuition growth in response to recently enacted legislation. Overall the tuition benefit obligation decreased by 15.5 percent.

- The remaining business-type activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.

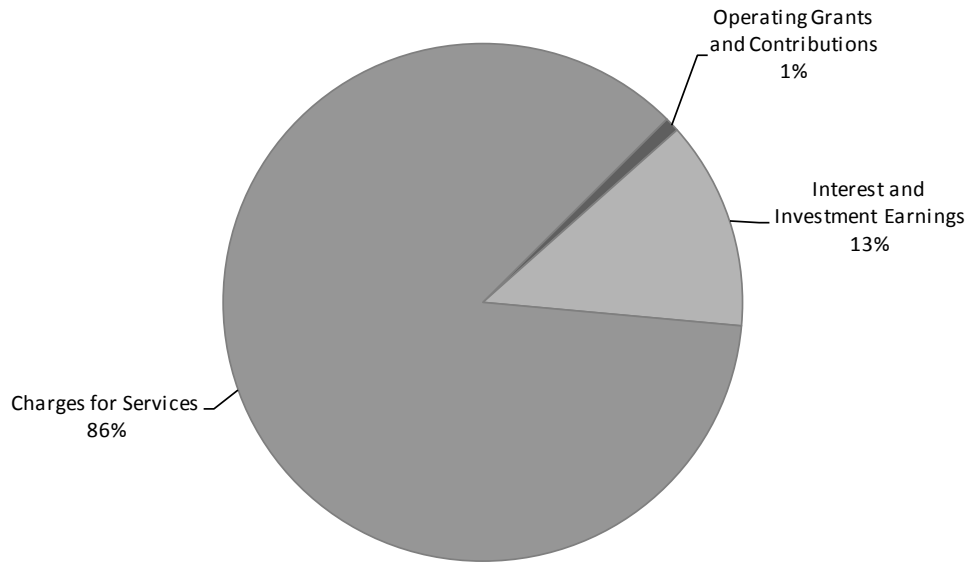
Revenues by Source: Governmental Activities



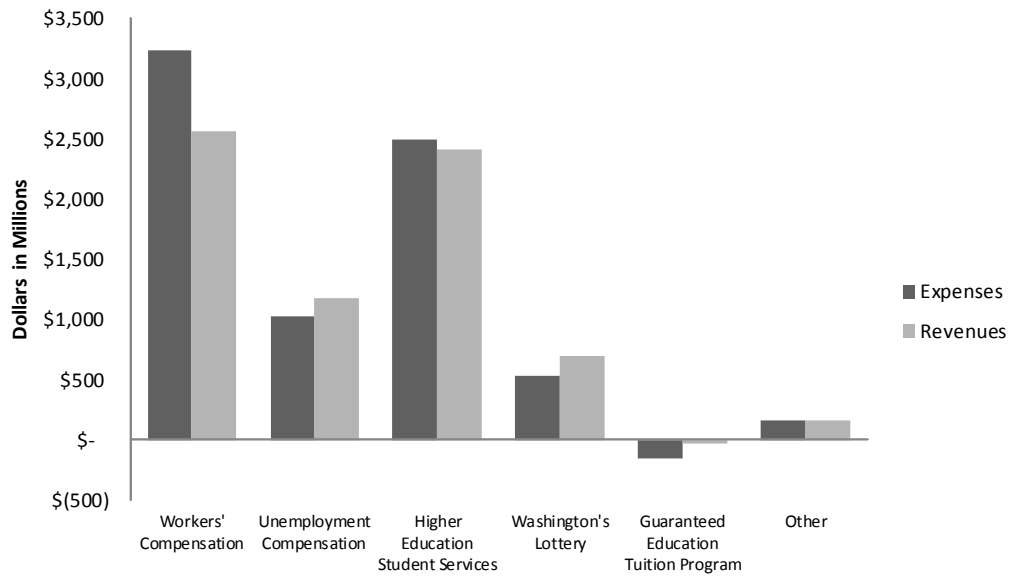
Program Revenues and Expenses: Governmental Activities



Revenues by Source: Business-Type Activities



Program Revenues and Expenses: Business-Type Activities



Financial Analysis of the State's Funds

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

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

Fund Balances. At June 30, 2016, the state's governmental funds reported combined ending fund balances of \$15.79 billion. Of this amount, \$2.54 billion or 16.1 percent is nonspendable, either due to its form or legal constraints, and \$4.61 billion or 29.2 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An

additional \$6.13 billion or 38.8 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$1.17 billion or 7.4 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. As noted in the table below, fund balance improved as a result of operations by \$564.8 million in fiscal year 2016, as compared to an \$854.3 million gain in fiscal year 2015. Increased revenues from taxes and targeted spending increases in K-12 education and social and health services combined with a concerted effort to hold the line on other spending were the key contributing factors. Assigned fund balance of \$1.16 billion is reported for fiscal year 2016 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON			
General Fund			
<i>(in millions of dollars)</i>			
	Fiscal Year		Difference
	2016	2015	Increase (Decrease)
REVENUES			
Taxes	\$ 18,188	\$ 17,025	\$ 1,163
Federal grants	12,196	12,053	143
Investment revenue (loss)	26	8	18
Other	728	698	30
Total	<u>31,138</u>	<u>29,784</u>	<u>1,354</u>
EXPENDITURES			
Human services	17,072	16,794	278
Education	11,403	10,177	1,226
Other	1,646	1,505	141
Total	<u>30,121</u>	<u>28,476</u>	<u>1,645</u>
Net transfers in (out)	(628)	(653)	25
Other financing sources	176	199	(23)
Net increase (decrease) in fund balance	<u>\$ 565</u>	<u>\$ 854</u>	<u>\$ (289)</u>

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

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

- The change in net position of the Higher Education Special Revenue Fund in fiscal year 2016 was \$31.6 million compared to \$126.1 million in fiscal year 2015. The decline in fiscal year 2016 was largely due to a 1.4 percent decrease in charges for services. Revenues showed only a slight gain of 0.9 percent reflecting the state's decision to hold tuition steady.
- The fund balance for the Higher Education Endowment Fund decreased by \$76.3 million in fiscal year 2016. Fiscal year 2016 reported a decrease of \$184.3 million in investment earnings compared to last fiscal year.

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. Significant changes are as follows:

- The Workers' Compensation Fund reported an increase in net position of \$202.2 million in fiscal year 2016. Operating revenues increased by \$181.3 million and operating expenses increased by \$220.1 million as compared to fiscal year 2015. As previously reported, operating revenues increased due to an increase in reported hours in higher rate classes and claims expense increased due to an increase in the number of time-loss claims and an increase in the state's average annual wage. Investment income increased \$640.6 million over fiscal year 2015 due to an increase in net realized and unrealized capital gains.
- Washington's Unemployment Compensation Fund reported an increase in net position of \$244.5 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense increased slightly by \$52.0 million in fiscal year 2016 as compared to 2015 and federal aid decreased by \$17.8 million over the same period. The slight increase in benefit claims and slight decrease in federal aid are consistent with an overall stable unemployment rate.
- The Guaranteed Education Tuition (GET) Program Fund reported a decrease in net position of \$201.0 million in fiscal year 2016. As previously reported, the decrease is due primarily to account holders taking

advantage this year of the opportunity to receive a refund on their contributions.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported activity fairly consistent with the prior year.

General Fund Budgetary Highlights

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

- Estimated biennial resources increased by \$848.5 million over the course of the biennium. The major increase in estimated resources is additional sales tax and excise tax collected.
- Appropriated expenditure authority increased by \$1.35 billion over the biennium to address increases in mandatory and high priority programs. The major increases in appropriation authority were in education. This is the state working on meeting its obligation under the McCleary ruling.

The state did not overspend its legal spending authority for the 2015-17 biennium. Actual General Fund revenues and expenditures were 49.6 and 47.2 percent of final budgeted resources and appropriations, respectively, for the 2015-17 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$41.88 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2016 investment in capital assets, net of current year depreciation, increased \$1.17 billion over fiscal year 2015, including increases to the state's transportation infrastructure of \$659.3 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these

construction projects total \$2.66 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 120 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain

maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,764 lane miles of pavement, 3,294 bridges, and 47 highway safety rest areas. Infrastructure asset categories are assessed on a two-year cycle, either on a calendar year or fiscal year basis.

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

STATE OF WASHINGTON						
Capital Assets - Net of Depreciation						
<i>(in millions of dollars)</i>						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,666	\$ 2,625	\$ 58	\$ 58	\$ 2,724	\$ 2,683
Transportation infrastructure and other assets not depreciated	24,030	23,376	5	5	24,035	23,381
Buildings	7,951	7,826	2,521	2,312	10,472	10,138
Furnishings, equipment, and intangible assets	1,793	1,829	180	183	1,973	2,012
Other improvements and infrastructure	1,277	1,236	77	75	1,354	1,311
Construction in progress	1,245	891	77	293	1,322	1,184
Total	\$ 38,962	\$ 37,783	\$ 2,918	\$ 2,926	\$ 41,880	\$ 40,709

The state's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 199.

The most recent pavements condition assessment indicates that 93.2 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 92.4 percent in fair or better condition. For fiscal year 2016, actual maintenance and preservation expenditures were 0.5 percent higher than planned, and over the past five fiscal years, the actual expenditures were 5.2 percent lower than planned.

The most recent bridge condition assessment indicates that 92.1 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last

three assessment periods, averaging 93 percent in good or fair condition. For fiscal year 2016, the actual maintenance and preservation expenditures were 11.7 percent lower than planned, and over the past five fiscal years, the actual expenditures were 9.3 percent lower than planned.

Bond Debt. At the end of fiscal year 2016, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of \$20.52 billion, an increase of 3.3 percent from fiscal year 2015. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized \$11.70 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2016, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.5 percent of the arithmetic mean of its general

state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2010-2015 is \$15.50 billion. The debt service limitation, 8.5 percent of this mean, is \$1.32 billion. The state's maximum annual debt service as of June 30, 2016, subject to the constitutional debt limitation is \$1.16 billion, or \$162.0 million less than the debt service limitation.

For further information on the debt limit, refer to the statistical section on page 294 of this report or the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer at:

http://www.tre.wa.gov/documents/debt_cd2016.pdf.

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

As of June 30, 2016, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON						
Bond Debt						
<i>(in millions of dollars)</i>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
General obligation (GO) bonds	\$ 20,039	\$ 19,396	\$ -	\$ 4	\$ 20,039	\$ 19,400
Accreted interest on zero interest rate GO bonds	479	472	-	-	479	472
Revenue bonds	2,377	2,316	2,215	1,991	4,592	4,307
Total	<u>\$ 22,895</u>	<u>\$ 22,184</u>	<u>\$ 2,215</u>	<u>\$ 1,995</u>	<u>\$ 25,110</u>	<u>\$ 24,179</u>

The state had revenue debt outstanding at June 30, 2016, of \$4.59 billion, an increase of \$285.0 million over fiscal year 2015. The increase is primarily related to grant anticipation revenue bonds issued by the Washington State Department of Transportation and revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling \$1.02 billion were refunded during the year. Washington's refunding activity produced \$168.5 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 124 of this report.

Conditions with Expected Future Impact

Economic Outlook. Washington is well positioned for economic and population expansion. The state has a diverse industrial and environmental base that supports trade with Pacific Rim countries as well as knowledge-based industries including information, health, business, and financial services.

Washington's expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

That said, in the coming year, legislative leaders and management will be facing a number of challenges including:

- Under legislation approved in 2012, and beginning with the 2013-15 biennium, Washington became the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four-year period.
- The courts have also made it clear that in addressing budget shortfalls the past years, the state sometimes went too far in cutting services, such as for at-risk children and individuals with mental illness.
- Washington continues to address the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made during the 2015-17 biennium, the court is still waiting for a plan that fully funds basic education.

General Election. There is a measure on the state's November 8, 2016, general election ballot that proposes a carbon emission tax on certain fossil fuels and fossil-fuel-generated electricity, reduces the sales tax by one percentage point, increases a low-income exemption, and reduces certain manufacturing taxes. This measure, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 8, 2016, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted as available on the Secretary of State's website at: <http://www.sos.wa.gov>.

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

On June 30, 2016, \$185.7 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2016, by three-fifths vote of each house, the Legislature appropriated \$189.5 million from the BSA solely for emergency fire service mobilization, fire suppression, and fire damage recovery costs. The BSA had a fund balance of \$549.6 million as of June 30, 2016.

The Guaranteed Education Tuition (GET) Program.

The funded status of the GET Program decreased during fiscal year 2016 reflecting account holders requesting refunds as authorized by Engrossed Second Substitute Bill (E2SSB) 5954 which was signed into law by the Governor on July 6, 2015. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State Guaranteed Education Tuition (GET) Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until September 1, 2017, or until 60 days after a new 529 savings plan opens (whichever is later), to request a refund. GET is closed to new enrollments until July 1, 2017. The financial impact of this action cannot reasonably be estimated as of the date of these financial statements.

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, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.

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Basic Financial Statements
Government-wide Financial Statements

Statement of Net Position

June 30, 2016

(expressed in thousands)

Continued

	Primary Government			Component Units
	Governmental	Business-Type	Total	
	Activities	Activities		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	\$ 7,172,831	\$ 7,100,084	\$ 14,272,915	\$ 182,494
Taxes receivable (net of allowance for uncollectibles)	3,883,499	-	3,883,499	-
Other receivables (net of allowance for uncollectibles)	2,276,547	1,536,551	3,813,098	172,137
Internal balances	160,859	(160,859)	-	-
Due from other governments	4,001,651	108,254	4,109,905	-
Inventories and prepaids	116,806	62,240	179,046	29,500
Restricted cash and investments	432,954	3,613	436,567	5,030
Restricted receivables, current	120,796	4,234	125,030	-
Investments, noncurrent	5,727,579	16,303,543	22,031,122	159,187
Restricted investments, noncurrent	-	58,622	58,622	16,873
Restricted receivables, noncurrent	1,521	-	1,521	-
Restricted net pension asset	1,467,363	296	1,467,659	-
Other assets	-	318,387	318,387	192,339
Capital assets:				
Non-depreciable assets	27,940,480	139,775	28,080,255	76,428
Depreciable assets (net of accumulated depreciation)	11,021,021	2,778,297	13,799,318	674,141
Total capital assets	38,961,501	2,918,072	41,879,573	750,569
Total Assets	64,323,907	28,253,037	92,576,944	1,508,129
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	1,196	-	1,196	572
Deferred outflows on refundings	4,210	31,303	35,513	6,066
Deferred outflows on pensions	765,410	94,796	860,206	2,017
Total Deferred Outflows of Resources	770,816	126,099	896,915	8,655
Total Assets and Deferred Outflows of Resources	\$ 65,094,723	\$ 28,379,136	\$ 93,473,859	\$ 1,516,784

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

Statement of Net Position

June 30, 2016

(expressed in thousands)

	Primary Government			Concluded
	Governmental	Business-Type	Total	Component
	Activities	Activities		Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 1,536,982	\$ 186,320	\$ 1,723,302	\$ 84,925
Contracts payable	105,497	17,147	122,644	-
Accrued liabilities	1,917,678	449,613	2,367,291	110,311
Obligations under security lending agreements	197,525	156,492	354,017	-
Due to other governments	1,481,497	59,569	1,541,066	-
Unearned revenues	403,991	56,849	460,840	10,239
Long-term liabilities:				
Due within one year	1,772,466	2,379,484	4,151,950	21,514
Due in more than one year	31,024,542	28,508,925	59,533,467	414,830
Total Liabilities	38,440,178	31,814,399	70,254,577	641,819
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	160	-	160	-
Deferred inflows on pensions	885,770	59,158	944,928	2,226
Deferred inflows on property taxes	-	-	-	26,744
Total Deferred Inflows of Resources	885,930	59,158	945,088	28,970
NET POSITION				
Net investment in capital assets	19,942,180	744,524	20,686,704	353,558
Restricted for:				
Unemployment compensation	-	4,484,992	4,484,992	-
Nonexpendable permanent endowments	2,440,835	-	2,440,835	-
Expendable endowment funds	1,131,720	-	1,131,720	-
Pensions	1,467,363	296	1,467,659	-
Wildlife and natural resources	1,002,335	-	1,002,335	-
Transportation	957,382	-	957,382	-
Budget stabilization	549,581	-	549,581	-
Higher education	174,351	-	174,351	-
Capital projects	17,614	-	17,614	-
Other purposes	776,022	-	776,022	15,501
Unrestricted	(2,690,768)	(8,724,233)	(11,415,001)	476,936
Total Net Position	25,768,615	(3,494,421)	22,274,194	845,995
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 65,094,723	\$ 28,379,136	\$ 93,473,859	\$ 1,516,784

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

Statement of Activities
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 1,657,671	\$ 852,839	\$ 230,138	\$ 15,696
Education - elementary and secondary (K-12)	10,152,823	20,811	1,052,529	-
Education - higher education	7,531,460	2,762,044	2,375,616	31,174
Human services	17,209,376	723,787	11,267,258	15,578
Adult corrections	983,373	7,321	2,294	-
Natural resources and recreation	1,263,727	467,587	189,347	68,936
Transportation	2,363,429	1,205,527	240,532	981,251
Interest on long-term debt	991,215	-	-	-
Total Governmental Activities	42,153,074	6,039,916	15,357,714	1,112,635
Business-Type Activities:				
Workers' compensation	3,238,325	2,556,687	8,819	-
Unemployment compensation	1,020,368	1,139,070	38,911	-
Higher education student services	2,494,528	2,395,313	21,533	-
Washington's lottery	534,538	697,723	-	-
Guaranteed education tuition program	(152,302)	(28,863)	-	-
Other	160,936	155,041	418	-
Total Business-Type Activities	7,296,393	6,914,971	69,681	-
Total Primary Government	\$ 49,449,467	\$ 12,954,887	\$ 15,427,395	\$ 1,112,635
COMPONENT UNITS				
Total Component Units	\$ 1,165,117	\$ 1,092,866	\$ 68,189	\$ -
	<u>\$ 1,165,117</u>	<u>\$ 1,092,866</u>	<u>\$ 68,189</u>	<u>\$ -</u>

General Revenues:

Taxes, net of related credits:
Sales and use
Business and occupation
Property
Motor vehicle and fuel
Excise
Cigarette and tobacco
Public utilities
Insurance premium
Other
Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before
contributions to endowments and transfers
Contributions to endowments
Transfers
Special item - Guaranteed education tuition program refunds and
valuation change resulting from SB 5954
Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (558,998)	\$ -	\$ (558,998)	
(9,079,483)	-	(9,079,483)	
(2,362,626)	-	(2,362,626)	
(5,202,753)	-	(5,202,753)	
(973,758)	-	(973,758)	
(537,857)	-	(537,857)	
63,881	-	63,881	
(991,215)	-	(991,215)	
<u>(19,642,809)</u>	<u>-</u>	<u>(19,642,809)</u>	
-	(672,819)	(672,819)	
-	157,613	157,613	
-	(77,682)	(77,682)	
-	163,185	163,185	
-	123,439	123,439	
-	(5,477)	(5,477)	
-	(311,741)	(311,741)	
<u>(19,642,809)</u>	<u>(311,741)</u>	<u>(19,954,550)</u>	
			<u>\$ (4,062)</u>
			<u>(4,062)</u>
9,740,192	-	9,740,192	-
3,636,385	-	3,636,385	-
2,062,065	-	2,062,065	19,902
1,485,618	-	1,485,618	-
1,203,145	21,391	1,224,536	-
450,805	-	450,805	-
468,734	-	468,734	-
534,663	-	534,663	-
1,109,947	-	1,109,947	479
168,244	998,511	1,166,755	8,797
<u>20,859,798</u>	<u>1,019,902</u>	<u>21,879,700</u>	<u>29,178</u>
1,216,989	708,161	1,925,150	25,116
66,061	-	66,061	-
151,894	(151,894)	-	-
-	(318,837)	(318,837)	-
<u>1,434,944</u>	<u>237,430</u>	<u>1,672,374</u>	<u>25,116</u>
<u>24,333,671</u>	<u>(3,731,851)</u>	<u>20,601,820</u>	<u>820,879</u>
<u>\$ 25,768,615</u>	<u>\$ (3,494,421)</u>	<u>\$ 22,274,194</u>	<u>\$ 845,995</u>

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Basic Financial Statements
Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS

June 30, 2016
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and pooled investments	\$ 2,376,759	\$ 164,346	\$ 413,515	\$ 3,407,647	\$ 6,362,267
Investments	47,194	1,746,775	3,617,378	325,010	5,736,357
Taxes receivable (net of allowance)	3,676,344	8,537	-	198,618	3,883,499
Receivables (net of allowance)	198,327	1,111,947	102,444	841,060	2,253,778
Due from other funds	268,587	337,104	8	361,557	967,256
Due from other governments	1,039,195	264,023	-	2,562,093	3,865,311
Inventories and prepaids	15,104	26,362	-	48,082	89,548
Restricted cash and investments	37,815	15,448	-	184,591	237,854
Restricted receivables	56,580	5,633	-	3,570	65,783
Total Assets	7,715,905	3,680,175	4,133,345	7,932,228	23,461,653
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	-	-	-	1,196	1,196
Total Deferred Outflows of Resources	-	-	-	1,196	1,196
Total Assets and Deferred Outflows of Resources	\$ 7,715,905	\$ 3,680,175	\$ 4,133,345	\$ 7,933,424	\$ 23,462,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 980,499	\$ 72,463	\$ 37,453	\$ 387,245	\$ 1,477,660
Contracts payable	48,183	3,089	2,603	42,008	95,883
Accrued liabilities	249,024	394,640	683,985	157,969	1,485,618
Obligations under security lending agreements	110,095	719	211	78,575	189,600
Due to other funds	278,177	87,179	3,575	466,242	835,173
Due to other governments	1,041,557	23,672	-	195,240	1,260,469
Unearned revenue	98,907	231,824	-	70,395	401,126
Claims and judgments payable	49,085	-	-	82,774	131,859
Total Liabilities	2,855,527	813,586	727,827	1,480,448	5,877,388
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,630,111	6,298	15,354	139,579	1,791,342
Deferred inflows on hedging derivatives	-	-	-	-	-
Total Deferred Inflows of Resources	1,630,111	6,298	15,354	139,579	1,791,342
FUND BALANCES					
Nonspendable fund balance	45,578	10,542	2,235,581	247,066	2,538,767
Restricted fund balance	558,708	50,449	1,154,583	2,845,265	4,609,005
Committed fund balance	114,958	2,781,000	-	3,232,887	6,128,845
Assigned fund balance	1,155,952	18,300	-	-	1,174,252
Unassigned fund balance	1,355,071	-	-	(11,821)	1,343,250
Total Fund Balances	3,230,267	2,860,291	3,390,164	6,313,397	15,794,119
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,715,905	\$ 3,680,175	\$ 4,133,345	\$ 7,933,424	\$ 23,462,849

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

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

June 30, 2016
(expressed in thousands)

Total Fund Balances for Governmental Funds \$ 15,794,119

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Non-depreciable assets	\$ 27,895,566	
Depreciable assets	19,549,575	
Less: Accumulated depreciation	<u>(9,265,013)</u>	
Total capital assets		38,180,128

Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds. 1,791,342

Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds. 1,467,363

Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds. 732,057

Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds. (865,913)

Unmatured interest on general obligation bonds is not recognized in the funds until due. (399,534)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. (334,072)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and other financing contracts payable	\$ (22,508,002)	
Accreted interest on bonds	(479,226)	
Compensated absences	(542,083)	
Other postemployment benefits obligations	(2,372,657)	
Net pension liability	(3,582,081)	
Unclaimed property	(165,215)	
Pollution remediation obligations	(154,145)	
Claims and judgments	(114,253)	
Other obligations	<u>(679,213)</u>	
Total long-term liabilities		<u>(30,596,875)</u>

Net Position of Governmental Activities \$ 25,768,615

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	\$ 9,622,982	\$ -	\$ -	\$ 117,210	\$ 9,740,192
Business and occupation taxes	3,631,559	-	-	4,826	3,636,385
Property taxes	2,062,065	-	-	-	2,062,065
Excise taxes	933,247	39,155	-	230,743	1,203,145
Motor vehicle and fuel taxes	-	-	-	1,485,618	1,485,618
Other taxes	1,938,117	177,840	-	251,537	2,367,494
Licenses, permits, and fees	116,334	969	-	1,648,361	1,765,664
Other contracts and grants	241,734	940,751	-	254,331	1,436,816
Timber sales	3,993	-	21,107	123,567	148,667
Federal grants-in-aid	12,195,980	1,434,721	-	1,402,832	15,033,533
Charges for services	41,764	2,552,198	-	676,893	3,270,855
Investment income (loss)	25,662	52,082	11,268	79,232	168,244
Miscellaneous revenue	253,925	97,945	2,121	485,623	839,614
Contributions and donations	-	-	66,061	-	66,061
Unclaimed property	70,338	-	-	-	70,338
Total Revenues	31,137,700	5,295,661	100,557	6,760,773	43,294,691
EXPENDITURES					
Current:					
General government	802,422	1,350	149	484,956	1,288,877
Human services	17,071,814	-	-	964,774	18,036,588
Natural resources and recreation	534,497	-	1,250	678,610	1,214,357
Transportation	67,467	-	-	1,887,386	1,954,853
Education	11,403,114	5,081,840	1,681	435,070	16,921,705
Intergovernmental	119,340	-	-	372,829	492,169
Capital outlays	110,996	245,970	5,295	1,837,725	2,199,986
Debt service:					
Principal	8,339	22,489	-	1,008,841	1,039,669
Interest	3,262	18,334	-	977,154	998,750
Total Expenditures	30,121,251	5,369,983	8,375	8,647,345	44,146,954
Excess of Revenues Over (Under) Expenditures	1,016,449	(74,322)	92,182	(1,886,572)	(852,263)
OTHER FINANCING SOURCES (USES)					
Bonds issued	89,119	73,228	-	1,304,737	1,467,084
Refunding bonds issued	-	-	-	860,870	860,870
Payments to escrow agents for refunded bond debt	-	-	-	(1,040,394)	(1,040,394)
Issuance premiums	12,617	7,027	-	409,819	429,463
Other debt issued	74,636	27,223	-	67	101,926
Refunding COPs issued	-	31,095	-	1,625	32,720
Payment to escrow agents for refunded COP debt	-	(38,284)	-	(2,083)	(40,367)
Transfers in	577,490	763,475	26,873	2,949,351	4,317,189
Transfers out	(1,205,463)	(757,891)	(195,309)	(2,021,448)	(4,180,111)
Total Other Financing Sources (Uses)	(451,601)	105,873	(168,436)	2,462,544	1,948,380
Net Change in Fund Balances	564,848	31,551	(76,254)	575,972	1,096,117
Fund Balances - Beginning	2,665,419	2,828,740	3,466,418	5,737,425	14,698,002
Fund Balances - Ending	\$ 3,230,267	\$ 2,860,291	\$ 3,390,164	\$ 6,313,397	\$ 15,794,119

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

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 1,096,117

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 1,802,838	
Less: Depreciation expense	<u>(629,991)</u>	1,172,847

Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.

182,010

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.

(73,322)

Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:

Bonds and other financing contracts issued	\$ (2,870,185)	
Principal payments on bonds and other financing contracts	2,098,621	
Accreted interest on bonds	<u>(7,275)</u>	(778,839)

Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:

Compensated absences	\$ (24,640)	
Other postemployment benefits	(370,504)	
Pensions	462,027	
Pollution remediation	15,553	
Claims and judgments	(73,231)	
Accrued interest	(8,232)	
Unclaimed property	(34,559)	
Other obligations	<u>(130,283)</u>	(163,869)

Change in Net Position of Governmental Activities \$ 1,434,944

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

Statement of Net Position
PROPRIETARY FUNDS

June 30, 2016

(expressed in thousands)

	Business-Type Activities			
	Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	\$ 43,560	\$ 4,057,707	\$ 887,674	\$ 6,715
Investments	1,792,743	-	23,782	157,950
Receivables (net of allowance)	821,354	453,613	216,973	19,157
Due from other funds	70	3,092	27,438	15
Due from other governments	1,376	25,998	63,021	-
Inventories	201	-	40,652	-
Prepaid expenses	1,973	-	10,873	-
Restricted cash and investments	640	-	2,973	-
Restricted receivables	-	-	4,234	-
Total Current Assets	2,661,917	4,540,410	1,277,620	183,837
Noncurrent Assets:				
Investments, noncurrent	13,909,624	-	215,910	2,042,985
Restricted investments, noncurrent	2,048	-	56,574	-
Restricted receivables, noncurrent	-	-	-	-
Restricted net pension asset	-	-	296	-
Other noncurrent assets	2,975	-	145,465	169,942
Capital assets:				
Land and other non-depreciable assets	3,240	-	57,600	-
Buildings	65,134	-	3,503,869	-
Other improvements	1,289	-	97,128	-
Furnishings, equipment, and intangibles	102,826	-	625,420	104
Infrastructure	-	-	49,335	-
Accumulated depreciation	(114,591)	-	(1,574,429)	(93)
Construction in progress	9,554	-	66,722	-
Total Noncurrent Assets	13,982,099	-	3,243,890	2,212,938
Total Assets	16,644,016	4,540,410	4,521,510	2,396,775
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	-	31,214	-
Deferred outflows on pensions	24,825	-	61,729	267
Total Deferred Outflows of Resources	24,825	-	92,943	267
Total Assets and Deferred Outflows of Resources	\$ 16,668,841	\$ 4,540,410	\$ 4,614,453	\$ 2,397,042

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

Continued

<u>Nonmajor Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 111,739	\$ 5,107,395	\$ 750,666	
18,214	1,992,689	16,144	
25,454	1,536,551	22,769	
15,549	46,164	76,399	
4,685	95,080	35,002	
8,268	49,121	14,523	
273	13,119	12,734	
-	3,613	195,100	
-	4,234	55,013	
<u>184,182</u>	<u>8,847,966</u>	<u>1,178,350</u>	
135,024	16,303,543	34,976	
-	58,622	-	
-	-	1,521	
-	296	-	
5	318,387	-	
1,540	62,380	6,182	
12,828	3,581,831	517,328	
2,376	100,793	15,581	
32,284	760,634	923,659	
-	49,335	2,043	
(25,183)	(1,714,296)	(722,152)	
<u>1,119</u>	<u>77,395</u>	<u>38,732</u>	
<u>159,993</u>	<u>19,598,920</u>	<u>817,870</u>	
<u>344,175</u>	<u>28,446,886</u>	<u>1,996,220</u>	
89	31,303	366	
<u>7,975</u>	<u>94,796</u>	<u>37,196</u>	
<u>8,064</u>	<u>126,099</u>	<u>37,562</u>	
<u>\$ 352,239</u>	<u>\$ 28,572,985</u>	<u>\$ 2,033,782</u>	

Statement of Net Position
PROPRIETARY FUNDS

June 30, 2016

(expressed in thousands)

	Business-Type Activities			
	Enterprise Funds			
	Workers'	Unemployment	Higher Education	Guaranteed
	Compensation	Compensation	Student Services	Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 3,999	\$ -	\$ 173,064	\$ 155
Contracts payable	7,770	57	9,319	186,000
Accrued liabilities	183,091	8,300	244,656	9,551
Obligations under security lending agreements	114,917	-	-	41,575
Bonds and notes payable	-	-	107,787	-
Due to other funds	6,126	15,358	166,661	154
Due to other governments	3	31,703	5,465	-
Unearned revenue	7,458	-	48,242	-
Claims and judgments payable	2,011,766	-	2,854	42
Total Current Liabilities	2,335,130	55,418	758,048	237,477
Noncurrent Liabilities:				
Claims and judgments payable	23,840,752	-	-	-
Bonds and notes payable	-	-	2,165,362	-
Net pension liability	129,684	-	321,183	1,345
Other long-term liabilities	61,730	-	256,348	1,540,602
Total Noncurrent Liabilities	24,032,166	-	2,742,893	1,541,947
Total Liabilities	26,367,296	55,418	3,500,941	1,779,424
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	-	-	-	-
Deferred inflows on pensions	19,117	-	34,591	150
Total Deferred Inflows of Resources	19,117	-	34,591	150
NET POSITION				
Net investment in capital assets	67,452	-	657,959	11
Restricted for:				
Unemployment compensation	-	4,484,992	-	-
Pensions	-	-	296	-
Unrestricted	(9,785,024)	-	420,666	617,457
Total Net Position	(9,717,572)	4,484,992	1,078,921	617,468
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 16,668,841	\$ 4,540,410	\$ 4,614,453	\$ 2,397,042

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

Concluded

		Governmental Activities	
Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ 9,102	\$ 186,320	\$ 59,322	
-	203,146	1,514	
68,458	514,056	75,471	
-	156,492	7,925	
1,190	108,977	92,023	
25,287	213,586	40,984	
2,661	39,832	126,781	
1,149	56,849	2,865	
5,403	2,020,065	175,043	
<u>113,250</u>	<u>3,499,323</u>	<u>581,928</u>	
8,085	23,848,837	560,904	
4,763	2,170,125	563,754	
43,275	495,487	496,896	
<u>135,796</u>	<u>1,994,476</u>	<u>144,354</u>	
<u>191,919</u>	<u>28,508,925</u>	<u>1,765,908</u>	
<u>305,169</u>	<u>32,008,248</u>	<u>2,347,836</u>	
-	-	160	
<u>5,300</u>	<u>59,158</u>	<u>19,858</u>	
<u>5,300</u>	<u>59,158</u>	<u>20,018</u>	
19,102	744,524	178,903	
-	4,484,992	-	
-	296	-	
<u>22,668</u>	<u>(8,724,233)</u>	<u>(512,975)</u>	
<u>41,770</u>	<u>(3,494,421)</u>	<u>(334,072)</u>	
<u>\$ 352,239</u>	<u>\$ 28,572,985</u>	<u>\$ 2,033,782</u>	

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

For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Business-Type Activities			
	Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ 92,045	\$ -
Less: Cost of goods sold	-	-	(57,648)	-
Gross profit	-	-	34,397	-
Charges for services	16	-	2,136,605	(29,047)
Premiums and assessments	2,516,256	1,124,773	-	-
Lottery ticket proceeds	-	-	-	-
Federal aid for unemployment insurance benefits	-	38,911	-	-
Miscellaneous revenue	40,421	14,296	167,805	185
Total Operating Revenues	2,556,693	1,177,980	2,338,807	(28,862)
OPERATING EXPENSES				
Salaries and wages	159,686	-	909,664	3,066
Employee benefits	62,817	-	264,603	726
Personal services	7,457	-	46,188	119
Goods and services	82,574	-	896,447	952
Travel	4,106	-	27,840	16
Premiums and claims	2,873,993	1,020,368	27	-
Guaranteed education tuition program expense	-	-	-	(157,184)
Lottery prize payments	-	-	-	-
Depreciation and amortization	10,206	-	172,988	3
Miscellaneous expenses	37,450	-	25,356	-
Total Operating Expenses	3,238,289	1,020,368	2,343,113	(152,302)
Operating Income (Loss)	(681,596)	157,612	(4,306)	123,440
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	874,953	86,894	31,996	(5,602)
Interest expense	(37)	-	(93,768)	-
Tax and license revenue	95	-	-	-
Other revenues (expenses)	8,814	-	20,391	(1)
Total Nonoperating Revenues (Expenses)	883,825	86,894	(41,381)	(5,603)
Income (Loss) Before Contributions and Transfers	202,229	244,506	(45,687)	117,837
Capital contributions	-	-	-	-
Transfers in	-	-	445,410	-
Transfers out	-	-	(421,755)	-
Special item - refunds and valuation changes resulting from SB 5954	-	-	-	(318,837)
Net Contributions, Transfers, and Special Items	-	-	23,655	(318,837)
Change in Net Position	202,229	244,506	(22,032)	(201,000)
Net Position - Beginning, as restated	(9,919,801)	4,240,486	1,100,953	818,468
Net Position - Ending	\$ (9,717,572)	\$ 4,484,992	\$ 1,078,921	\$ 617,468

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

<u>Nonmajor Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 91,194	\$ 183,239	\$ 43,590	
(61,197)	(118,845)	(36,093)	
29,997	64,394	7,497	
36,587	2,144,161	672,842	
25,793	3,666,822	1,505,296	
694,875	694,875	-	
-	38,911	-	
4,561	227,268	155,632	
791,813	6,836,431	2,341,267	
58,685	1,131,101	312,267	
23,916	352,062	134,294	
16,261	70,025	29,234	
91,221	1,071,194	334,418	
2,134	34,096	4,575	
-	3,894,388	1,491,918	
-	(157,184)	-	
432,901	432,901	-	
1,699	184,896	98,375	
999	63,805	476	
627,816	7,077,284	2,405,557	
163,997	(240,853)	(64,290)	
10,271	998,512	6,864	
(6,462)	(100,267)	(25,951)	
21,297	21,392	26	
174	29,378	(10,559)	
25,280	949,015	(29,620)	
189,277	708,162	(93,910)	
-	-	5,771	
13,861	459,271	85,549	
(189,411)	(611,166)	(70,732)	
-	(318,837)	-	
(175,550)	(470,732)	20,588	
13,727	237,430	(73,322)	
28,043	(3,731,851)	(260,750)	
\$ 41,770	\$ (3,494,421)	\$ (334,072)	

Statement of Cash Flows
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Business-Type Activities			
	Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,461,807	\$ 1,289,326	\$ 2,219,659	\$ 95,016
Customer requested refunds - authorized by GET board	-	-	-	(370,913)
Payments to suppliers	(2,228,394)	(1,052,652)	(1,021,202)	(210,637)
Payments to employees	(218,103)	-	(1,130,823)	(3,678)
Other receipts	40,420	58,984	167,804	184
Net Cash Provided (Used) by Operating Activities	55,730	295,658	235,438	(490,028)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	445,410	-
Transfers out	-	-	(421,755)	-
Operating grants and donations received	8,528	-	25,396	-
Taxes and license fees collected	95	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	8,623	-	49,051	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	(111)	-	(29,041)	-
Principal payments on long-term capital financing	(4,050)	-	(195,501)	-
Proceeds from long-term capital financing	-	-	266,545	-
Proceeds from sale of capital assets	14	-	5,634	-
Acquisitions of capital assets	(6,031)	-	(175,857)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,178)	-	(128,220)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	657,532	86,894	10,698	148,776
Proceeds from sale of investment securities	7,751,271	-	35,863	1,691,868
Purchases of investment securities	(8,494,034)	-	(63,437)	(1,355,010)
Net Cash Provided (Used) by Investing Activities	(85,231)	86,894	(16,876)	485,634
Net Increase (Decrease) in Cash and Pooled Investments	(31,056)	382,552	139,393	(4,394)
Cash and Pooled Investments, July 1	75,256	3,675,155	751,254	11,109
Cash and Pooled Investments, June 30	\$ 44,200	\$ 4,057,707	\$ 890,647	\$ 6,715
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (681,596)	\$ 157,612	\$ (4,306)	\$ (195,397)
Adjustments to Reconcile Operating Income				
(Loss) to Net Cash Provided by Operations:				
Depreciation	10,206	-	172,988	3
Revenue reduced for uncollectible accounts	35,625	-	1,232	-
Change in Assets: Decrease (Increase)				
Receivables	(54,900)	170,330	(2,099)	71,987
Inventories	32	-	(1,144)	-
Prepaid expenses	97	-	(713)	-
Other assets	-	-	84	-
Change in Deferred Outflows of Resources: Increase (Decrease)	(9,957)	-	(28,432)	(116)
Change in Liabilities: Increase (Decrease)				
Payables	780,721	(32,284)	162,708	(366,231)
Change in Deferred Inflows of Resources: Decrease (Increase)	(24,498)	-	(64,880)	(274)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ 55,730	\$ 295,658	\$ 235,438	\$ (490,028)

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

Continued

			Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ 842,214	\$ 6,908,022	\$ 2,186,430	
-	(370,913)	-	
(603,997)	(5,116,882)	(1,784,419)	
(79,224)	(1,431,828)	(378,043)	
4,180	271,572	157,044	
<u>163,173</u>	<u>259,971</u>	<u>181,012</u>	
13,861	459,271	85,549	
(189,411)	(611,166)	(70,732)	
416	34,340	267	
<u>21,298</u>	<u>21,393</u>	<u>26</u>	
(153,836)	(96,162)	15,110	
(229)	(29,381)	(21,079)	
(410)	(199,961)	(68,816)	
-	266,545	116,442	
44	5,692	6,384	
<u>(2,276)</u>	<u>(184,164)</u>	<u>(115,134)</u>	
(2,871)	(141,269)	(82,203)	
45	903,945	5,719	
16,889	9,495,891	1,982	
<u>(6,511)</u>	<u>(9,918,992)</u>	<u>(760)</u>	
10,423	480,844	6,941	
16,889	503,384	120,860	
94,850	4,607,624	824,906	
<u>\$ 111,739</u>	<u>\$ 5,111,008</u>	<u>\$ 945,766</u>	
\$ 163,997	\$ (559,690)	\$ (64,290)	
1,699	184,896	98,375	
23	36,880	137	
(7,378)	177,940	(35,168)	
233	(879)	3,123	
141	(475)	(1,254)	
(360)	(276)	-	
<u>(3,767)</u>	<u>(42,272)</u>	<u>(18,022)</u>	
17,145	562,059	238,471	
<u>(8,560)</u>	<u>(98,212)</u>	<u>(40,360)</u>	
<u>\$ 163,173</u>	<u>\$ 259,971</u>	<u>\$ 181,012</u>	

Statement of Cash Flows
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Business-Type Activities			
	Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -
Acquisition of capital assets through capital leases	-	-	-	-
Amortization of annuity prize liability	-	-	-	-
Increase (decrease) in fair value of investments	219,640	-	1,129	153,725
Debt refunding deposited with escrow agent	-	-	63,735	-
Amortization of debt premium/discount	-	-	66,671	-
Increase in ownership of joint venture	-	-	19,978	-

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

Concluded

		Governmental Activities	
Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ -	\$ -	\$ 5,771	
-	-	111	
6,284	6,284	-	
10,226	384,720	1,196	
4,810	68,545	8,020	
-	66,671	-	
-	19,978	-	

Statement of Net Position
FIDUCIARY FUNDS

June 30, 2016

(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	\$ 1,141	\$ 5,321,793	\$ 51,981	\$ 125,547
Investments	-	3,415,096	-	42,795
Receivables, pension and other employee benefit plans:				
Employers	-	-	188,904	-
Members (net of allowance)	-	-	3,554	-
Interest and dividends	-	-	303,850	-
Investment trades pending	-	-	2,832,864	-
Due from other pension and other employee benefit funds	-	-	145,717	-
Other receivables, all other funds	-	2,423	82	8,056
Due from other governments	-	-	-	19,524
Total Current Assets	1,141	8,739,312	3,526,952	195,922
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	37,175,122	-
Fixed income	-	-	17,794,542	-
Private equity	-	-	17,446,347	-
Real estate	-	-	13,247,481	-
Security lending	-	-	682,235	-
Liquidity	-	-	1,962,372	-
Tangible assets	-	-	2,528,197	-
Investments, noncurrent, all other funds	896	988,429	-	305
Other noncurrent assets	-	-	-	48,384
Capital assets:				
Furnishings, equipment, and intangibles	37	-	-	-
Accumulated depreciation	(27)	-	-	-
Total Noncurrent Assets	906	988,429	90,836,296	48,689
Total Assets	2,047	9,727,741	94,363,248	\$ 244,611
LIABILITIES				
Accounts payable	127	-	-	\$ 8,051
Contracts payable	-	-	-	37,283
Accrued liabilities	137	178,889	2,842,665	130,315
Obligations under security lending agreements	-	-	685,035	2,927
Due to other funds	-	76	-	-
Due to other pension and other employee benefit funds	-	-	145,717	-
Due to other governments	-	5,402	-	17,651
Unearned revenue	-	-	1,337	-
Claims and judgments payable	3	-	-	-
Other long-term liabilities	-	-	-	48,384
Total Liabilities	267	184,367	3,674,754	\$ 244,611
NET POSITION				
Net position restricted for:				
Pensions	-	-	87,065,458	
Deferred compensation participants	-	-	3,623,036	
Local government pool participants	-	9,543,374	-	
Individuals, organizations, and other governments	1,780	-	-	
Total Net Position	\$ 1,780	\$ 9,543,374	\$ 90,688,494	

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

Statement of Changes in Net Position
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	\$ -	\$ -	\$ 2,026,737
Members	-	-	1,342,628
State	-	-	77,611
Participants	-	15,868,992	213,531
Total Contributions	-	15,868,992	3,660,507
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	432,435
Interest and dividends	-	27,633	1,883,126
Less: Investment expenses	-	-	(344,318)
Net Investment Income (Loss)	-	27,633	1,971,243
Other Additions:			
Unclaimed property	75,221	-	-
Transfers from other plans	-	-	5,880
Miscellaneous revenue	-	-	4
Total Other Additions	75,221	-	5,884
Total Additions	75,221	15,896,625	5,637,634
DEDUCTIONS			
Pension benefits	-	-	3,867,361
Pension refunds	-	-	524,825
Transfers to other plans	-	-	5,880
Administrative expenses	5,145	1,291	3,061
Distributions to participants	-	15,008,069	215,450
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	71,211	-	-
Total Deductions	76,356	15,009,360	4,616,577
Net Increase (Decrease)	(1,135)	887,265	1,021,057
Net Position - Beginning	2,915	8,656,109	89,667,437
Net Position - Ending	\$ 1,780	\$ 9,543,374	\$ 90,688,494

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

Statement of Net Position
COMPONENT UNITS

June 30, 2016

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	\$ 8,611	\$ 755	\$ 74,215	\$ 18,726
Investments	-	-	16,374	86
Investments, restricted	3,740	-	-	1,290
Receivables (net of allowance)	916	11,760	79,026	47,515
Inventories	-	-	5,202	4,821
Prepaid expenses	24	767	13,894	4,524
Total Current Assets	13,291	13,282	188,711	76,962
Noncurrent Assets:				
Investments, noncurrent	-	-	113,628	45,559
Restricted investments, noncurrent	-	-	16,873	-
Other noncurrent assets	-	-	-	5,755
Capital assets:				
Land	34,677	-	13,414	10,817
Buildings	460,953	-	426,639	155,180
Other improvements	-	637	18,616	5,984
Furnishings, equipment and intangible assets	19,132	46,029	240,567	217,289
Accumulated depreciation	(233,084)	(42,652)	(360,011)	(281,467)
Construction in progress	-	-	13,508	4,012
Total Noncurrent Assets	281,678	4,014	483,234	163,129
Total Assets	294,969	17,296	671,945	240,091
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	-	-	-	-
Deferred outflows on refundings	-	-	-	6,066
Deferred outflows on pensions	24	1,993	-	-
Total Deferred Outflows of Resources	24	1,993	-	6,066
Total Assets and Deferred Outflows of Resources	\$ 294,993	\$ 19,289	\$ 671,945	\$ 246,157

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

Continued

Nonmajor Component		
Units		Total
\$ 8,753	\$	111,060
54,974		71,434
-		5,030
32,920		172,137
-		10,023
268		19,477
<hr/>		
96,915		389,161
<hr/>		
-		159,187
-		16,873
186,584		192,339
<hr/>		
-		58,908
-		1,042,772
-		25,237
1,999		525,016
(1,670)		(918,884)
-		17,520
<hr/>		
186,913		1,118,968
<hr/>		
283,828		1,508,129
<hr/>		
572		572
-		6,066
-		2,017
<hr/>		
572		8,655
<hr/>		
\$ 284,400	\$	1,516,784
<hr/>		

Statement of Net Position
COMPONENT UNITS

June 30, 2016
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 19	\$ 11,079	\$ 18,215	\$ 17,200
Contracts payable	1,630	-	-	-
Accrued liabilities	4,289	695	82,263	41,703
Unearned revenue	-	-	-	-
Total Current Liabilities	5,938	11,774	100,478	58,903
Noncurrent Liabilities:				
Net pension liability	178	9,254	-	-
Other long-term liabilities	-	-	303,232	97,756
Total Noncurrent Liabilities	178	9,254	303,232	97,756
Total Liabilities	6,116	21,028	403,710	156,659
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on property taxes	-	-	26,744	-
Deferred inflows on pensions	79	1,417	-	-
Total Deferred Inflows of Resources	79	1,417	26,744	-
NET POSITION				
Net investment in capital assets	277,940	4,014	40,601	30,674
Restricted for:				
Deferred sales tax	3,703	-	-	-
Other purposes	-	-	8,034	2,681
Unrestricted	7,155	(7,170)	192,856	56,143
Total Net Position	288,798	(3,156)	241,491	89,498
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 294,993	\$ 19,289	\$ 671,945	\$ 246,157

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

		Concluded	
Nonmajor Component		Units	Total
		<u>Units</u>	<u>Total</u>
\$	38,412	\$	84,925
	-		1,630
	1,245		130,195
	10,239		10,239
	<u>49,896</u>		<u>226,989</u>
	4,410		13,842
	-		400,988
	<u>4,410</u>		<u>414,830</u>
	<u>54,306</u>		<u>641,819</u>
	-		26,744
	730		2,226
	<u>730</u>		<u>28,970</u>
	329		353,558
	-		3,703
	1,083		11,798
	227,952		476,936
	<u>229,364</u>		<u>845,995</u>
\$	<u>284,400</u>	\$	<u>1,516,784</u>

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS

For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
EXPENSES	\$ 18,769	\$ 147,281	\$ 578,984	\$ 395,224
PROGRAM REVENUES				
Charges for services	3,605	82,041	565,897	372,750
Operating grants and contributions	-	47,675	-	14,936
Total Program Revenues	<u>3,605</u>	<u>129,716</u>	<u>565,897</u>	<u>387,686</u>
Net Program Revenues (Expense)	<u>(15,164)</u>	<u>(17,565)</u>	<u>(13,087)</u>	<u>(7,538)</u>
GENERAL REVENUES				
Earnings (loss) on investments	110	-	4,666	2,516
Property taxes	-	-	19,902	-
Other	-	174	-	297
Total General Revenues	<u>110</u>	<u>174</u>	<u>24,568</u>	<u>2,813</u>
Change in Net Position	(15,054)	(17,391)	11,481	(4,725)
Net Position - Beginning, as restated	<u>303,852</u>	<u>14,235</u>	<u>230,010</u>	<u>94,223</u>
Net Position - Ending	<u>\$ 288,798</u>	<u>\$ (3,156)</u>	<u>\$ 241,491</u>	<u>\$ 89,498</u>

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

Nonmajor			
Component Units		Total	
\$	24,859	\$	1,165,117
	68,573		1,092,866
	5,578		68,189
	74,151		1,161,055
	49,292		(4,062)
	1,505		8,797
	-		19,902
	8		479
	1,513		29,178
	50,805		25,116
	178,559		820,879
\$	229,364	\$	845,995

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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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 nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

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

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

(3) the primary government is obligated in some manner for the debt of the organization.

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

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

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

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

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

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

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

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

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

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

Blended Component Units

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

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

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

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

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

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

Discrete Component Units

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

The state's component units each have a year-end of June 30 with the exception of the Washington Economic Development Finance Authority and the Washington Health Benefit Exchange, which have a December 31 year-end.

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

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

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

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

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

The **Washington State Public Stadium Authority (PSA)** was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. At June 30, 2016, PSA capital assets, net of accumulated depreciation, total \$281.7 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed \$300 million from all state and local government funding sources, as required in statute.

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

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

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

The **Washington Health Benefit Exchange (Exchange)** was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and

Affordable Care Act of 2010. Federal grant funding financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange is to be self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

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

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

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

Northwest Hospital is a 209-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital. Financial reports of Northwest Hospital may be obtained at the following address:

Northwest Hospital
1550 N. 115th Street
Seattle, WA 98133-9733

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

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

Joint Ventures

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

cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

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

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

The state accounts for the Medical Center's interest in the SCCA under the equity method of accounting. Income of \$20 million was recorded in fiscal year 2016, bringing the total equity investment to \$127.7 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the SCCA may be obtained from:

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

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

Separate financial statements for CUMG may be obtained from:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial

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

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

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

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

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program 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 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 664 accounts that are combined into 51 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.
- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for educational and research purposes.
- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the income earned on investments.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.
- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.
- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.
- **Guaranteed Education Tuition Program Fund** accounts for Washington's Guaranteed Education

Tuition (GET) Program. GET is a qualified tuition program under Section 529 of the Internal Revenue Code.

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, other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system, and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations, and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.
- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).
- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

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

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

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

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

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

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

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as “Cash and 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. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for investments varies depending upon the fund classification. Investments in the state’s Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at:

<http://www.tre.wa.gov/documents/lqipCafr/lqipCafrFY16.pdf>, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

In the absence of readily ascertainable fair values, certain pension trust fund investments, including real estate and private equity, are reported at fair value based on the individual investment’s capital account balance at the closest available reporting period, adjusted for subsequent activity. At June 30, 2016, these alternative investments are valued at \$33.22 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaids

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

weighted average methods. Donated consumable inventories are recorded at fair value.

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

For governmental fund financial reporting, inventory balances are also recorded as a nonspendable fund balance indicating that they do not constitute “available spendable resources,” except for \$4.6 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

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

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

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

4. Restricted Assets

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

5. Capital Assets

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

It is the state’s policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of \$100,000 or more;

- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of \$100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of \$1 million or more that are identifiable by meeting one of the following conditions:
 - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged;
 - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and
- All other capital assets with a unit cost (including ancillary costs) of \$5,000 or greater, or collections with a total cost of \$5,000 or greater except for assets held by the University of Washington (UW). The capitalization threshold for all other capital assets held by the UW is \$2,000.

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

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

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

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2016, \$85.9 million in interest costs were incurred, and \$13.2 million net interest costs were capitalized.

State agencies are not required to capitalize art collections, library reserve collections, and museum and historical

collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

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

Generally, estimated useful lives are as follows:

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

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

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed. 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 Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

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

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

6. Deferred Outflows/Inflows of Resources

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

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

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

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

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial

statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the state relate to unavailable revenue, debt refunding, pensions, and hedging derivative instruments.

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

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

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

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

7. Compensated Absences

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

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

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

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

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

8. Long-Term Liabilities

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

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

9. Fund Equity

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

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.

- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.
- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

In fiduciary funds, net assets are held in trust for individuals and external organizations.

E. OTHER INFORMATION

1. Insurance Activities

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

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

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

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

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

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims

payable are charged or credited to claims expense in the periods in which they are made.

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

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Commercial insurance is purchased for liabilities arising from the operations of the Washington state ferries, 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 ten fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, tribal governments, 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. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for in an internal service fund, the Employee Insurance Fund.

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

The Health Care Authority, 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 available on a self-paid basis to former

employees and employees who are temporarily not in pay status.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 43, an agency fund, the Retiree Health Insurance Fund, is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled 65 percent of the eligible subscribers in fiscal year 2016. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

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

2. Postemployment Benefits

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

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

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

3. Interfund/Interagency Activities

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

4. Donor-restricted Endowments

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

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

The net appreciation available for authorization for expenditure by governing boards totaled \$459.5 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.



Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2016 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 72 *Fair Value Measurement and Application*. GASB Statement No. 72 defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 addresses three separate subjects, two of which are effective for fiscal year 2016 reporting. It requires assets accumulated for pension purposes to be reported as assets of the employer. It also amends Statements 67 and 68 by:

- limiting disclosure of investment related factors that significantly affect trends in the amounts reported to factors that the pension plan or government have influence over;
- defining separately financed specific liabilities and financial reporting requirements for those liabilities; and
- requiring employers to recognize revenue for the support of nonemployer contributing entities not in a special funding situation in the period in which the contribution is reported as a change in the net pension liability.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 identifies the hierarchy of generally accepted accounting principles for governmental financial

reporting and establishes the framework for selecting those principles.

Statement No. 79 *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of Statement 79 related to portfolio quality, custodial credit risk, and shadow pricing are not effective until fiscal year 2017.

Fund Reclassification. During fiscal year 2016, an account was abolished and its assets and liabilities were transferred to another agency and account. As a result the beginning fund balance of the Data Processing Revolving Fund, a nonmajor internal service fund, was reduced by \$2.0 million, and the beginning fund balance of the General Services Fund, a nonmajor internal service fund, was increased by \$2.0 million.

Prior Period Adjustment. The Health Benefit Exchange, a major component unit, recorded a reduction to the beginning net position balance in the amount of \$8.6 million as a result of implementing GASB Statement No. 68.

The Public Stadium Authority, a major component unit, recorded a reduction to the beginning net position balance in the amount of \$132 thousand as a result of implementing GASB Statement No. 68.

The Washington Economic Development Finance Authority, a nonmajor component unit, recorded an increase to the beginning net position balance in the amount of \$2 thousand as a result of a change in accounting method.

Northwest Hospital, a major component unit, recorded a decrease to the beginning net position balance in the amount of \$1.3 million due to correction of an error.

Fund equity at July 1, 2015, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2015, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2015
Governmental Funds:				
General	\$ 2,665,419			\$ 2,665,419
Higher Education Special Revenue	2,828,740			2,828,740
Higher Education Endowment	3,466,418			3,466,418
Nonmajor Governmental	5,737,425			5,737,425
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,919,801)			(9,919,801)
Unemployment Compensation	4,240,486			4,240,486
Higher Education Student Services	1,100,953			1,100,953
Guaranteed Education Tuition Program	818,468			818,468
Nonmajor Enterprise	28,043			28,043
Internal Service Funds	(260,750)			(260,750)
Fiduciary Funds:				
Private Purpose Trust	2,915			2,915
Local Government Investment Pool	8,656,109			8,656,109
Pension and Other Employee Benefit Plans	89,667,437			89,667,437
Component Units:				
Public Stadium	303,984		(132)	303,852
Health Benefit Exchange	22,842		(8,607)	14,235
Valley Medical Center	230,010			230,010
Northwest Hospital	95,550		(1,327)	94,223
Nonmajor Component Units	178,557		2	178,559

Note 3

Deposits and Investments

A. DEPOSITS

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

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

At June 30, 2016, \$1.30 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining \$5.7 million uninsured/uncollateralized.

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

1. Summary of Investment Policies

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

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

In accordance with RCW 43.33A.110, the WSIB manages the pension fund portfolio to achieve maximum return at a prudent level of risk. The WSIB establishes asset allocation targets that must be considered at all times when making

investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2016.

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

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

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1, 2, and 3; Teachers' Retirement System (TRS) Plans 1, 2, and 3; School Employees' Retirement System (SERS) Plans 2 and 3; Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2; Washington State Patrol Retirement System Plans 1 and 2; Public Safety Employees' Retirement System Plan 2; Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund; and the Higher Education Retirement Supplemental Benefit Fund. The CTF includes both the defined benefit and defined contribution portions of PERS Plan 3, TRS Plan 3, and SERS Plan 3, which are hybrid defined benefit/defined contribution plans. The participants of those plans have the option to direct their

contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

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

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

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

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

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

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

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

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

The major sector allocations of the fixed income portfolio are limited to the following ranges: U.S. treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

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

The private equity investment portfolio is managed to meet or exceed the returns of the Russell 3000 by 300 basis points in the long term. To meet the return and plan objectives, the private equity portfolio has diversified

investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

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

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

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

The pension trust fund'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 transactions, and ongoing operational decisions for annual capital expenditures.

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

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

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

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

2. Valuation of Investments

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

The following table presents fair value measurements as of June 30, 2016:

Pension Trust Funds		Fair Value Measurements Using		
Investments Measured at Fair Value				
June 30, 2016				
<i>(expressed in thousands)</i>				
Investments by fair value level	Fair Value	Level 1	Level 2	Level 3
		Inputs	Inputs	Inputs
Debt securities				
Mortgage and other asset-backed securities	\$ 1,078,558		\$ 1,078,558	
Corporate bonds	9,085,459		9,085,459	
U.S. and foreign government and agency securities	<u>7,630,526</u>		<u>7,630,526</u>	
Total debt securities	<u>17,794,543</u>		<u>17,794,543</u>	
Equity securities				
Common and preferred stock	17,707,523	17,674,188	33,335	
Depository receipts and other miscellaneous	808,041	805,891	2,150	
Mutual funds and exchange traded funds	1,819	1,819	-	
Real estate investment trusts	321,959	321,959	-	
Private equity and tangible asset funds	<u>158,538</u>	<u>158,538</u>	-	
Total equity securities	<u>18,997,880</u>	<u>18,962,395</u>	<u>35,485</u>	
Total return swap contracts (Investment derivative)	<u>22</u>		<u>22</u>	
Total investments by fair value level	<u>36,792,445</u>	<u>\$ 18,962,395</u>	<u>\$ 17,830,050</u>	
Investments measured at net asset value (NAV)				
Private equity	17,346,426			
Real estate	13,247,480			
Tangible assets	2,469,580			
Collective investment trust funds (equity securities)	<u>10,493,392</u>			
Total investments measured at the NAV	<u>43,556,878</u>			
Total investments measured at fair value	<u>\$ 80,349,323</u>			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	682,234		682,234	
Net foreign exchange contracts receivable-forward and spot	10,333		10,333	
Margin variation receivable-futures contracts	17,523		17,523	
Obligations under securities lending agreements	<u>(682,234)</u>		<u>(682,234)</u>	
Total other assets (liabilities) measured at fair value	<u>\$ 27,856</u>		<u>\$ 27,856</u>	

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

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

Investments measured at net asset value (NAV). The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the pension trust fund's ownership interest

in partners' capital. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the closest available reporting period, adjusted by subsequent contributions, distributions, management fees, and changes in values of foreign currency and published market prices for certain securities.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately \$33.22 billion as of June 30, 2016. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2016, reported net asset value.

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

Pension Trust Funds						
Alternative Assets Expected Liquidation Periods						
June 30, 2016						
<i>(expressed in thousands)</i>						
Liquidation Periods	Investment Type			Total	Percentage of Total	
	Private Equity	Real Estate	Tangible Assets			
Publicly traded-Level 1	\$ 99,921	\$ -	\$ 58,617	\$ 158,538	0.5%	
Less than 3 years	124,550	168,555	40	293,145	0.9%	
3 to 9 years	8,174,741	2,038,743	765,660	10,979,144	33.0%	
10 or more years	9,047,135	11,040,182	1,703,880	21,791,197	65.6%	
Total	\$ 17,446,347	\$ 13,247,480	\$ 2,528,197	\$ 33,222,024	100.0%	

Private Equity. This includes 262 private equity limited liability partnerships that invest primarily in the United States, Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity. The fair value of individual capital account balances is based on the valuation reported by private equity partnerships using the following methodologies to value the underlying portfolio companies:

- Valuations of publicly traded portfolio companies are based on active exchanges using quoted market prices as of the close of trading for each month-end.
- When a portfolio company investment does not have a readily available market price but has a return that is determined by reference to an asset for which a market

price is readily available, valuations are based on the closing market price of the reference asset on the valuation date, adjusted for unique factors that affect the fair value of the investment held.

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

Real Estate. This includes 31 real estate investments. Targeted investment structures within the real estate

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

Tangible Assets. This includes 29 limited liability structures and funds. The primary goal of the tangible asset portfolio is to generate a long-term sustainable and stable income stream, as well as generate appreciation at least commensurate with inflation. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

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

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

The third fund seeks to achieve long-term capital appreciation through active investment management in emerging market countries. The index against which the fund compares its performance is the MSCI Emerging Market Index. The pension trust fund may redeem some or all of their holdings on each monthly valuation date. The fund manager may delay redemption proceeds if it determines that it is reasonably necessary to prevent a

material adverse impact on the fund or other investors. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind.

Other Assets and Liabilities measured at fair value.

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

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

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

3. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2016, the pension trust funds had unfunded commitments of \$12.98 billion, \$7.78 billion, \$3.16 billion, and \$22.0 million in private equity, real estate, tangible assets, and the innovation portfolio, respectively.

4. Securities Lending

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

The fair value of the securities on loan at June 30, 2016, was approximately \$1.58 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2016, cash collateral received totaling \$682.2 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling \$682.2 million is reported as security lending collateral in the Statement of Net

Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2016, was \$895.2 million.

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

The following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2016 (in millions):

Mortgage-backed securities	\$463.1
Treasuries	438.5
Repurchase agreements	271.1
Yankee CD	151.7
Cash equivalents and other	137.7
Commercial paper	115.3
Total collateral held	\$1,577.4

During fiscal year 2016, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2016, the cash collateral held had an average duration of 17.2 days and an average weighted final maturity of 73.4 days.

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

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

During fiscal year 2016, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2016 resulting from a default by either the borrowers or the securities lending agents.

5. Interest Rate Risk

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

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Barclays Capital Universal Index, with a duration target within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2016, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two schedules below provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2016. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Pension Trust Funds
Schedule of Maturities and Effective Duration
June 30, 2016
(expressed in thousands)

Investment Type	Total Fair Value	Maturity				Effective Duration (in years)
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Mortgage and other asset-backed securities	\$ 1,078,558	\$ 100,102	\$ 945,106	\$ 33,350	\$ -	2.8
Corporate bonds	9,085,459	546,733	3,706,340	3,472,984	1,359,402	6.0
U.S. government and agency securities	6,309,623	1,012,620	2,764,388	1,735,215	797,400	6.2
Foreign government and agency securities	1,320,903	119,778	438,223	476,259	286,643	5.6
Total investments categorized	17,794,543	\$ 1,779,233	\$ 7,854,057	\$ 5,717,808	\$ 2,443,445	5.9*
Investments not required to be categorized:						
Cash and cash equivalents	2,004,960					
Equity securities	29,332,734					
Alternative investments	33,222,024					
Total return swap contracts	22					
Total investments not categorized	64,559,740					
Total Investments	\$ 82,354,283					

* Excludes cash and cash equivalents

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

Pension Trust Funds				
Investment Credit Ratings				
June 30, 2016				
<i>(expressed in thousands)</i>				
Moody's Credit Rating	Investment Type			Total Fair Value
	Mortgage and Other Asset- Backed Securities	Corporate Bonds	Foreign Government and Agency Securities	
Aaa	\$ 1,072,096	\$ 456,723	\$ 148,161	\$ 1,676,980
Aa1	-	17,599	59,430	77,029
Aa2	391	95,738	94,978	191,107
Aa3	-	670,193	209,994	880,187
A1	-	739,516	-	739,516
A2	-	457,102	-	457,102
A3	-	1,109,453	72,625	1,182,078
Baa1	-	1,190,615	105,031	1,295,646
Baa2	-	1,053,208	154,196	1,207,404
Baa3	5,149	1,987,802	174,930	2,167,881
Ba1 or lower	922	1,307,510	301,558	1,609,990
Total	\$ 1,078,558	\$ 9,085,459	\$ 1,320,903	\$ 11,484,920

6. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2016, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2016.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities. The pension trust funds do not have a policy

relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

7. Foreign Currency Risk

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

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2016, of \$745.8 million invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2016
(expressed in thousands)

Foreign Currency Denomination	Investment Type in U.S. Dollar Equivalent						Open Foreign Exchange Contracts-Net	Total
	Cash and Equivalents	Debt Securities	Equity Securities	Derivatives	Alternative Assets			
Australia-Dollar	\$ 5,815	\$ 283,407	\$ 463,756	\$ -	\$ 6,684	\$ 1,871	\$ 761,533	
Brazil-Real	242	143,327	129,892	(177)	-	3,998	277,282	
Canada-Dollar	9,819	-	658,774	-	-	(301)	668,292	
Chile-Peso	195	61,019	14,404	-	-	(14)	75,604	
Columbia-Peso	-	77,889	-	-	-	1,131	79,020	
Denmark-Krone	537	-	177,924	-	-	(2,255)	176,206	
E.M.U.-Euro	20,853	-	2,538,738	-	2,339,445	3,109	4,902,145	
Hong Kong-Dollar	2,982	-	585,919	530	-	14	589,445	
India-Rupee	361	104,219	231,437	-	-	16	336,033	
Indonesia-Rupiah	127	29,769	67,838	-	-	(50)	97,684	
Japan-Yen	25,246	-	1,928,348	-	-	1,469	1,955,063	
Malaysia-Ringgit	748	52,792	60,579	-	-	320	114,439	
Mexico-Peso	1,062	85,232	86,769	-	-	(197)	172,866	
New Taiwan-Dollar	3,143	-	208,641	(31)	-	(510)	211,243	
Philippines-Peso	37	29,922	27,738	-	-	29	57,726	
Singapore-Dollar	1,133	-	169,869	-	-	106	171,108	
South Africa-Rand	1,557	-	128,686	-	-	1,190	131,433	
South Korea-Won	4,473	-	308,175	(294)	-	(1,036)	311,318	
Sweden-Krona	2,038	-	283,755	-	-	631	286,424	
Switzerland-Franc	372	-	995,881	-	-	(118)	996,135	
Thailand-Baht	1,113	43,425	68,324	-	-	(50)	112,812	
Turkey-Lira	1,032	48,883	74,942	3	-	1,253	126,113	
United Kingdom-Pound	9,986	-	2,022,921	-	-	(2,826)	2,030,081	
Other	1,762	92,541	153,232	-	-	2,552	250,087	
Total	\$ 94,633	\$ 1,052,425	\$ 11,386,542	\$ 31	\$ 2,346,129	\$ 10,332	\$ 14,890,092	

8. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. At June 30, 2016, the pension trust funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Revenues, Expenses, and Changes in Net Position in the period of change. The derivative instruments are considered investment derivatives and not hedging derivatives.

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

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

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2016, the pension trust funds counterparty risk was approximately \$39.3 million.

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

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

At June 30, 2016, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of \$10.4 million. The aggregate forward currency exchange contracts receivable and payable were \$2.47 billion and \$2.46 billion, respectively. The contracts have varying maturity dates ranging from July 1, 2016, to September 21, 2016.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The contracts have varying maturity dates ranging from July 20, 2016, to September 21, 2016. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2016, the pension trust funds’ fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of \$59.6 million. Domestic and foreign commingled investment trust fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by these funds is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The counterparty credit ratings for forward currency and total return swap contracts that are subject to credit risk outstanding at June 30, 2016, had a credit rating of no less than A3 using Moody’s rating scale.

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

Pension Trust Funds			
Derivative Investments			
June 30, 2016			
<i>(expressed in thousands)</i>			
	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	\$ 10,118	\$ -	\$ -
Equity index futures	20,569	17,523	172,530
Total	\$ 30,687	\$ 17,523	\$ 172,530
Forward Currency Contracts	\$ (4,514)	\$ 10,375	\$ 2,465,895
Total Return Swap Contracts:			
Total return swaps bond	\$ 325	\$ (217)	\$ 5,239
Total return swaps equity	(246)	239	(33,099)
Total	\$ 79	\$ 22	\$ (27,860)

9. Reverse Repurchase Agreements – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

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

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

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

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

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

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.

- Asset-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.

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

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Asset allocations are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.
- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Morgan Stanley Capital International (MSCI) U.S. Investable Market Index. The benchmark and structure for

international equities will be the MSCI All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.

- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 0 percent to 25 percent. 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 to the target allocations as soon as it is practical.
- Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. Total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of total market value of the funds.

2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The table below presents fair value measurements as of June 30, 2016.

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2016
(expressed in thousands)

Investments by fair value level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities				
Mortgage and other asset-backed securities	\$ 1,450,705		\$ 1,450,705	
Corporate bonds	9,331,357		9,331,357	
U.S. and foreign government and agency securities	<u>2,845,734</u>		<u>2,845,734</u>	
Total investments by fair value level	<u>13,627,796</u>		<u>\$ 13,627,796</u>	
Investments measured at net asset value (NAV)				
Commingled equity investment trusts	<u>1,766,364</u>			
Total investments measured at the NAV	<u>1,766,364</u>			
Total investments measured at fair value	<u>\$ 15,394,160</u>			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	114,581		114,581	
Obligations under securities lending agreements	<u>(114,581)</u>		<u>(114,581)</u>	
Total other assets (liabilities) measured at fair value	<u>\$ -</u>		<u>\$ -</u>	

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

Investments measured at net asset value (NAV). The Workers' Compensation Fund invests in seven separate collective investment trust funds (fund), operated by a bank or trust company, and groups assets contributed into a commingled investment fund. These mutual fund-type investments are not available to the general public and are open-ended funds, which issue or reduce shares for contributions and redemptions from the fund. The commingled fund manager determines a periodic price per unit of the collective trust by obtaining fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded equity securities.

Six funds are passively managed to collectively approximate the capitalization weighted total rates of return of the MSCI All Country World Ex U.S. Investable Market Index. Each fund has monthly openings and contributions, and withdrawals can be made on each

opening date. The fund manager, at its discretion, reserves the right to delay the processing of deposits and withdrawals from each fund in order to ensure that securities transactions will be carried out in an orderly manner. The fund may suspend valuation and withdrawal rights when, at the fund manager's sole discretion, prevailing market conditions or other circumstances, events, or occurrences make the disposition or valuation of investments impracticable or inadvisable, or when the fund manager otherwise considers such action to be in the best interest of the participants or believes that such action would assist in eliminating or mitigating an adverse effect on the fund or participants.

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

3. Securities Lending

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

The fair value of the securities on loan at June 30, 2016, was approximately \$112.0 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2016, cash collateral received totaling \$114.6 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling \$114.6 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2016, was \$316 thousand.

During fiscal year 2016, debt securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2016 (in millions):

Repurchase agreements	\$45.5
Yankee CD	25.5
Cash equivalents and other	24.2
Commercial paper	19.4
Mortgage-backed securities	.3
Total collateral held	\$114.9

During fiscal year 2016, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2016, the cash collateral held had an average duration of 17.2 days and an average weighted final maturity of 73.4 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash

collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

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

During fiscal year 2016, there were no significant violations of legal or contractual provisions, and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2016 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. As of June 30, 2016, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The following two schedules provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2016. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2016
(expressed in thousands)

Investment Type	Total Fair Value	Maturity				Effective Duration (in years)
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Mortgage and other asset-backed securities	\$ 1,450,705	\$ 198,660	\$ 1,118,071	\$ 78,753	\$ 55,221	3.3
Corporate bonds	9,331,357	1,082,926	2,678,109	2,239,181	3,331,141	7.6
U.S. government and agency securities	2,132,945	80,051	732,975	718,903	601,016	9.7
Foreign government and agencies	712,789	122,946	365,236	179,748	44,859	4.8
Total investments categorized	13,627,796	\$ 1,484,583	\$ 4,894,391	\$ 3,216,585	\$ 4,032,237	7.3*
Investments not required to be categorized:						
Commingled investment trusts	1,766,364					
Cash and cash equivalents	193,242					
Total investments not categorized	1,959,606					
Total Investments	\$ 15,587,402					

* Excludes cash and cash equivalents

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

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2016
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type			Total Fair Value
	Mortgage and Other Asset- Backed Securities	Corporate Bonds	Foreign Government and Agencies	
Aaa	\$ 1,428,590	\$ 338,020	\$ 161,976	\$ 1,928,586
Aa1	22,115	30,036	-	52,151
Aa2	-	85,756	144,979	230,735
Aa3	-	1,193,132	287,957	1,481,089
A1	-	1,275,245	35,937	1,311,182
A2	-	1,040,920	-	1,040,920
A3	-	1,595,454	-	1,595,454
Baa1	-	1,282,335	28,502	1,310,837
Baa2	-	1,053,497	-	1,053,497
Baa3	-	1,014,163	53,438	1,067,601
Ba1 or lower	-	422,799	-	422,799
Total	\$ 1,450,705	\$ 9,331,357	\$ 712,789	\$ 11,494,851

5. Credit Risk

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

The rated debt investments of the Workers' Compensation Fund as of June 30, 2016, were rated by Moody's and/or an equivalent national rating organization.

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

of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2016.

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

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2016, the only securities held by the Workers' Compensation Fund with foreign currency exposure were \$650.0 million (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

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

Workers' Compensation Fund	
Foreign Currency Exposure by Country	
June 30, 2016	
<i>(expressed in thousands)</i>	
Foreign Currency Denomination	Equity Securities
Australia-Dollar	\$ 33,460
Brazil-Real	10,132
Canada-Dollar	46,214
Denmark-Krone	8,826
E.M.U.-Euro	133,050
Hong Kong-Dollar	45,085
India-Rupee	13,153
Indonesia-Rupiah	4,009
Israel-Sheqel	3,128
Japan-Yen	114,864
Malaysia-Ringgit	4,523
Mexico-Peso	6,036
New Taiwan-Dollar	19,255
Norway-Krone	3,592
Philippines-Peso	2,262
Singapore-Dollar	6,634
South Africa-Rand	10,576
South Korea-Won	22,923
Sweden-Krona	14,626
Switzerland-Franc	40,760
Thailand-Baht	3,668
United Kingdom-Pound	92,194
Miscellaneous Foreign Currencies	11,053
Total	\$ 650,023

7. Derivatives

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

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

At June 30, 2016, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of \$922.5 million.

8. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

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

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

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The funds are limited to high quality obligations with regulated

maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, online at: <http://www.tre.wa.gov/documents/lqipCafr/lqipCafrFY16.pdf>, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

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

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

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

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

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

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- 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 designated 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 Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).

- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Obligations of the state of Washington or its political subdivisions.

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

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. government floating or variable rate notes which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates their amortized cost.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.
- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

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

2. Valuation of Investments

Investments, other than bank deposits, are stated at amortized cost. Bank deposits are stated at their carrying amount. Both approximate fair value. Fair value is determined monthly. Security transactions are reported on a trade date basis in accordance with generally accepted accounting principles.

3. Securities Lending

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

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

During fiscal year 2016, the LGIP lent U.S. agency and treasury securities. Cash collateral was reinvested in the LGIP and interest bearing bank deposits. At fiscal year end, the fair value of securities on loan was \$49.9 million, and securities were received for collateral with a fair value of \$51.0 million.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2016, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the 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 no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the fiscal year.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid

obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2016, the LGIP had a weighted average maturity of 35 days and a weighted average life of 100 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2016:

Local Government Investment Pool (LGIP)			
June 30, 2016			
<i>(expressed in thousands)</i>			
Investment Type	Amortized Cost	Maturity	
		Less than 1 Year	1-5 Years
U.S. agency securities	\$ 6,862,274	\$ 5,923,736	\$ 938,538
U.S. government securities	1,373,535	1,323,644	49,891
Repurchase agreements	3,584,529	3,584,529	-
Interest bearing bank accounts	1,038,622	1,038,622	-
Certificates of deposit	72,320	72,320	-
Total Investments	\$ 12,931,280	\$ 11,942,851	\$ 988,429

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositories, and obligations of the state of Washington or its political subdivisions.

Banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two NRSROs at the time of purchase. The LGIP currently does not have any banker's acceptances, commercial paper, or obligations of the state of Washington or its political subdivisions in its portfolio.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and ensure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

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

Repurchase agreements comprise 27.7 percent of the total portfolio as of June 30, 2016. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2016, U.S. treasury securities comprised 10.6 percent of the total portfolio. U.S. agency securities comprised 53.1 percent of the total portfolio, including Federal Home Loan Bank (34.9 percent), Federal Home Loan Mortgage Corporation (1 percent), Federal Farm Credit Bank (16.4 percent), and Federal National Mortgage Association (0.8 percent).

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

The fair 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 fair value plus accrued income of all other securities utilized in 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 LGIP's custodian in the state's name. Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2016, repurchase agreements totaled \$3.58 billion.

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 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. During fiscal year 2016, the LGIP did not enter into any reverse repurchase agreements.

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

1. Summary of Investment Policies

The investments of the University of Washington represent 75 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services 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.

In 2016 the Board of Regents approved the establishment of the University of Washington Investment Management Company (UWINCO), an internal investment management company. The former investment management advisory committee was replaced with an investment management advisory board known as the UWINCO Board.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the

custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2016, the Invested Funds Pool totaled \$1.49 billion. The fund also owns units in the Consolidated Endowment Fund valued at \$730.5 million on June 30, 2016.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2 percent in fiscal year 2016. Endowment operating and gift accounts received 3 percent in fiscal year 2016 with the distributions directed to the University. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

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

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4 percent applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1 percent supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is \$12.2 million at June 30, 2016.

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 \$107.8 million at June 30, 2016. Income received from these trusts, which is included in investment income, was \$4.5 million for the year ended June 30, 2016.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of \$41.1 million in fiscal year 2016 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation (depreciation) of these investments reported in the prior year(s). The net appreciation (depreciation) in the fair value of investments

during the year ended June 30, 2016, was \$(53.8) million.

2. Valuation of Investments

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

The following schedule presents the fair value of the University's investments by type at June 30, 2016:

University of Washington		Fair Value Measurements Using		
Investments Measured at Fair Value		Level 1	Level 2	Level 3
June 30, 2016		Inputs	Inputs	Inputs
<i>(expressed in thousands)</i>		Fair Value	Inputs	Inputs
Investments by fair value level				
Fixed income securities				
U.S. treasury	\$ 640,448	\$ 13,646	\$ 626,802	\$ -
U.S. government agency	535,750	-	535,750	-
Mortgage-backed	172,199	-	172,199	-
Asset-backed	133,567	-	133,567	-
Corporate and other	141,644	21,243	120,401	-
Total fixed income securities	<u>1,623,608</u>	<u>34,889</u>	<u>1,588,719</u>	<u>-</u>
Equity securities				
Global equity investments	626,622	573,552	52,025	1,045
Private equity and venture capital funds	11,291	6,160	-	5,131
Real estate	3,851	-	-	3,851
Other	226	-	-	226
Total equity securities	<u>641,990</u>	<u>579,712</u>	<u>52,025</u>	<u>10,253</u>
Total investments by fair value level	<u>2,265,598</u>	<u>\$ 614,601</u>	<u>\$ 1,640,744</u>	<u>\$ 10,253</u>
Investments measured at net asset value (NAV)				
Global equity investments	1,055,272			
Absolute return strategy funds	463,366			
Private equity and venture capital funds	329,719			
Real asset funds	183,481			
Other	106,729			
Total investments measured at the NAV	<u>2,138,567</u>			
Total investments measured at fair value	4,404,165			
Cash equivalents at other than fair value	404,805			
Total Investments	<u>\$ 4,808,970</u>			

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

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

Investments classified as level 3. Private equity, real assets, and other investments classified in level 3 are valued

using either discounted cash flow or market comparable techniques.

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

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table:

University of Washington				
Investments Measured at the Net Asset Value				
June 30, 2016				
<i>(expressed in thousands)</i>				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	\$ 1,055,272	\$ 23,846	Monthly to annually	30-60 days
Absolute return strategy funds	463,366	15,728	Quarterly to annually	30-60 days
Private equity and venture capital funds	329,719	204,399	n/a	-
Real asset funds	183,481	55,503	n/a	-
Other	106,729	850	Quarterly to annually	30-95 days
Total investments measured at the NAV	<u>\$ 2,138,567</u>			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. Fair values have been determined using the NAV per share of the investments except for the separately managed accounts. For 2016, approximately 62 percent of the value of the investments in this category can be redeemed within 60 days and 94 percent can be redeemed within one year. The remaining balance of these investments contain restrictions that do not allow for redemption within one year.

Absolute Return. This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Fair values have been determined using the NAV per share of the investments. Approximately 89 percent of the value of the investments in this category can be redeemed within one year. The remaining balance of these investments contain restrictions that do not allow for redemption within one year.

Private Equity. This category includes buyout, venture, and special situations funds. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next seven to ten years.

Real assets. This category includes real estate, natural resources, and other hard assets. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next seven to ten years.

Other. This category consists of fixed income and opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Fair values have been determined using

the NAV per share (or its equivalent) of the ownership interest in partners' capital. Approximately 45 percent of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contain restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next ten years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2016, the University had outstanding commitments to fund alternative investments in the amount of \$300.3 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

4. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. As of June 30, 2016, the University had no securities on loan.

5. Interest Rate Risk

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

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.77 years at June 30, 2016.

6. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments

will cause prices to decline. The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' liquidity pool requires each manager to maintain an average quality rating of A and to hold at least 25 percent of their portfolios in government and government agency issues.

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

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

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

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

The following schedule summarizes the composition of the fixed income securities at June 30, 2016, along with credit quality and effective duration measures. The schedule excludes \$13.9 million of fixed income securities held outside the CEF and the IF pool, which makes up 0.85 percent of the University's investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2016
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Invest- ment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	\$ 636,485	\$ -	\$ -	\$ -	\$ 636,485	3.24
U.S. government agency	531,795	-	-	-	531,795	2.54
Mortgage-backed	-	94,054	54,797	23,348	172,199	2.20
Asset-backed	-	113,715	2,627	17,225	133,567	0.96
Corporate and other	-	111,977	20,225	3,500	135,702	4.04
Total	\$ 1,168,280	\$ 319,746	\$ 77,649	\$ 44,073	\$ 1,609,748	2.77

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

7. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset

classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2016, of \$1.01 billion.

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

Foreign Currency	Amount
E.M.U.-Euro	\$ 123,075
India-Rupee	122,738
China-Renminbi	109,170
Japan-Yen	79,512
Brazil-Real	74,582
Hong Kong-Dollar	58,655
South Korea-Won	53,278
Russia-Ruble	50,132
Britain-Pound	44,802
Canada-Dollar	30,634
Switzerland-Franc	28,931
Mexico-Peso	28,693
Taiwan-Dollar	27,573
Philippines-Peso	25,265
Remaining currencies	152,562
Total	\$ 1,009,602

8. Derivatives

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

using listed price quotations or amounts that approximate fair value.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2016. The University had no hedging derivatives, only derivatives for investment purposes.

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

The following schedule presents the significant terms for derivatives held as investments by the University:

University of Washington Derivative Investments June 30, 2016 (expressed in thousands)				
Category	Changes in Fair Value - Included in Investment Income (Loss)		Fair Value - Investment Derivative	Notional
	Amount	Amount		
Futures contracts	\$ 790	\$ 65,218	\$ 64,428	

9. Reverse Repurchase Agreements – None.

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

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2016, a portion of the investment income reported by the General Fund was earned by other funds.

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 (chapters 39.58, 39.59, 43.250, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored enterprises that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- 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 to policies and procedures of the Washington 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 (LGIP).
- Obligations of the state of Washington or its political subdivisions.

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

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations is not allowed.

- The allocation to investments subject to high price sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

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

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

2. Valuation of Investments

The OST reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table presents fair value measurements as of June 30, 2016:

Office of the State Treasurer (OST)
Cash Management Account
Investments Measured at Fair Value
June 30, 2016
(expressed in thousands)

Investments by fair value level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities				
U.S. government and agency securities	\$ 2,938,844		\$ 2,938,844	
Total investments measured at fair value	\$ 2,938,844		\$ 2,938,844	

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

3. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Citibank, N.A. as

a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the market value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements, deposit accounts, or money market instruments, in accordance with investment guidelines

approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2016, cash received as collateral was invested in the LGIP money market fund and/or demand deposit accounts, which allow withdrawals each business day to cover maturing loans. At June 30, 2016, the fair value of cash collateral held totaled \$204.0 million.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2016, the fair value of securities on loan totaled \$199.3 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2016, 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.

4. Interest Rate Risk

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

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

The following schedule presents the OST investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2016:

Office of the State Treasurer (OST)			
Cash Management Account			
June 30, 2016			
<i>(expressed in thousands)</i>			
Investment Type	Total	Maturity	
	Fair Value	Less than 1 Year	1-5 Years
U.S. agency securities	\$ 2,461,911	\$ 659,584	\$ 1,802,327
U.S. government securities	919,980	45,022	874,958
Certificates of deposit	151,014	151,014	-
Investments with LGIP	2,724,681	2,724,681	-
Interest bearing bank accounts	200,730	200,730	-
Total Investments	\$ 6,458,316	\$ 3,781,031	\$ 2,677,285

5. 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 deposits with qualified public depositories.

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

Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and ensure the safety of the investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2016, the OST did not own any non-governmental securities subject to this restriction.

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

Repurchase agreements and securities accepted for repurchase agreements are subject to the following additional restrictions:

Transactions will be conducted only with primary dealers, the Federal Reserve Bank of New York, the state's bank of record or master custodial bank, and under the terms of a written master repurchase agreement.

Repurchase agreements with any single primary dealer or financial institution will not exceed 20 percent of the portfolio or \$600 million, whichever is greater. The maximum term of repurchase agreements will be 180 days. The share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30 percent of the total portfolio.

Securities utilized in repurchase agreements with a maturity date longer than seven days are priced at least weekly and are held by the Treasury/Trust custodian in the state's name.

Treasury, agency, and money market securities will be priced at 102 percent of market value plus accrued income, except where the counterparty is the Federal Reserve Bank of New York, in which case they will be priced at 100 percent of market value plus accrued income.

Mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of market value plus accrued income.

Collateralized mortgage obligation securities utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. Only securities authorized in statute for the investment of public funds are utilized in repurchase agreements. There were no repurchase agreements as of June 30, 2016.

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 market 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 market 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 market 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. There were no reverse repurchase agreements during fiscal year 2016.

Note 4

Receivables, Unearned and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable

Taxes receivable at June 30, 2016, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education	Higher Education	Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Property	\$ 1,026,642	\$ -	\$ -	\$ -	\$ 1,026,642
Sales	1,994,696	-	-	-	1,994,696
Business and occupation	699,174	-	-	-	699,174
Estate	1,843	8,408	-	-	10,251
Fuel	-	-	-	171,670	171,670
Beer and Wine	-	-	-	6,039	6,039
Marijuana	-	-	-	21,021	21,021
Real Estate Excise	2,899	-	-	113	3,012
Other	1,010	129	-	132	1,271
Subtotals	3,726,264	8,537	-	198,975	3,933,776
Less: Allowance for uncollectible receivables	49,920	-	-	357	50,277
Total Taxes Receivable	\$ 3,676,344	\$ 8,537	\$ -	\$ 198,618	\$ 3,883,499

Receivables

Receivables at June 30, 2016, consisted of the following (expressed in thousands):

Receivables	General	Higher Education	Higher Education	Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Public assistance ⁽¹⁾	\$ 653,998	\$ -	\$ -	\$ -	\$ 653,998
Accounts receivable	181,062	1,009,633	81,792	377,800	1,650,287
Interest	4,304	7,346	5,301	9,979	26,930
Loans ⁽²⁾	6,344	132,417	-	469,849	608,610
Long-term contracts ⁽³⁾	2,344	-	15,354	82,161	99,859
Miscellaneous	20	184	-	49	253
Subtotals	848,072	1,149,580	102,447	939,838	3,039,937
Less: Allowance for uncollectible receivables	649,745	37,633	3	98,778	786,159
Total Receivables	\$ 198,327	\$ 1,111,947	\$ 102,444	\$ 841,060	\$ 2,253,778

Notes:

⁽¹⁾ Public assistance receivables mainly represent amounts owed to the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

⁽²⁾ Significant long-term portions of loans receivable include \$114.5 million in the Higher Education Special Revenue Fund for student loans and \$459.8 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

⁽³⁾ Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

Unearned Revenue

Unearned revenue at June 30, 2016, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education	Higher Education	Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Other taxes	\$ 4,746	\$ -	\$ -	\$ 1,645	\$ 6,391
Charges for services	89,274	215,233	-	22,829	327,336
Donable goods	-	-	-	4,036	4,036
Grants and donations	3,073	1,516	-	6,313	10,902
Tolls	-	-	-	19,483	19,483
Transportation	-	-	-	8,919	8,919
Miscellaneous	1,814	15,075	-	7,170	24,059
Total Unearned Revenue	\$ 98,907	\$ 231,824	\$ -	\$ 70,395	\$ 401,126

Unavailable Revenue

Unavailable revenue at June 30, 2016, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education	Higher Education	Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Property taxes	\$ 1,005,181	\$ -	\$ -	\$ -	\$ 1,005,181
Other taxes	617,586	6,298	-	75	623,959
Timber sales	2,344	-	15,354	82,199	99,897
Transportation	-	-	-	27,272	27,272
Charges for services	-	-	-	3,256	3,256
Miscellaneous	5,000	-	-	26,777	31,777
Total Unavailable Revenue	\$ 1,630,111	\$ 6,298	\$ 15,354	\$ 139,579	\$ 1,791,342

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2016, consisted of the following (expressed in thousands):

Receivables	Business-Type Activities Enterprise Funds					Total	Governmental
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed	Nonmajor Enterprise Funds		Internal Service Funds
				Education Tuition Program			
Accounts receivable	\$ 870,258	\$ 537,085	\$ 280,035	\$ 14,058	\$ 25,558	\$ 1,726,994	\$ 22,792
Interest	110,137	-	1,161	4,088	-	115,386	348
Investment trades pending	4	-	-	1,011	-	1,015	-
Miscellaneous	-	-	56	-	-	56	-
Subtotals	980,399	537,085	281,252	19,157	25,558	1,843,451	23,140
Less: Allowance for uncollectible receivables	159,045	83,472	64,279	-	104	306,900	371
Total Receivables	\$ 821,354	\$ 453,613	\$ 216,973	\$ 19,157	\$ 25,454	\$ 1,536,551	\$ 22,769

Unearned Revenue

Unearned revenue at June 30, 2016, consisted of the following (expressed in thousands):

Unearned Revenue	Business-Type Activities Enterprise Funds					Total	Governmental
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed	Nonmajor Enterprise Funds		Internal Service Funds
				Education Tuition Program			
Charges for services	\$ -	\$ -	\$ 47,850	\$ -	\$ -	\$ 47,850	\$ 2,775
Grants and donations	5,663	-	-	-	-	5,663	90
Other taxes	560	-	-	-	-	560	-
Miscellaneous	1,235	-	392	-	1,149	2,776	-
Total Unearned Revenue	\$ 7,458	\$ -	\$ 48,242	\$ -	\$ 1,149	\$ 56,849	\$ 2,865

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2016, consisted of \$10.6 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2016, consisted of \$1.3 million for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5

Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2016, consisted of the following (expressed in thousands):

Due To	Due From				
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	\$ -	\$ 2,990	\$ -	\$ 229,319	\$ 530
Higher Education Special Revenue	155,329	-	-	14,647	554
Higher Education Endowment	-	-	-	3	-
Nonmajor Governmental Funds	78,238	61,431	3,575	199,889	3,019
Workers' Compensation	13	-	-	9	-
Unemployment Compensation	1,115	1,122	-	411	393
Higher Education Student Services	5,228	13,346	-	135	125
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	9,447	104	-	480	5
Internal Service Funds	28,807	8,186	-	21,349	1,500
Fiduciary Funds	-	-	-	-	-
Totals	\$ 278,177	\$ 87,179	\$ 3,575	\$ 466,242	\$ 6,126

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

Interfund balances include: (1) a \$14.9 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next four years; (2) a \$6.1 million loan between nonmajor governmental funds which is expected to be paid over the next six years, and (3) a \$130 million revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of \$145.7 million within the state's Pension Trust Funds.

Due From							
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals	
\$ 2	\$ 1	\$ 142	\$ 19,403	\$ 16,200	\$ -	\$ 268,587	
2	166,572	-	-	-	-	337,104	
-	-	-	-	-	5	8	
15,338	1	4	62	-	-	361,557	
-	1	-	-	27	20	70	
-	38	-	13	-	-	3,092	
9	-	-	66	8,529	-	27,438	
-	-	-	-	-	15	15	
1	29	-	5,409	74	-	15,549	
6	19	8	334	16,154	36	76,399	
-	-	-	-	-	-	-	
\$ 15,358	\$ 166,661	\$ 154	\$ 25,287	\$ 40,984	\$ 76	\$ 1,089,819	

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2016, consisted of the following (expressed in thousands):

Transferred From	Transferred To				
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	\$ -	\$ 6,000	\$ 300	\$ 1,184,730	\$ -
Higher Education Special Revenue	33,314	-	25,638	202,412	-
Higher Education Endowment	-	164,041	-	31,268	-
Nonmajor Governmental Funds	380,677	128,770	914	1,511,071	-
Workers' Compensation	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	-	414,441	21	7,138	-
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	163,499	-	-	12,051	-
Internal Service Funds	-	50,223	-	681	-
Totals	\$ 577,490	\$ 763,475	\$ 26,873	\$ 2,949,351	\$ -

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

On June 30, 2016, \$185.7 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. The BSA is reported as an Administrative Account within the General Fund.

In addition to the transfers noted in the schedule above, there were transfers of \$5.9 million within the state's Pension Trust Funds.

Transferred To						
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Totals	
\$ -	\$ -	\$ -	\$ -	\$ 14,433	\$ 1,205,463	
-	445,395	-	-	51,132	757,891	
-	-	-	-	-	195,309	
-	-	-	-	16	2,021,448	
-	-	-	-	-	-	
-	-	-	-	155	421,755	
-	-	-	-	-	-	
-	-	-	13,861	-	189,411	
-	15	-	-	19,813	70,732	
\$ -	\$ 445,410	\$ -	\$ 13,861	\$ 85,549	\$ 4,862,009	

Note 6

Capital Assets

Capital assets at June 30, 2016, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2016 (expressed in thousands):

Capital Assets	Balances July 1, 2015	Additions	Deletions/ Adjustments	Balances June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 2,625,377	\$ 67,254	\$ (26,923)	\$ 2,665,708
Transportation infrastructure	23,235,035	659,265	-	23,894,300
Intangible assets - indefinite lives	14,938	-	-	14,938
Art collections, library reserves, and museum and historical collections	126,295	1,159	(7,166)	120,288
Construction in progress	890,982	635,127	(280,863)	1,245,246
Total capital assets, not being depreciated	26,892,627			27,940,480
Capital assets, being depreciated:				
Buildings	12,788,384	480,568	(21,453)	13,247,499
Accumulated depreciation	(4,962,231)	(339,839)	5,993	(5,296,077)
Net buildings	7,826,153			7,951,422
Other improvements	1,463,812	40,939	(2,084)	1,502,667
Accumulated depreciation	(727,475)	(47,898)	5,355	(770,018)
Net other improvements	736,337			732,649
Furnishings, equipment, and intangible assets	5,123,735	312,343	(269,776)	5,166,302
Accumulated depreciation	(3,295,154)	(304,934)	227,277	(3,372,811)
Net furnishings, equipment, and intangible assets	1,828,581			1,793,491
Infrastructure	1,010,721	81,111	(114)	1,091,718
Accumulated depreciation	(511,196)	(35,694)	(1,369)	(548,259)
Net infrastructure	499,525			543,459
Total capital assets, being depreciated, net	10,890,596			11,021,021
Governmental Activities Capital Assets, Net	\$ 37,783,223			\$ 38,961,501

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2016 (expressed in thousands):

Capital Assets	Balances July 1, 2015	Additions	Deletions/ Adjustments	Balances June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 57,549	\$ 176	\$ -	\$ 57,725
Intangible assets - indefinite lives	4,580	-	-	4,580
Art collections	75	-	-	75
Construction in progress	<u>292,750</u>	35,834	(251,189)	<u>77,395</u>
Total capital assets, not being depreciated	<u>354,954</u>			<u>139,775</u>
Capital assets, being depreciated:				
Buildings	3,264,238	331,227	(13,634)	3,581,831
Accumulated depreciation	<u>(952,118)</u>	(113,878)	5,127	<u>(1,060,869)</u>
Net buildings	<u>2,312,120</u>			<u>2,520,962</u>
Other improvements	98,489	2,539	(235)	100,793
Accumulated depreciation	<u>(45,737)</u>	(5,349)	558	<u>(50,528)</u>
Net other improvements	<u>52,752</u>			<u>50,265</u>
Furnishings, equipment, and intangible assets	714,107	60,554	(14,027)	760,634
Accumulated depreciation	<u>(530,398)</u>	(64,221)	13,781	<u>(580,838)</u>
Net furnishings, equipment, and intangible assets	<u>183,709</u>			<u>179,796</u>
Infrastructure	42,646	6,730	(41)	49,335
Accumulated depreciation	<u>(20,654)</u>	(1,448)	41	<u>(22,061)</u>
Net infrastructure	<u>21,992</u>			<u>27,274</u>
Total capital assets, being depreciated, net	<u>2,570,573</u>			<u>2,778,297</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,925,527</u>			<u>\$ 2,918,072</u>

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2016, was charged by the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General government	\$ 79,163
Education - elementary and secondary (K-12)	5,836
Education - higher education	417,663
Human services	39,782
Adult corrections	39,770
Natural resources and recreation	36,095
Transportation	110,056
Total Depreciation Expense - Governmental Activities *	\$ 728,365
Business-Type Activities:	
Workers' compensation	\$ 10,206
Unemployment compensation	-
Higher education student services	172,988
Guaranteed education tuition program	3
Other	1,699
Total Depreciation Expense - Business-Type Activities	\$ 184,896

* Includes \$98.4 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2016, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2016	Remaining Project Commitments
Consolidated Technology Services:		
State Data Center buildout	\$ 9,386	\$ 1,034
Employment Security Department:		
Unemployment Tax & Benefit system	11,867	5,225
Department of Enterprise Services:		
1063 Building project	33,438	53,863
Various projects	16,662	29,055
Military Department:		
Pierce County readiness center and other projects	35,445	8,697
Department of Social and Health Services:		
State hospitals	13,454	50,533
Residential housing unit renovations and other projects	18,533	18,263
Department of Veterans Affairs:		
Walla Walla Veterans Home and other projects	27,370	19,871
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	12,644	12,645
Department of Transportation:		
State ferry vessels and terminals, locomotives, and other projects	240,125	92,592
Transportation infrastructure	-	1,197,732
Department of Fish and Wildlife:		
Soos Creek renovation, Fir Island farm restoration, and other projects	17,261	73,675
University of Washington:		
UW Medical Center expansion and renovation projects	17,479	29,048
McCarty, Madrona, and Willow Hall projects	21,511	35,074
Washington biomedical research facility	13,667	131,042
NanoEngineering & Sciences building, animal research & care facility, and other projects	353,002	178,595
Burke Gilman trail, student housing, parking, and other projects	2,553	3,057
Washington State University:		
Animal health research facility, digital classroom, Everett University center, Chinook building, and other facility projects	64,428	120,158
Indoor practice facility and other athletic projects	103	10,075
Cultural house, Tri Cities student union, and other projects	5,447	16,401
Troy Hall and other housing projects	12,030	36,612
Police station, smart grid, and other projects	11,906	3,869
Eastern Washington University:		
Interdisciplinary science center renovation	2,166	101,871
Pence Union Building, science center, water system upgrade, and other projects	11,523	48,041
Central Washington University:		
Samuelson communication & tech center, Bouillon & Lind Hall, and other projects	13,217	37,575
Science hall phase two project	51,427	7,939
The Evergreen State College:		
Housing and other projects	20,691	15,647
Western Washington University:		
Carver Hall renovation, residence hall, and other projects	33,318	86,585
Community and Technical Colleges:		
ctcLink project	79,859	20,141
Centralia TransAlta student commons	15,198	17,711
Clark Science, Technology, Engineering and Math building	32,135	-
Edmonds Science, Engineering and Technology building project	2,217	47,453
Peninsula health & early childhood development center, and Fort Worden building	14,152	15,673
Seattle integrated education center and Maritime Academy	17,557	24,765
Other miscellaneous community college projects	73,593	76,934
Other Agency Projects:	17,277	28,370
Total Construction in Progress	\$ 1,322,641	\$ 2,655,822

Note 7

Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2016, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

Legislative authorization arises:

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

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

Legal Debt Limitation

The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.5 percent and will decline to 8 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

The State Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2016 is \$1.32 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the \$19.04 billion general obligation bond debt principal outstanding at June 30, 2016, \$11.35 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2016, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at:

http://www.tre.wa.gov/documents/debt_cd2016.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of \$11.70 billion in general obligation bonds authorized but unissued as of June 30, 2016, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds range from 0.4 to 6.4 percent. Interest rates on revenue bonds range from 0.9 to 8 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

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

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

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report for 2016. 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, or by visiting their website at: <http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml>.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2016, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2017	\$ 944,279	\$ 936,214	\$ -	\$ -	\$ 944,279	\$ 936,214
2018	935,599	899,445	-	-	935,599	899,445
2019	933,739	861,151	-	-	933,739	861,151
2020	933,807	824,753	-	-	933,807	824,753
2021	916,290	768,772	-	-	916,290	768,772
2022-2026	4,680,504	4,290,276	-	-	4,680,504	4,290,276
2027-2031	4,473,668	2,022,042	-	-	4,473,668	2,022,042
2032-2036	3,297,990	857,772	-	-	3,297,990	857,772
2037-2041	1,836,850	234,482	-	-	1,836,850	234,482
2042-2046	85,365	3,925	-	-	85,365	3,925
Total Debt Service Requirements	\$ 19,038,091	\$ 11,698,832	\$ -	\$ -	\$ 19,038,091	\$ 11,698,832

Revenue Bonds

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

General Revenue.

The University of Washington and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and

investment income. General revenue bonds outstanding as of June 30, 2016, include \$777.2 million in governmental activities and \$1.78 billion in business-type activities.

Pledged Revenue.

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

Total debt service requirements for revenue bonds to maturity as of June 30, 2016, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2017	\$ 118,889	\$ 96,696	\$ 97,924	\$ 90,287	\$ 216,813	\$ 186,983
2018	116,431	101,056	83,644	88,704	200,075	189,760
2019	121,985	95,541	63,277	85,966	185,262	181,507
2020	126,041	89,760	64,772	82,945	190,813	172,705
2021	131,682	83,649	68,221	80,083	199,903	163,732
2022-2026	626,566	319,931	355,016	352,657	981,582	672,588
2027-2031	343,090	214,060	383,585	268,336	726,675	482,396
2032-2036	294,126	136,467	388,638	182,742	682,764	319,209
2037-2041	236,256	69,908	364,831	88,873	601,087	158,781
2042-2046	150,731	32,295	176,562	13,818	327,293	46,113
2047-2051	104,047	14,907	9,750	5,888	113,797	20,795
Total Debt Service Requirements	\$ 2,369,844	\$ 1,254,270	\$ 2,056,220	\$ 1,340,299	\$ 4,426,064	\$ 2,594,569

Governmental activities include revenue bonds outstanding at June 30, 2016, of \$241.8 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued \$517.9 million in bonds and transferred \$450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is \$356.6 million, payable through 2033. For the current year, both pledged revenue and debt service were \$45.3 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2016, of \$723.7 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the costs of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is \$897.3 million, payable through 2024. For the current year both pledged revenue and debt service were \$100.1 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2016, of \$300 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

The TIFIA Bond is payable solely from toll revenues and does not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of this bond. Total principal and interest remaining on the bond is \$542.4 million, payable through 2051.

Governmental activities include revenue bonds outstanding at June 30, 2016, of \$41.9 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued

in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is \$56.2 million, payable through 2029. For the current year, both pledged revenue and debt service were \$3.5 million.

Governmental activities include revenue bonds outstanding at June 30, 2016, of \$280.5 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is \$495.8 million, payable through 2039. For the current year, both pledged revenue and debt service were \$21.6 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2016, of \$4.8 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is \$5.4 million, payable through 2022. For the current year, both pledged revenue and debt service were \$1.6 million.

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

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2016, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Bookstore Revenues
Current revenue pledged	\$ 30,556	\$ 28,197	\$ 169
Current year debt service	20,049	11,555	202
Total future revenues pledged *	302,316	115,286	3,640
Description of debt	Housing and dining bonds issued in 1998-2016	Student facilities bonds issued in 2006-2016	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining	Construction and renovation of student activity and sports facilities	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2026-2042	2017-2039	2034
Percentage of debt service to pledged revenues (current year)	65.6%	41.0%	119.6%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2016, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of

participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

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

Total debt service requirements for certificates of participation to maturity as of June 30, 2016, are as follows (expressed in thousands):

Certificates of Participation	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2017	\$ 122,683	\$ 45,980	\$ 4,779	\$ 1,791	\$ 127,462	\$ 47,771
2018	68,329	25,385	4,897	1,819	73,226	27,204
2019	65,842	22,428	4,719	1,607	70,561	24,035
2020	61,566	19,527	4,412	1,399	65,978	20,926
2021	50,171	16,839	3,596	1,207	53,767	18,046
2022-2026	177,563	53,960	12,727	3,867	190,290	57,827
2027-2031	105,891	20,317	7,589	1,456	113,480	21,773
2032-2036	40,498	5,310	2,902	381	43,400	5,691
2037-2041	9,177	371	658	27	9,835	398
Total Debt Service Requirements	\$ 701,720	\$ 210,117	\$ 46,279	\$ 13,554	\$ 747,999	\$ 223,671

C. DEBT REFUNDINGS

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

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

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

Current Year Defeasances

Bonds

Governmental Activities.

On October 8, 2015, the state issued \$188.3 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund \$212.9 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a \$33.1 million gross debt service savings over the next 9 years and a net present value savings of \$31.0 million.

On February 16, 2016, the state issued \$143.7 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund \$157.9 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a \$26.1 million gross debt service savings over the next 17 years and a net present value savings of \$19.7 million.

Also on February 16, 2016, the state issued \$528.8 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund \$583.2 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a \$97.9 million gross debt service savings over the next 17 years and a net present value savings of \$74.5 million.

Business-Type Activities.

On September 1, 2015, the Evergreen State College issued \$4.1 million in general revenue refunding bonds with an average interest rate of 2.4 percent to refund \$4.1 million in housing and dining revenue bonds with an average interest rate of 3.8 percent. The refunding resulted in \$363 thousand gross debt service savings over the next 10 years and an economic gain of \$322 thousand.

On May 25, 2016, Washington State University issued \$58.1 million in general revenue refunding bonds with an average interest rate of 4.9 percent to refund \$21.5 million in housing and dining revenue bonds with an average interest rate of 5 percent, \$17.6 million in athletic revenue bonds with an average interest rate of 4.3 percent, and \$26.2 million in student recreation center revenue bonds with an average interest rate of 4.8 percent. The refunding resulted in an \$11.0 million gross debt service savings over the next 16 to 23 years and an economic gain of \$5.4 million.

Certificates of Participation (COPs)

On October 21, 2015, the state issued \$21.8 million in refunding certificates of participation with an average interest rate of 5 percent to refund \$24.7 million of various purpose general obligation bonds with an average interest rate of 4.4 percent. The refunding resulted in a \$3.2 million gross debt service savings over the next 10 years and a net present value savings of \$2.7 million.

On March 31, 2016, the state issued \$35.7 million in refunding certificates of participation with an average interest rate of 4.5 percent to refund \$43.6 million of various purpose general obligation bonds with an average interest rate of 4.2 percent. The refunding resulted in a \$5.5 million gross debt service savings over the next 11 years and a net present value savings of \$4.2 million.

Prior Year Defeasances

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

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

General Obligation Bond Debt

On June 30, 2016, \$3.96 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2016, \$145.1 million of revenue bond debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2016, \$50.4 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2016, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

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

Land, buildings, and equipment under capital leases as of June 30, 2016, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 1,705	\$ 4,512
Equipment	7,937	12,150
Less: Accumulated Depreciation	(6,605)	(9,433)
Totals	\$ 3,037	\$ 7,229

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2016 (expressed in thousands):

Capital and Operating Leases	Capital Leases		Operating Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2017	\$ 1,165	\$ 2,262	\$ 186,696	\$ 63,898
2018	546	1,469	159,332	57,162
2019	545	1,383	134,004	54,992
2020	542	1,383	95,544	55,031
2021	508	1,383	66,141	39,952
2022-2026	1,112	2,428	107,576	76,684
2027-2031	-	-	35,109	46,887
2032-2036	-	-	19,543	52,530
2037-2041	-	-	19,380	55,868
2042-2046	-	-	9,463	31,621
Total Future Minimum Payments	4,418	10,308	832,788	534,625
Less: Executory Costs and Interest Costs	(288)	(935)	-	-
Net Present Value of Future Minimum Lease Payments	\$ 4,130	\$ 9,373	\$ 832,788	\$ 534,625

The total operating lease rental expense for fiscal year 2016 for governmental activities was \$379.7 million, of which \$28 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2016 for business-type activities was \$38.4 million.

E. CLAIMS AND JUDGMENTS

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

Workers' Compensation

At June 30, 2016, \$37.25 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of \$25.85 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 4.5

to 6.3 percent (pensions not yet granted), and 6.3 percent (granted pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of \$25.85 billion as of June 30, 2016, include \$12.26 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of \$13.59 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2015 and 2016 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2015	\$ 24,437,534	2,814,134	(2,185,519)	\$ 25,066,149
2016	\$ 25,066,149	3,024,336	(2,238,159)	\$ 25,852,326

Risk Management

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

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

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

As of June 30, 2016, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division, including actuarially projected defense costs were \$568.8 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2016, the Risk Management Fund held \$54 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2015 and 2016 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2015	\$ 549,988	110,648	(59,621)	(21,087)	\$ 579,928
2016	\$ 579,928	50,583	(38,755)	(22,935)	\$ 568,821

Health Insurance

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

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

At June 30, 2016, health insurance claims liabilities totaling \$87.4 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2015 and 2016 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2015	\$ 70,249	934,082	(930,724)	\$ 73,607
2016	\$ 73,607	1,023,194	(1,009,431)	\$ 87,370

F. POLLUTION REMEDIATION

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

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

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

There are 23 projects in progress for which the state has recorded a liability of \$56.2 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2016, the state has recorded a liability of \$97.9 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of \$154.1 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

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

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

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2016, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2016 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2015*	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	\$ 18,243,520	\$ 2,122,605	\$ 1,799,690	\$ 18,566,435	\$ 884,870
GO - zero coupon bonds (principal)	518,658	-	47,002	471,656	59,409
Subtotal - GO bonds payable	<u>18,762,178</u>	<u>2,122,605</u>	<u>1,846,692</u>	<u>19,038,091</u>	<u>944,279</u>
Accreted interest - GO - zero coupon bonds	471,951	7,275	-	479,226	69,284
Revenue bonds payable	2,289,434	205,349	124,939	2,369,844	118,889
Plus: Unamortized premiums on bonds sold	660,011	405,612	57,907	1,007,716	-
Total Bonds Payable	<u>22,183,574</u>	<u>2,740,841</u>	<u>2,029,538</u>	<u>22,894,877</u>	<u>1,132,452</u>
Other Liabilities:					
Certificates of participation	575,623	251,836	125,739	701,720	122,683
Plus: Unamortized premiums on COPs sold	4,812	12,460	1,377	15,895	-
Claims and judgments	864,129	161,492	43,562	982,059	385,605
Installment contracts	-	1,865	137	1,728	137
Leases	5,441	19,122	20,433	4,130	1,093
Compensated absences	552,937	401,438	373,093	581,282	75,804
Net pension liability	3,297,302	1,805,478	1,023,804	4,078,976	-
Other postemployment benefits	2,104,794	387,009	230	2,491,573	-
Pollution remediation obligations	169,698	6,773	22,326	154,145	-
Unclaimed property refunds	130,656	34,559	-	165,215	-
Other	655,352	199,021	128,965	725,408	54,692
Total Other Liabilities	<u>8,360,744</u>	<u>3,281,053</u>	<u>1,739,666</u>	<u>9,902,131</u>	<u>640,014</u>
Total Long-Term Debt	<u>\$ 30,544,318</u>	<u>\$ 6,021,894</u>	<u>\$ 3,769,204</u>	<u>\$ 32,797,008</u>	<u>\$ 1,772,466</u>

* The beginning balance of other liabilities has been restated by \$85.7 million as a result of liability reclassification.

For governmental activities, certificates of participation are being repaid approximately 21 percent from the General Fund, 39 percent from the Higher Education Special Revenue Fund, 23 percent from the Motor Vehicle (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 42 percent by the General Fund, 35 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 58 percent by the Risk Management Fund (an internal service fund), 12 percent by the Health Insurance Fund (a nonmajor internal service fund), and

the balance by various other governmental funds. The other postemployment benefits liability will be liquidated approximately 46 percent by the General Fund, 30 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 79 percent by the Wildlife and Natural Resources Fund (a nonmajor governmental fund), and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2016 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2015*	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Long-Term Debt:					
General obligation bonds payable	\$ 4,050	\$ -	\$ 4,050	\$ -	\$ -
Revenue bonds payable	1,853,823	332,268	129,871	2,056,220	97,924
Plus: Unamortized premiums on bonds sold	137,482	37,660	16,583	158,559	-
Less: Unamortized discounts on bonds sold	(95)	167	72	-	-
Total Bonds Payable	1,995,260	370,095	150,576	2,214,779	97,924
Other Liabilities:					
Certificates of participation	39,850	18,511	12,082	46,279	4,779
Plus: Unamortized premiums on COPs sold	2,133	1,068	282	2,919	-
Claims and judgments	25,080,504	1,078,432	290,034	25,868,902	2,020,065
Lottery prize annuities payable	129,906	37,372	41,196	126,082	15,410
Tuition benefits payable	2,042,000	-	316,000	1,726,000	186,000
Leases	12,947	-	3,574	9,373	2,005
Compensated absences	77,502	30,634	27,396	80,740	49,032
Net pension liability	362,976	224,741	92,230	495,487	-
Other postemployment benefits	218,094	51,048	-	269,142	-
Other	149,328	15,138	115,760	48,706	4,269
Total Other Liabilities	28,115,240	1,456,944	898,554	28,673,630	2,281,560
Total Long-Term Debt	\$ 30,110,500	\$ 1,827,039	\$ 1,049,130	\$ 30,888,409	\$ 2,379,484

* The beginning balance of other liabilities has been restated by \$7.5 million as a result of liability reclassification.

Note 8

No Commitment Debt

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

to qualified borrowers for capital acquisitions, construction, and related improvements.

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

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

The schedule below presents the June 30, 2016, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	\$ 3,727,679
Washington Higher Education Facilities Authority	742,667
Washington Health Care Facilities Authority	5,682,000
Washington Economic Development Finance Authority	678,160
Total No Commitment Debt	\$ 10,830,506

Note 9

Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

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

A summary of governmental fund balances at June 30, 2016, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	\$ -	\$ -	\$ 2,235,581	\$ 205,254	\$ 2,440,835
Consumable inventories	14,578	10,542	-	41,812	66,932
Student loans receivable - long-term	-	-	-	-	-
Other receivables - long-term	31,000	-	-	-	31,000
Total Nonspendable Fund Balance	\$ 45,578	\$ 10,542	\$ 2,235,581	\$ 247,066	\$ 2,538,767
Restricted for: *					
Higher education	\$ -	\$ 50,449	\$ 1,149,559	\$ 106,063	\$ 1,306,071
Education	-	-	4,642	28,190	32,832
Transportation	-	-	-	941,052	941,052
Other purposes	-	-	-	7,211	7,211
Human services	-	-	382	480,339	480,721
Wildlife and natural resources	8,555	-	-	993,780	1,002,335
Local grants and loans	-	-	-	245	245
School construction	572	-	-	100,315	100,887
State facilities	-	-	-	17,614	17,614
Budget stabilization	549,581	-	-	-	549,581
Debt service	-	-	-	61,160	61,160
Pollution remediation	-	-	-	70,897	70,897
Operations and maintenance	-	-	-	9,048	9,048
Repair and replacement	-	-	-	2,925	2,925
Revenue stabilization	-	-	-	22,069	22,069
Third tier debt service	-	-	-	3,172	3,172
Fourth tier debt service	-	-	-	1,185	1,185
Total Restricted Fund Balance	\$ 558,708	\$ 50,449	\$ 1,154,583	\$ 2,845,265	\$ 4,609,005
Committed for:					
Higher education	\$ 80,368	\$ 2,781,000	\$ -	\$ 59,337	\$ 2,920,705
Education	57	-	-	2,230	2,287
Transportation	-	-	-	253,662	253,662
Other purposes	9,747	-	-	277,765	287,512
Human services	16,604	-	-	785,360	801,964
Wildlife and natural resources	8,182	-	-	406,058	414,240
Local grants and loans	-	-	-	1,084,597	1,084,597
State facilities	-	-	-	7,696	7,696
Debt service	-	-	-	356,182	356,182
Total Committed Fund Balance	\$ 114,958	\$ 2,781,000	\$ -	\$ 3,232,887	\$ 6,128,845
Assigned for:					
Working capital	\$ 1,155,952	\$ 18,300	\$ -	\$ -	\$ 1,174,252
Total Assigned Fund Balance	\$ 1,155,952	\$ 18,300	\$ -	\$ -	\$ 1,174,252

*Net position restricted as a result of enabling legislation totaled \$9.4 million.

B. BUDGET STABILIZATION ACCOUNT

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

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

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

the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

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

At June 30, 2016, the Budget Stabilization Account had restricted fund balance of \$549.6 million.

Note 10

Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of \$91.8 million at June 30, 2016. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

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

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2016 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2015*	\$ (73,844)
Fiscal year 2016 activity	<u>(18,003)</u>
Balance, June 30, 2016	\$ (91,847)

*Beginning balance reflects a fund reclassification of \$2 million from the abolishment of an account.

Higher Education Revolving Fund

The Higher Education Revolving Fund, an internal service fund, had a deficit net position of \$54.7 million at June 30, 2016. The Higher Education Revolving Fund is used to manage college and university support service activities such as stores, data processing, and motor pool. Additionally, beginning in fiscal year 2015, the University of Washington is using the Higher Education Revolving

Fund to allocate costs associated with its higher education supplemental retirement plan.

The Higher Education Revolving Fund is primarily supported by user charges and interest earnings. During fiscal year 2016, the University of Washington's supplemental retirement plan obligation exceeded the associated revenue, resulting in a deficit net position.

The following schedule details the change in net position for the Higher Education Revolving Fund during the fiscal year ended June 30, 2016 (expressed in thousands):

Higher Education Revolving Fund	Net Position
Balance, July 1, 2015	\$ (2,457)
Fiscal year 2016 activity	(52,249)
Balance, June 30, 2016	\$ (54,706)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of \$520.1 million at June 30, 2016. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies,

with the exception of the University of Washington and the Department of Transportation Ferries Division.

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

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2016 (expressed in thousands):

Risk Management Fund	Net Position
Balance, July 1, 2015	\$ (523,211)
Fiscal year 2016 activity	3,082
Balance, June 30, 2016	\$ (520,129)

Note 11

Retirement Plans

A. GENERAL

The state implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

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

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the state as an employer, for fiscal year 2016, expressed in thousands:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 4,088,214
Pension assets	\$ (1,467,659)
Deferred outflows of resources related to pensions	\$ 860,206
Deferred inflows of resources related to pensions	\$ 944,928
Pension expense/expenditures	\$ 100,603

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

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

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

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

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

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

- School Employees' Retirement System (SERS)
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
 - Plan 1 - defined benefit
 - Plan 2 - defined benefit
- Public Safety Employees' Retirement System (PSERS)
 - Plan 2 - defined benefit
- Washington State Patrol Retirement System (WSPRS)
 - Plan 1 - defined benefit
 - Plan 2 - defined benefit
- Judicial Retirement System (JRS)
 - Defined benefit plan
- Judges' Retirement Fund (Judges)
 - Defined benefit plan

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

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

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

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the GASB. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

State Board for Volunteer Fire Fighters and Reserve Officers. As established in chapter 41.24 RCW, the State Board for Volunteer Fire Fighters and Reserve Officers administers the Volunteer Fire

Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

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

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

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans – Employer Disclosures

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

Public Employees' Retirement System

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

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

3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

Refer to Note 11.E for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is 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. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could chose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2016 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The

CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan

members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported \$2.17 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and \$1.75 billion for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.57 percent, a decrease of 0.8 percent since the prior reporting period, and 49.1 percent for PERS Plan 2/3, a decrease of 0.17 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

PERS Plan 1	
Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 2,647,609
Current Discount Rate	\$ 2,174,623
1% Increase	\$ 1,767,898

PERS Plan 2/3	
Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 5,130,009
Current Discount Rate	\$ 1,754,418
1% Increase	\$ (830,145)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a PERS Plan 1 pension expense of \$84.6 million, and recognized a PERS Plan 2/3 pension expense of \$212.2 million. At June 30, 2016, PERS Plan 1 and PERS Plan 2/3 reported deferred outflows of resources and deferred inflows of

resources related to pensions from the following sources (expressed in thousands):

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	118,976
Change in proportion	-	-
State contributions subsequent to the measurement date	250,288	-
Total	\$ 250,288	\$ 118,976

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 186,495	\$ -
Changes of assumptions	2,827	-
Net difference between projected and actual earnings on pension plan investments	-	468,346
Change in proportion	14,635	5,319
State contributions subsequent to the measurement date	280,081	-
Total	\$ 484,038	\$ 473,665

For PERS Plan 1, \$250.3 million, and for PERS Plan 2/3, \$280.1 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PERS Plan 1	
2017	\$ (46,111)
2018	\$ (46,111)
2019	\$ (46,111)
2020	\$ 19,357
2021	\$ -
Thereafter	\$ -

PERS Plan 2/3	
2017	\$ (122,869)
2018	\$ (122,869)
2019	\$ (125,795)
2020	\$ 101,825
2021	\$ -
Thereafter	\$ -

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

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

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to Note 11.E for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan.

TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position

at that time could chose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from TRS-covered employment.

TRS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2016 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

	Target	Long-Term Expected
Asset Class	Allocation	Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported a liability of \$27.2 million for its proportionate share of the collective net pension liability for TRS Plan 1 and \$6.1 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 0.86 percent, an increase of 0.08 percent since the prior reporting period, and 0.72 percent for TRS Plan 2/3, an increase of 0.13 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

TRS Plan 1		
Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	\$	34,175
Current Discount Rate	\$	27,186
1% Increase	\$	21,176

TRS Plan 2/3		
Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	\$	25,841
Current Discount Rate	\$	6,107
1% Increase	\$	(8,563)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a TRS Plan 1 pension expense of \$4.2 million, and recognized a TRS Plan 2/3 pension expense of \$2.3 million. At June 30, 2016, TRS Plan 1 and TRS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,012
Change in proportion	-	-
State contributions subsequent to the measurement date	3,056	-
Total	\$ 3,056	\$ 2,012

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 967	\$ -
Changes of assumptions	5	-
Net difference between projected and actual earnings on pension plan investments	-	2,369
Change in proportion	2,247	-
State contributions subsequent to the measurement date	2,738	-
Total	\$ 5,957	\$ 2,369

For TRS Plan 1, \$3.1 million, and for TRS Plan 2/3, \$2.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

TRS Plan 1		
2017	\$	(780)
2018	\$	(780)
2019	\$	(781)
2020	\$	329
2021	\$	-
Thereafter	\$	-

TRS Plan 2/3		
2017	\$	(151)
2018	\$	(151)
2019	\$	(151)
2020	\$	1,067
2021	\$	236
Thereafter	\$	-

Law Enforcement Officers’ and Fire Fighters’ Retirement System

Plan Description. The Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

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

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board’s duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members have the option to retire early with reduced benefits.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state

General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2015, the state contributed \$58.3 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2016 are presented in the table in Note 11.B.3.

The state is not an employer for LEOFF Plan 1; however, the state is a nonemployer contributing entity for LEOFF Plan 1. For LEOFF Plan 2 the state is both an employer and a nonemployer contributing entity. Refer to Note 11.B.2 for nonemployer contributing entity disclosures.

The following information applies to the state as a LEOFF Plan 2 employer:

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported an asset of \$8.6 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.83 percent, a decrease of 0.01 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

LEOFF Plan 2	
Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 8,592
Current Discount Rate	\$ (8,580)
1% Increase	\$ (21,502)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a LEOFF Plan 2 pension expense of \$(310) thousand. At June 30, 2016, LEOFF

Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 751	\$ -
Changes of assumptions	23	-
Net difference between projected and actual earnings on pension plan investments	-	2,600
Change in proportion	12	30
State contributions subsequent to the measurement date	763	-
Total	\$ 1,549	\$ 2,630

For LEOFF Plan 2, \$763 thousand reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 2	
2017	\$ (870)
2018	\$ (870)
2019	\$ (870)
2020	\$ 594
2021	\$ 144
Thereafter	\$ 28

Public Safety Employees' Retirement System

Plan Description. The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, Washington State Patrol, Washington state counties, corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane, or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Benefits Provided. PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PSERS members have the option to retire early with reduced benefits.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2016 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported a liability of \$8.8 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 47.93 percent, a decrease of 0.33 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as

an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

PSERS Plan 2	
Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 66,475
Current Discount Rate	\$ 8,748
1% Increase	\$ (32,315)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a PSERS Plan 2 pension expense of \$10.4 million. At June 30, 2016, PSERS Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,196	\$ -
Changes of assumptions	54	-
Net difference between projected and actual earnings on pension plan investments	-	4,339
Change in proportion	14	20
State contributions subsequent to the measurement date	9,621	-
Total	\$ 17,885	\$ 4,359

For PSERS Plan 2, \$9.6 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PSERS Plan 2		
2017	\$	(357)
2018	\$	(357)
2019	\$	(358)
2020	\$	2,231
2021	\$	1,374
Thereafter	\$	1,372

Washington State Patrol Retirement System

Plan Description. The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer, defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. WSPRS plans provide retirement, disability, and death benefits to eligible members.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with no minimum required service credit, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts the employee and state contribution rates, subject to revision by the Legislature. The preliminary employee and state contribution rates are developed by the Office of the State Actuary to fully fund the plan. The methods used to determine contribution requirements are established under state statute.

Members in WSPRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from WSPRS-covered employment.

Required contribution rates for fiscal year 2016 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future

rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to

determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2016, the state reported a net pension liability of \$19.6 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2	
Net Pension Liability (Asset)	
1% Decrease	\$ 208,202
Current Discount Rate	\$ 19,551
1% Increase	\$ (128,553)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a WSPRS pension expense of \$(1.0) million. At June 30, 2016, the WSPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,345	\$ -
Changes of assumptions	12	-
Net difference between projected and actual earnings on pension plan investments	-	38,282
Change in proportion	-	-
State contributions subsequent to the measurement date	7,044	-
Total	\$ 13,401	\$ 38,282

For WSPRS 1/2, \$7.0 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

WSPRS Plan 1/2	
2017	\$ (12,350)
2018	\$ (12,350)
2019	\$ (13,621)
2020	\$ 6,396
2021	\$ -
Thereafter	\$ -

Judges' Retirement Fund

Plan Description. The Judges' Retirement Fund was created by the Legislature on March 22, 1937, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

The Judges' Retirement Fund is a single-employer, defined benefit retirement system. There are currently no active members in this plan. For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. The Judges' Retirement Fund provides retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The

system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System.

Contributions. There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in statute. By statute, employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state.

Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2015, no such appropriations or contributions were made.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. Contributions are made to the Judges' Retirement Fund to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.8 percent for the June 30, 2015, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2016, the state reported a net pension liability of \$2.6 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.8 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate (expressed in thousands):

Judges'		
Net Pension Liability (Asset)		
1% Decrease	\$	2,594
Current Discount Rate	\$	2,602
1% Increase	\$	2,399

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a Judges' Retirement Fund pension expense of \$400 thousand. At June 30, 2016, the Judges' Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Judges'	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	43	-
Change in proportion	-	-
State contributions subsequent to the measurement date	501	-
Total	\$ 544	\$ -

For the Judges' Retirement Fund, \$501 thousand reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions

will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

Judges'		
2017	\$	13
2018	\$	13
2019	\$	13
2020	\$	4
2021	\$	-
Thereafter	\$	-

Judicial Retirement System

Plan Description. The Judicial Retirement System (JRS) was established by the Legislature in 1971. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System. For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. JRS provides retirement, disability, and death benefits to eligible members.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service. The system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Contributions. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Past contributions were made based on rates set in statute. By statute, employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state.

JRS member contributions to the plan are not refundable.

The state guarantees the solvency of JRS on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2015, the state contributed \$10.6 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. Contributions are made to JRS to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.8 percent for the June 30, 2014, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2016, the state reported a net pension liability of \$95.0 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.8 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate (expressed in thousands):

JRS		
Net Pension Liability (Asset)		
1% Decrease	\$	104,498
Current Discount Rate	\$	94,979
1% Increase	\$	86,846

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a JRS pension expense of \$10.2 million. At June 30, 2016, JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	233	-
Change in proportion	-	-
State contributions subsequent to the measurement date	9,500	-
Total	\$ 9,733	\$ -

For JRS, \$9.5 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

JRS		
2017	\$	66
2018	\$	66
2019	\$	66
2020	\$	35
2021	\$	-
Thereafter	\$	-

2. DRS Plans – Nonemployer Contributing Entity Disclosures

For fiscal year 2016, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Note 11.B.1 provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

Basis for Nonemployer Contributing Entity Contributions. LEOFF Plan 1 has a net pension asset as of the June 30, 2015, measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2015, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2015, measurement date. In this plan, the state is an employer and also a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2015, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.80 percent based on total plan contributions received in fiscal year 2015.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state as nonemployer contributing entity reported a net pension asset of \$1.05 billion and \$409.1 million for its proportionate share of the collective net pension asset for LEOFF Plan 1 and LEOFF Plan 2 respectively. The nonemployer contributing entity's proportion for LEOFF Plan 1 was 87.12 percent, the same as the prior reporting period, and 39.80 percent for LEOFF Plan 2, an increase of 0.28 percent. The

proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2015 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.5 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

LEOFF Plan 1	
Nonemployer contributing entity proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ (671,734)
Current Discount Rate	\$ (1,049,988)
1% Increase	\$ (1,372,380)

LEOFF Plan 2	
Nonemployer contributing entity proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 409,678
Current Discount Rate	\$ (409,091)
1% Increase	\$ (1,025,246)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state as nonemployer contributing entity recognized \$(207.6) million pension expense for LEOFF Plan 1 and \$(14.8) million pension expense for LEOFF Plan 2.

At June 30, 2016, the state as nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	177,259
Change in proportion	-	-
State contributions subsequent to the measurement date	(85)	-
Total	\$ (85)	\$ 177,259

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 35,822	\$ -
Changes of assumptions	1,079	-
Net difference between projected and actual earnings on pension plan investments	-	123,952
Change in proportion and difference between state contributions and proportionate share of contributions	565	1,424
State contributions subsequent to the measurement date	36,374	-
Total	\$ 73,840	\$ 125,376

For LEOFF Plan 1, \$(85) thousand, and for LEOFF Plan 2, \$36.4 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 1	
2017	\$ (68,783)
2018	\$ (68,783)
2019	\$ (68,783)
2020	\$ 29,090
2021	\$ -
Thereafter	\$ -

LEOFF Plan 2	
2017	\$ (41,504)
2018	\$ (41,504)
2019	\$ (41,505)
2020	\$ 28,364
2021	\$ 6,874
Thereafter	\$ 1,365

3. Tables for Plans Administered by the Department of Retirement Services

TABLE 1: Single Employer Plan Membership

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2014, the date of the latest actuarial valuation for all plans:

Plans	Number of Participating Members			Total Members
	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	
WSPRS 1	996	124	609	1,729
WSPRS 2	-	15	435	450
JRS	108	-	-	108
Judges	12	-	-	12
Total	1,116	139	1,044	2,299

TABLE 2: Change in Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2014, the date of the latest actuarial valuation for all plans (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
TOTAL PENSION LIABILITY			
Service cost	\$ 16,633	\$ -	\$ -
Interest	80,037	4,382	138
Changes of benefit terms	2,258	-	-
Differences between expected and actual experience	8,883	1,590	182
Changes of assumptions	17	4,335	95
Benefit payments, including refunds of member contributions	(50,075)	(9,336)	(444)
Net Change in Total Pension Liability	57,753	971	(29)
Total Pension Liability--Beginning	1,072,424	100,341	3,146
Total Pension Liability --Ending (a)	\$ 1,130,177	\$ 101,312	\$ 3,117
PLAN FIDUCIARY NET POSITION			
Contributions--employer	\$ 6,679	\$ 10,600	\$ -
Contributions--employee	6,323	-	-
Net investment income	49,046	38	4
Benefit payments, including refunds of member contributions	(50,075)	(9,336)	(444)
Administrative expense	(67)	-	-
Other	293	-	-
Net Change in Plan Fiduciary Net Position	12,199	1,302	(440)
Plan Fiduciary Net Position--Beginning	1,098,427	5,031	955
Plan Fiduciary Net Position--Ending (b)	\$ 1,110,626	\$ 6,333	\$ 515
Plan's Net Pension Liability (Asset)--Beginning	\$ (26,003)	\$ 95,310	\$ 2,191
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	\$ 19,551	\$ 94,979	\$ 2,602

TABLE 3: Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of the fiscal year 2016, were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
<u>PERS</u>						
Employees Not Participating in JBM						
State agencies, local governmental units	6.23%	6.23%	6.23%	6.00%	6.12%	**
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	4.77%	4.77%	4.77%			
Total	11.18%	11.18%	11.18%			*
State govt elected officials	11.73%	6.23%	6.23%	7.50%	6.12%	**
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	4.77%	4.77%	4.77%			
Total	16.68%	11.18%	11.18%			*
Employees Participating in JBM						
State agencies	8.73%	8.73%	8.73%	9.76%	12.80%	7.50%***
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	4.77%	4.77%	4.77%			
Total	13.68%	13.68%	13.68%			*
Local governmental units	6.23%	6.23%	6.23%	12.26%	15.30%	7.50%***
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	4.77%	4.77%	4.77%			
Total	11.18%	11.18%	11.18%			*
<u>TRS</u>						
Employees Not Participating in JBM						
State agencies, local governmental units	6.72%	6.72%	6.72%	6.00%	5.95%	**
Administrative fee	0.18%	0.18%	0.18%			
TRS Plan 1 UAAL	6.23%	6.23%	6.23%			
Total	13.13%	13.13%	13.13%			*
State govt elected officials	6.72%	6.72%	6.72%	7.50%	5.95%	**
Administrative fee	0.18%	0.18%	0.18%			
TRS Plan 1 UAAL	6.23%	6.23%	6.23%			
Total	13.13%	13.13%	13.13%			*
Employees Participating in JBM						
State agencies	6.72%	N/A	N/A	9.76%	N/A	N/A
Administrative fee	0.18%	N/A	N/A			
TRS Plan 1 UAAL	6.23%	N/A	N/A			
Total	13.13%					
<u>LEOFF</u>						
Ports and universities	N/A	8.41%	N/A	N/A	8.41%	N/A
Administrative fee	N/A	0.18%	N/A			
Total		8.59%				
Local governmental units	N/A	5.05%	N/A	N/A	8.41%	N/A
Administrative fee	0.18%	0.18%	N/A			
Total	0.18%	5.23%				
State of Washington	N/A	3.36%	N/A	N/A	N/A	N/A
<u>WSPRS</u>						
State agencies	8.16%	8.16%	N/A	6.84%	6.84%	N/A
Administrative fee	0.18%	0.18%	N/A			
Total	8.34%	8.34%				
<u>PSERS</u>						
State agencies, local governmental units	N/A	6.59%	N/A	N/A	6.59%	N/A
Administrative fee	N/A	0.18%	N/A			
PSERS Plan 1 UAAL	N/A	4.77%	N/A			
Total		11.54%				

* Plan 3 defined benefit portion only.

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

*** Minimum rate.

N/A indicates data not applicable.

**C. PLAN ADMINISTERED BY THE STATE
BOARD FOR VOLUNTEER FIRE FIGHTERS'
AND RESERVE OFFICERS**

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Plan Description. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2016, there were approximately 500 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

Plan Members. Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2016 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,296
Inactive plan members entitled to but not yet receiving benefits	6,197
Active plan members	9,802
Total membership	20,295

Benefits Provided. VFFRPF provides retirement, disability, and death benefits to eligible members. Benefits are established in chapter 41.24 RCW which may be amended only by the Legislature.

Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Municipalities consist of fire departments, emergency medical service districts, and law enforcement agencies. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service. The maximum monthly benefit is \$300. Reduced pensions are

available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214 thousand. Funeral and burial expenses are also paid in a lump sum of \$2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid \$500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2016.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2016, the fire insurance premium tax contribution was \$7.2 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary (OSA). All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for 2016 were the following:

	EMSD &	
	Firefighters	Reserve Officers
Member fee	\$ 30	\$ 30
Municipality fee	30	105
Total fee	\$ 60	\$ 135

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having

investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

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

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

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return. Eligible investments are only those securities and deposits authorized by statute.

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

Rate of Return. For the year ended June 30, 2016, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 2.19 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

Pension Liability/(Asset). The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2016, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	\$ 191,494
Plan fiduciary net position	(208,663)
Participating municipality net pension liability (asset)	<u>\$ (17,169)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>108.97%</u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.50 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Please see the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for

additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

In consultation with OST, OSA selected a 4 percent long-term investment rate of return on assets managed by OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above OSA's current assumption for total inflation of 3 percent.

As the VFFRPF has assets managed by both WSIB and OST, the long-term expected rate of return of 7 percent represents an approximate weighted-average of the assets managed by WSIB (7.5 percent expected return) and the assets managed by OST (4 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7 percent on plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability (Asset)	
1% Decrease	\$ 8,590
Current Discount Rate	\$ (17,169)
1% Increase	\$ (38,004)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

The Higher Education Defined Contribution Retirement Plans, described in Note 11.E, have a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component, which was closed to new entrants as of July 1, 2011, is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals.

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2015. The previous valuation was performed in 2013.

The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2015, and 2013, was \$596.7 million and \$460.8 million, respectively, and is amortized over an 10 year period. The Annual Required Contribution (ARC) of \$85.8 million includes amortization of the UAL (\$60.3 million) and normal cost or current cost (\$23.8 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4 percent and projected salary increases of 3.75 percent. Approximately \$1.81 billion and \$1.76 billion of payroll were covered under these plans during the valuation periods 2015 and 2013, respectively.

The following table reflects the activity in the Net Pension Obligation (NPO) for the years ended June 30 (expressed in millions):

Net Pension Obligation	2016	2015	2014
Annual required contribution	\$ 85.8	\$ 85.8	\$ 63.8
Payments to beneficiaries	(7.4)	(6.5)	(5.6)
Increase (decrease) in NPO	78.4	79.3	58.2
NPO at beginning of year	407.9	328.6	270.3
NPO at end of year	\$ 486.3	\$ 407.9	\$ 328.5

E. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2016, there were five active members and 135 inactive members in JRA. The state, through the AOC, is the sole participating employer.

Beginning January 1, 2007, any justice or judge who was in a judicial position at that time and who chose to join the Judicial Benefit Multiplier (JBM) Program could no longer participate in JRA. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership, they will be enrolled as a member of both PERS Plan 2 and JBM.

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The Administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate, or such person or persons, trust or organization, as the member has nominated by written designation.

For fiscal year 2016 the state recognized pension expense for contributions of \$21 thousand made to employee accounts. No plan refunds were made.

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

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 5 percent 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 2016, employer and employee contributions were \$202 and \$201.8 million respectively, for a total of \$403.8 million.

Note 12

Other Postemployment Benefits

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description and Contributions Information

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 66 of the state's K-12 schools and educational service districts (ESDs), and 229 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 schools and ESDs. As of June 2016, membership in the PEBB plan consisted of the following:

	Active		Total
	Employees	Retirees ⁽¹⁾	
State	110,856	31,584	142,440
K-12 schools and ESDs ⁽²⁾	2,712	34,387	37,099
Political subdivisions	13,325	1,855	15,180
Total	126,893	67,826	194,719

⁽¹⁾ Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.

⁽²⁾ In fiscal year 2016, there were 107,858 full-time equivalent active employees in the 238 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For calendar year 2016, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium ⁽³⁾	
Medical	\$ 956
Dental	79
Life	4
Long-term disability	2
Total	\$ 1,041
Employer contribution	\$ 899
Employee contribution	142
Total	\$ 1,041

⁽³⁾ Per 2016 PEBB Financial Projection Model 3.0

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2015, the average weighted implicit subsidy was valued at \$308 per member per month, and in calendar year 2016, the average weighted implicit subsidy is projected to be \$304 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state legislature. In calendar year 2015, the explicit subsidy was up to \$150 per member per month, and it remained up to \$150 per member per month in calendar year 2016.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Summary of Significant Accounting Policies

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the state as an agency fund using the accrual basis. It has no assets. The PEBB OPEB plan does not issue a publically available financial report.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2016 and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands). All contributions required by the funding method were paid.

Annual required contribution	\$	516,899
Interest on net OPEB obligation		92,916
Amortization of net OPEB obligation		(89,152)
Annual OPEB cost (expense)		520,663
Contributions made*		(82,836)
Increase in net OPEB obligation		437,827
Net OPEB obligation - beginning of year		2,322,888
Net OPEB obligation - end of year*	\$	2,760,715
*estimated		

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015, and 2014 were as follows (dollars expressed in thousands):

	2016	2015	2014
Annual OPEB cost	\$ 520,663	\$ 502,376	\$ 358,442
% of annual OPEB cost contributed	15.91%	14.70%	21.70%
Net OPEB obligation	\$ 2,760,715	\$ 2,322,888	\$ 1,894,567

Funded Status and Funding Progress

The funded status of the state's portion of the plan as of January 1, 2015, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	\$ 5,273,530
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 5,273,530
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 6,218,744
UAAL as a percentage of covered payroll	84.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years for each new layer of NOO
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.75%
Health care inflation rate	8.0% initial rate, 4.9% ultimate rate in 2094
Inflation rate	3.0%

Note 13 Derivative Instruments

Hedging Derivatives

In addition to investment derivatives as described in Note 3, the state, through the Washington State Department of Transportation Ferries Division (WSF)

entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2016 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2016		Notional amount (in gallons)
	Classification	Amount	Classification	Amount	
Governmental Activities					
Cash Flow Hedges:					
	Deferred		Accounts		
Commodity Swaps	Outflow	\$ (3,812)	Payable	\$ 1,196	24,360

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

represented by fuel purchases. To accomplish this, a strategy of active hedging has been implemented by WSF to control the uncertain costs of fuel and allow for more accurate budget estimates.

Objective

The objective for the hedge transaction is to minimize the volatility of the price of diesel fuel and therefore stabilize the percentage of the WSF operating budget

Significant Terms

The significant terms of active hedges WSF entered into during fiscal year 2016 are presented in the table below:

Type	Counterparty	Contract price		Trade date	Settlement period	Monthly notional amount (in gallons)
		range per gallon	Variable rate received			
Commodity Swap	Cargill	\$2.76 - \$2.82	NYMEX ULSD Heating Oil	9/9/2014	7/2015 - 6/2016	252,000
Commodity Swap	Cargill	\$2.74 - \$2.79	NYMEX ULSD Heating Oil	9/25/2014	7/2015 - 6/2016	252,000
Commodity Swap	Cargill	\$1.94	NYMEX ULSD Heating Oil	12/30/2014	7/2015 - 6/2016	252,000
Commodity Swap	Cargill	\$1.73 - \$1.81	NYMEX ULSD Heating Oil	7/7/2015	8/2015 - 6/2016	252,000
Commodity Swap	Cargill	\$1.83 - \$1.90	NYMEX ULSD Heating Oil	7/7/2015	7/2016 - 6/2017	252,000
Commodity Swap	Cargill	\$1.75 - \$1.85	NYMEX ULSD Heating Oil	7/28/2015	7/2016 - 6/2017	252,000
Commodity Swap	Cargill	\$1.42	NYMEX ULSD Heating Oil	5/10/2016	7/2016 - 6/2017	126,000 - 378,000
Commodity Swap	BofA - Merrill Lynch	\$1.63 - \$1.73	NYMEX ULSD Heating Oil	7/28/2015	8/2015 - 6/2016	126,000 - 378,000
Commodity Swap	BofA - Merrill Lynch	\$1.96 - \$2.03	NYMEX ULSD Heating Oil	7/2/2015	7/2016 - 6/2017	252,000
Commodity Swap	BofA - Merrill Lynch	\$1.68 - \$1.79	NYMEX ULSD Heating Oil	8/5/2015	7/2016 - 6/2017	252,000
Commodity Swap	BofA - Merrill Lynch	\$1.31	NYMEX ULSD Heating Oil	1/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	\$1.61	NYMEX ULSD Heating Oil	6/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	\$1.42	NYMEX ULSD Heating Oil	1/15/2016	7/2018 - 6/2019	252,000
Commodity Swap	BofA - Merrill Lynch	\$1.73	NYMEX ULSD Heating Oil	6/7/2016	7/2018 - 6/2019	252,000

The hedging strategy consists of a reference to futures contracts of New York Mercantile Exchange (NYMEX) Ultra Low Sulfur Diesel (ULSD) Heating Oil. This commodity remains highly correlated to the diesel fuel type being used by WSF. These fuel hedges require no initial cash investment and provide monthly settlements.

The monthly settlements are based on the daily prices of the respective commodities whereby WSF will either receive a payment, or make a payment to the counterparty depending on the average monthly prices of the commodities in relation to the contract prices.

Fair Value

The state reports its hedging derivative instruments at fair value as either accounts payable - liability (negative fair value amount) or as other receivables - asset (positive fair value amount). The fair value represents the current price to settle swap assets or liabilities in the market place if a swap were to be terminated. The changes in fair value for hedging derivatives represent the unrealized gain or loss on the contracts and are reported as deferred inflows or deferred outflows of resources respectively. At fiscal year end, the state reports the fair value and changes in fair value related to hedging derivative instruments on the Balance Sheet for Non-major Governmental Funds and the Government-wide Statement of Net Position.

Risks

The following risks are generally associated with commodity swap agreements:

Basis risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Statistically, the relationship between

heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

Termination Risk. Termination risk is the risk that there will be a mandatory early termination of the commodity swap that would result in WSF either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty suffers degraded credit quality or fails to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

Credit Risk. Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2016, credit ratings of the state's counterparty were as follows:

Counterparty	Standard		
	Moody's	Poor's	Fitch
Cargill	A2	A	A
Bank of America Merrill Lynch International Limited	-	A	A

Note 14

Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled \$2.66 billion at June 30, 2016.

B. ENCUMBRANCES

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2016 are (expressed in thousands):

General Fund	\$ 111,830
Higher Education Special Revenue Fund	7,146
Nonmajor Governmental Funds	1,010,749

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of the disabled and elderly; and inadequate funding for the provision of daily personal care, medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed \$35 million exclusive of the basic education case, which will be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is also a defendant in a number of cases contesting the denial of health care benefits and the scope of covered care. Claims in this category total approximately \$145 million.

The Department of Revenue routinely has claims for refunds or exemptions in various stages of administrative and legal review. Cases involving such claims currently total approximately \$152 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The state is a defendant in a number of lawsuits related to habitat restoration and environmental remediation arising out of highway/roadway construction and maintenance. While estimates are not available for all lawsuits, claims for damages equate to approximately \$155 million per annum.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's annual payment under the settlement was approximately \$114.8 million in fiscal year 2016. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the annual base payment. The fiscal year 2016 strategic contribution payment was approximately \$38 million. The final strategic contribution payment due under MSA will be made in 2017.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006.

With respect to 2003 sales data, Washington and a number of other states participated in a single national arbitration of the nonparticipating manufacturer (NPM) adjustment dispute. In late 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and, therefore, for that calendar year is not subject to an NPM adjustment under the MSA. Of the 15 states that went to an arbitration hearing, only nine were found to have diligently enforced. As a result of that decision, in fiscal year 2014, Washington

received approximately \$14 million more than it would have otherwise received due to the release of amounts placed in the MSA Disputed Payment Account (DPA) related to the 2003 calendar year. More importantly, if Washington had not prevailed in the arbitration, its fiscal year 2014 payment would have been reduced by approximately \$100 million due to the application of the NPM adjustment.

The panel's decision addressed only the 2003 calendar year. Washington and other states currently are engaged in negotiations with participating manufacturers regarding potential arbitration proceedings involving the 2004 calendar year. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between \$0 and \$137 million for the year 2004, \$0 and \$131 million for the year 2005, and \$0 and \$119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007 through 2013. Washington faces potential NPM adjustments that put at risk Washington's entire MSA payment. For example, the potential NPM adjustment for the year 2007 is between \$0 and \$123 million, and for the year 2008, it is between \$0 and \$173 million.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been

earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with Chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of \$10.2 billion at June 30, 2016. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state treasurer for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

G. COLUMBIA RIVER CROSSING

The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately \$54 million in federal funds, of which \$15 was jointly awarded to Washington and Oregon.

Under Federal Highway Administration (FHWA) policy, failure to advance a project to the construction phase within 10 years of the initial obligation of funds could trigger a requirement to repay federal funds used on the project. FHWA has granted Washington and Oregon an extension to September 30, 2019. WSDOT and ODOT continue discussions with FHWA

regarding the I-5 bridge replacement, and the necessity and timing of repayment of federal funds.

H. GUARANTEED EDUCATION TUITION (GET) LOSS CONTINGENCY

Engrossed Second Substitute Senate Bill (E2SSB) 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State Guaranteed Education Tuition (GET) Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until September 1, 2017 or until 60 days after a new 529 savings plan opens (whichever is later), to request a refund. GET is closed to new enrollments until July 1, 2017. The financial impact of this action cannot reasonably be estimated as of the date of these financial statements.

I. OTHER COMMITMENTS AND CONTINGENCIES

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the

year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2016, outstanding certificates of participation notes totaled \$77.5 million for 151 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 15 Subsequent Events

A. BOND ISSUES

In July 2016, the state issued:

- \$390 million in general obligation bonds for various purposes.
- \$531.3 million in general obligation refunding bonds to refund certain various purpose general obligation bonds of the state.
- \$101.7 million in taxable general obligation bonds for capital projects and loan programs for low-income housing, basic infrastructure, various

energy efficiency and renewable energy projects, and state programs for Columbia River Basin water supply development.

- \$271.6 million in motor vehicle fuel tax general obligation refunding bonds.

In September 2016, the state issued:

- \$134.2 million in motor vehicle fuel tax general obligation bonds for funding various transportation projects.
- \$90.4 million in motor vehicle fuel tax general obligation bonds for the purpose of providing funding for the state route 520 corridor program.

In August 2016, Central Washington University issued \$29.2 million in revenue refunding bonds to refund housing bonds.

Also in August 2016, Eastern Washington University issued \$23.5 million in revenue refunding bonds to refund services and activities fee revenue bonds.

Later in the 2016 calendar year, Eastern Washington University is planning to issue approximately \$38.4 million in general revenue bonds to renovate the Pence Union Building.

Later in the 2016 calendar year, the University of Washington is planning to issue approximately \$328 million in general revenue bonds to fund capital projects and refund capital project bonds.

B. CERTIFICATES OF PARTICIPATION

In August 2016, the state issued \$65.3 million in Certificates of Participation (COP), of which \$32 million were refunding COPs, including \$3.2 million of taxable COPs. The taxable portion of the COPs will be used to refund real property COPs of the state.

C. GENERAL ELECTION

There is a measure on the state's November 8, 2016, general election ballot that proposes a carbon emission tax on certain fossil fuels and fossil-fuel-generated electricity, reduces the sales tax by one percentage point, increases a low-income exemption, and reduces certain manufacturing taxes. This measure, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 8, 2016, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted on the Secretary of State's website at <http://www.sos.wa.gov>.

D. STATE SUPREME COURT ORDER

Washington continues to face the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made through the 2013-15 biennial budget, it was insufficient to satisfy the court. In September 2014, the court found the state in contempt and threatened sanctions if an acceptable funding plan was not in place by the end of the 2015 legislative session.

On August 13, 2015, shortly after the conclusion of the 2015 legislative session, the Washington State Supreme Court issued an order imposing daily penalties of \$100 thousand to be held for basic education until the legislature presents an acceptable plan to fully fund basic education as ordered in prior court rulings. On October 6, 2016, the Court acknowledged further progress made in the 2015-17 biennial budget but maintained the \$100 thousand per day penalties pending legislative action in the 2017 session.

E. OSO MUDSLIDE SETTLEMENT

In March 2014 a tragic mudslide occurred near Oso, Washington. A series of lawsuits were filed against the state, Snohomish County, and a timber company seeking damages for death, bodily injury and personal property damage and destruction. On October 9, 2016, a settlement was reached between the state and the plaintiffs. The state agreed to pay the plaintiffs \$50 million plus \$1.2 million in costs, fees, and sanctions.

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule				
General Fund				
For the Fiscal Year Ended June 30, 2016				
<i>(expressed in thousands)</i>				
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	\$ 1,550,847	\$ 1,550,847	\$ 1,550,847	\$ -
Resources				
Taxes	35,743,517	36,091,647	18,068,630	(18,023,017)
Licenses, permits, and fees	229,281	228,571	116,334	(112,237)
Other contracts and grants	550,314	550,885	241,734	(309,151)
Timber sales	6,616	6,650	3,993	(2,657)
Federal grants-in-aid	22,720,205	22,830,123	10,606,061	(12,224,062)
Charges for services	76,910	80,423	41,764	(38,659)
Investment income (loss)	16,824	18,266	12,222	(6,044)
Miscellaneous revenue	284,778	366,696	218,726	(147,970)
Unclaimed property	121,876	115,522	70,655	(44,867)
Transfers from other funds	1,975,011	2,285,083	877,975	(1,407,108)
Total Resources	63,276,179	64,124,713	31,808,941	(32,315,772)
Charges To Appropriations				
General government	4,087,194	4,127,600	1,868,980	2,258,620
Human services	32,532,950	32,607,771	15,521,157	17,086,614
Natural resources and recreation	695,716	837,001	433,186	403,815
Transportation	104,731	141,834	69,243	72,591
Education	23,047,518	23,823,106	11,418,014	12,405,092
Capital outlays	759,279	736,381	187,486	548,895
Transfers to other funds	715,878	1,015,293	402,992	612,301
Total Charges To Appropriations	61,943,266	63,288,986	29,901,058	33,387,928
Excess Available For Appropriation				
Over (Under) Charges To Appropriations	1,332,913	835,727	1,907,883	1,072,156
Reconciling Items				
Bond sale proceeds	319,039	319,039	89,119	(229,920)
Issuance premiums	-	-	1,400	1,400
Assumed reversions	172,500	207,204	-	(207,204)
Working capital adjustment	-	-	(141,000)	(141,000)
Allocations	-	-	-	-
Noncash activity (net)	-	-	83,472	83,472
Nonappropriated fund balances	-	-	86,437	86,437
Changes in reserves (net)	-	-	1,426	1,426
Total Reconciling Items	491,539	526,243	120,854	(405,389)
Budgetary Fund Balance, June 30	\$ 1,824,452	\$ 1,361,970	\$ 2,028,737	\$ 666,767

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund	
For the Fiscal Year Ended June 30, 2016 (expressed in thousands)	
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	\$ 31,808,941
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(877,975)
Budgetary fund balance at the beginning of the biennium, as restated	(1,550,847)
Appropriated loan principal repayment	(246)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,583,336
Revenues collected for other governments	119,367
Unanticipated receipts	6,510
Noncash revenues	28,244
Other	6,283
Biennium total revenues	31,123,613
Nonappropriated activity	14,087
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,137,700
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule	\$ 29,901,058
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(1,474,831)
Other transfers to other funds	(402,992)
Appropriated loan disbursements	(29)
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	1,583,335
Distributions to other governments	119,367
Certificates of participation and capital lease acquisitions	35,473
Expenditures related to unanticipated receipts	6,510
Other	6,513
Biennium total expenditures	29,774,404
Nonappropriated activity	346,847
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 30,121,251

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule Higher Education Special Revenue Fund For the Fiscal Year Ended June 30, 2016 <i>(expressed in thousands)</i>				
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	\$ 335,583	\$ 335,583	\$ 335,583	\$ -
Resources				
Taxes	455,330	445,936	216,994	(228,942)
Other contracts and grants	310	310	-	(310)
Charges for services	21,888	21,888	-	(21,888)
Investment income (loss)	1,741	1,741	419	(1,322)
Miscellaneous revenue	2,270	2,270	(5)	(2,275)
Transfers from other funds	54,500	54,500	30,150	(24,350)
Total Resources	871,622	862,228	583,141	(279,087)
Charges To Appropriations				
Education	456,902	434,551	161,476	273,075
Transfers to other funds	53,900	53,900	30,149	23,751
Total Charges To Appropriations	510,802	488,451	191,625	296,826
Excess Available For Appropriation				
Over (Under) Charges To Appropriations	360,820	373,777	391,516	17,739
Reconciling Items				
Working Capital Adjustment	-	-	(2,240)	(2,240)
Noncash activity (net)	-	-	16,777	16,777
Nonappropriated fund balances	-	-	2,429,471	2,429,471
Changes in reserves (net)	-	-	(4,075)	(4,075)
Total Reconciling Items	-	-	2,439,933	2,439,933
Budgetary Fund Balance, June 30	\$ 360,820	\$ 373,777	\$ 2,831,449	\$ 2,457,672

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund	
For the Fiscal Year Ended June 30, 2016	
<i>(expressed in thousands)</i>	
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	\$ 583,141
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(30,150)
Budgetary fund balance at the beginning of the biennium, as restated	(335,583)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash revenues	85
Other	4
Biennium total revenues	217,497
Nonappropriated activity	5,078,164
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 5,295,661
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	\$ 191,625
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:	
Other transfers to other funds	(30,149)
Biennium total expenditures	161,476
Nonappropriated activity	5,208,507
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 5,369,983

BUDGETARY INFORMATION

Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year in the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2015-17 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at <http://www.ofm.wa.gov/cafr/2016/default.asp>.

Legislative appropriations are strict legal limits on expenditures; over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with generally accepted accounting principles. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

PENSION PLAN INFORMATION
Single Employer Plans

Continued

Schedule of Changes in Net Pension Liability and Related Ratios			
Washington State Patrol Retirement System - Plan 1/2			
Last Three Measurement Years*			
<i>(expressed in thousands)</i>			
	2015	2014	2013
Total Pension Liability			
Service cost	\$ 16,633	\$ 18,041	N/A
Interest	80,037	75,249	N/A
Changes of benefit terms	2,258	-	N/A
Differences between expected and actual experience	8,883	-	N/A
Changes in assumptions	17	-	N/A
Benefit payments, including refunds of employee contributions	<u>(50,075)</u>	<u>(47,510)</u>	<u>N/A</u>
Net Change in Total Pension Liability	57,753	45,780	N/A
Total Pension Liability - Beginning	<u>1,072,424</u>	<u>1,026,644</u>	<u>N/A</u>
Total Pension Liability - Ending (a)	<u><u>\$ 1,130,177</u></u>	<u><u>\$ 1,072,424</u></u>	<u><u>\$ 1,026,644</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 6,679	\$ 6,587	N/A
Contributions - employee	6,323	6,555	N/A
Net investment income	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(50,075)	(47,510)	N/A
Administrative expense	(67)	(84)	N/A
Other	<u>293</u>	<u>509</u>	<u>N/A</u>
Net Change in Plan Fiduciary Net Position	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	<u>1,098,427</u>	<u>955,514</u>	<u>N/A</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,110,626</u></u>	<u><u>\$ 1,098,427</u></u>	<u><u>\$ 955,514</u></u>
State's Net Pension Liability/(Asset) - Ending (a) - (b)	<u><u>\$ 19,551</u></u>	<u><u>\$ (26,003)</u></u>	<u><u>\$ 71,130</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	98.27%	102.42%	93.07%
Covered-employee payroll	\$ 84,388	\$ 85,046	\$ 81,895
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	23.17%	-30.58%	86.86%
N/A indicates data not available.			
*This schedule is to be built prospectively until it contains ten years of data.			
Note: Figures may not total due to rounding.			
Source: Washington State Office of the State Actuary			

PENSION PLAN INFORMATION
Single Employer Plans

Continued

Schedule of Changes in Net Pension Liability and Related Ratios			
Judicial Retirement System			
Last Three Measurement Years *			
<i>(expressed in thousands)</i>			
	2015	2014	2013
Total Pension Liability			
Service cost	\$ -	\$ -	N/A
Interest	4,382	4,319	N/A
Changes of benefit terms	-	-	N/A
Differences between expected and actual experience	1,590	-	N/A
Changes in assumptions	4,335	-	N/A
Benefit payments, including refunds of employee contributions	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	<u>971</u>	<u>(5,161)</u>	N/A
Total Pension Liability - Beginning	<u>100,341</u>	<u>105,502</u>	N/A
Total Pension Liability - Ending (a)	<u>\$ 101,312</u>	<u>\$ 100,341</u>	<u>\$ 105,502</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 10,600	\$ 10,600	N/A
Contributions - employee	-	-	N/A
Net investment income	38	25	N/A
Benefit payments, including refunds of employee contributions	(9,336)	(9,480)	N/A
Administrative expense	-	-	N/A
Other	-	-	N/A
Net Change in Plan Fiduciary Net Position	<u>1,302</u>	<u>1,145</u>	N/A
Plan Fiduciary Net Position - Beginning	<u>5,031</u>	<u>3,886</u>	N/A
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,333</u>	<u>\$ 5,031</u>	<u>\$ 3,886</u>
State's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 94,979</u>	<u>\$ 95,310</u>	<u>\$ 101,616</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	6.25%	5.01%	3.68%
Covered-employee payroll ⁽¹⁾	N/A	N/A	\$ 160
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll ⁽¹⁾	N/A	N/A	63510%
N/A indicates data not available.			
⁽¹⁾ Covered-employee payroll is not applicable because there are no active plan employees.			
*This schedule is to be built prospectively until it contains ten years of data.			
Note: Figures may not total due to rounding.			
Source: Washington State Office of the State Actuary			

PENSION PLAN INFORMATION
Single Employer Plans

Concluded

Schedule of Changes in Net Pension Liability and Related Ratios			
Judges' Retirement Fund			
Last Three Measurement Years*			
(expressed in thousands)			
	2015	2014	2013
Total Pension Liability			
Service cost	\$ -	\$ -	N/A
Interest	138	137	N/A
Changes of benefit terms	-	-	N/A
Differences between expected and actual experience	182	-	N/A
Changes in assumptions	95	-	N/A
Benefit payments, including refunds of employee contributions	(444)	(444)	N/A
Net Change in Total Pension Liability	(29)	(307)	N/A
Total Pension Liability - Beginning	3,146	3,453	N/A
Total Pension Liability - Ending (a)	\$ 3,117	\$ 3,146	\$ 3,453
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ -	N/A
Contributions - employee	-	-	N/A
Net investment income	4	7	N/A
Benefit payments, including refunds of employee contributions	(444)	(444)	N/A
Administrative expense	-	-	N/A
Other	-	-	N/A
Net Change in Plan Fiduciary Net Position	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	955	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	\$ 515	\$ 955	\$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 2,602	\$ 2,191	\$ 2,061
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	16.52%	30.36%	40.31%
Covered-employee payroll ⁽¹⁾	N/A	N/A	N/A
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll ⁽¹⁾	N/A	N/A	N/A
N/A indicates data not available.			
⁽¹⁾ Covered-employee payroll is not applicable because there are no active plan employees.			
* This schedule is to be built prospectively until it contains ten years of data.			
Note: Figures may not total due to rounding.			
Source: Washington State Office of the State Actuary			

PENSION PLAN INFORMATION
Single Employer Plans

Continued

Schedule of Contributions Washington State Patrol Retirement System - Plan 1/2 Last Ten Fiscal Years (expressed in thousands)						
Year	Actuarially Determined Contributions	Contributions in relation to the Actuarial Determined Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2016	\$ 7,618	\$ 7,044	\$ 574	\$ 86,660	8.13%	
2015	6,810	6,679	131	84,388	7.91%	
2014	6,677	6,587	90	85,046	7.75%	
2013	2,500	6,478	(3,978)	81,895	7.91%	
2012	2,900	6,454	(3,554)	81,578	7.91%	
2011	2,300	5,251	(2,951)	81,882	6.41%	
2010	6,600	5,271	1,329	82,764	6.37%	
2009	5,000	6,371	(1,371)	82,719	7.70%	
2008	6,800	6,064	736	78,781	7.70%	
2007	5,300	3,278	2,022	72,688	4.51%	

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Continued

Schedule of Contributions Judicial Retirement System Last Ten Fiscal Years <i>(expressed in thousands)</i>						
Year	Actuarially Determined Contributions	Contributions in relation to the Actuarial Determined Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2016	\$ 8,999	\$ 9,500	\$ (501)	\$ -	N/A	
2015	9,132	10,600	(1,468)	-	N/A	
2014	9,205	10,600	(1,395)	-	N/A	
2013	21,700	10,112	11,588	160	6320.00%	
2012	22,600	8,131	14,469	407	1997.79%	
2011	18,600	10,906	7,694	611	1784.94%	
2010	20,400	11,649	8,751	1,053	1106.27%	
2009	21,200	10,305	10,895	1,394	739.24%	
2008	26,600	9,712	16,888	1,496	649.20%	
2007	37,300	9,650	27,650	1,478	652.91%	

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.
 N/A indicates data not available. Beginning in 2014, there are no active members.
 Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Concluded

Schedule of Contributions Judges' Retirement Fund Last Ten Fiscal Years <i>(expressed in thousands)</i>						
Year	Actuarially Determined Contributions	Contributions in relation to the Actuarial Determined Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2016	\$ 444	\$ 501	\$ (57)	\$ -	N/A	
2015	539	-	539	-	N/A	
2014	425	-	425	-	N/A	
2013	400	-	400	-	N/A	
2012	300	-	300	-	N/A	
2011	100	-	100	-	N/A	
2010	-	-	-	-	N/A	
2009	-	-	-	-	N/A	
2008	-	300	(300)	-	N/A	
2007	-	300	(300)	-	N/A	

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.
 N/A indicates data not available. There are no active employees.
 Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.
 Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Continued

Schedule of the State's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	\$ 2,174,623	\$ 2,134,189
State PERS Plan 1 employers' covered-employee payroll	\$ 120,686	\$ 143,836
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	1801.89%	1483.77%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	59.10%	61.19%
* This schedule is to be built prospectively until it contains ten years of data.		

Schedule of the State's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	\$ 1,754,418	\$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	\$ 4,363,171	\$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	89.20%	93.29%
* This schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Continued

Schedule of the State's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	\$ 27,186	\$ 22,924
State TRS Plan 1 employers' covered-employee payroll	\$ 3,913	\$ 4,611
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	694.76%	497.15%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	65.70%	68.77%
* This schedule is to be built prospectively until it contains ten years of data.		

Schedule of the State's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	\$ 6,107	\$ 1,913
State TRS Plan 2/3 employers' covered-employee payroll	\$ 33,705	\$ 25,673
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	92.48%	96.81%
* This schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Continued

Schedule of the State's Proportionate Share of the Net Pension Liability Public Safety Employees' Retirement System (PSERS) Plan 2 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	\$ 8,748	\$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	\$ 140,977	\$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	95.08%	105.01%
* This schedule is to be built prospectively until it contains ten years of data.		

Schedule of the State's Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	\$(1,049,988)	\$(1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	127.36%	126.91%
* This schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Concluded

Schedule of the State's Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Measurement Date of June 30 * <i>(expressed in thousands)</i>		
	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	\$ (8,580)	\$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(409,091)	(524,419)
Total	<u>\$ (417,671)</u>	<u>\$ (535,583)</u>
State LEOFF Plan 2 employers' covered-employee payroll	\$ 18,744	\$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	111.67%	116.75%
* This schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Continued

Schedule of Contributions				
Public Employees' Retirement System (PERS) Plan 1				
Fiscal Year Ended June 30*				
<i>(dollars in thousands)</i>				
	2016	2015	2014	
Contractually Required Contribution	\$ 11,058	\$ 11,270	\$ 13,245	
Contributions in relation to the contractually required contribution	11,058	11,270	13,245	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 103,235	\$ 120,686	\$ 143,836	
Contributions as a percentage of covered-employee payroll	10.71%	9.34%	9.21%	
* This schedule is to be built prospectively until it contains ten years of data.				

Schedule of Contributions				
Public Employees' Retirement System (PERS) Plan 2/3				
Fiscal Year Ended June 30*				
<i>(dollars in thousands)</i>				
	2016	2015	2014	
Contractually Required Contribution	\$ 478,431	\$ 401,057	\$ 386,812	
Contributions in relation to the contractually required contribution	478,431	401,057	386,812	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 4,648,843	\$ 4,363,171	\$ 4,215,935	
Contributions as a percentage of covered-employee payroll	10.29%	9.19%	9.17%	
* This schedule is to be built prospectively until it contains ten years of data.				

Schedule of Contributions				
Teachers' Retirement System (TRS) Plan 1				
Fiscal Year Ended June 30*				
<i>(dollars in thousands)</i>				
	2016	2015	2014	
Contractually Required Contribution	\$ 397	\$ 392	\$ 476	
Contributions in relation to the contractually required contribution	397	392	476	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 5,735	\$ 3,913	\$ 4,611	
Contributions as a percentage of covered-employee payroll	6.92%	10.02%	10.32%	
* This schedule is to be built prospectively until it contains ten years of data.				

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Concluded

Schedule of Contributions			
Teachers' Retirement System (TRS) Plan 2/3			
Fiscal Year Ended June 30*			
<i>(dollars in thousands)</i>			
	2016	2015	2014
Contractually Required Contribution	\$ 5,157	\$ 3,534	\$ 2,947
Contributions in relation to the contractually required contribution	5,157	3,534	2,947
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 41,803	\$ 33,705	\$ 25,673
Contributions as a percentage of covered-employee payroll	12.34%	10.49%	11.48%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions			
Public Safety Employees' Retirement System (PSERS) Plan 2			
Fiscal Year Ended June 30*			
<i>(dollars in thousands)</i>			
	2016	2015	2014
Contractually Required Contribution	\$ 17,852	\$ 14,793	\$ 13,604
Contributions in relation to the contractually required contribution	17,852	14,793	13,604
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 155,768	\$ 140,977	\$ 130,172
Contributions as a percentage of covered-employee payroll	11.46%	10.49%	10.45%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions			
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2*			
Fiscal Year Ended June 30			
<i>(dollars in thousands)</i>			
	2016	2015	2014
Contractually Required Contribution	\$ 1,374	\$ 1,261	\$ 1,222
Contributions in relation to the contractually required contribution	1,374	1,261	1,222
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 19,828	\$ 18,744	\$ 18,259
Contributions as a percentage of covered-employee payroll	6.93%	6.73%	6.69%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 RCW. Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the fall of 2014, determines the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

Methods and assumptions used in calculations of the ADC for JRS and Judges. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under chapters 2.10.90 and 2.12.60 RCW, the Legislature makes biennial appropriations in order to

ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015 and ending June 30, 2017, the contribution rates adopted by the Pension Funding Council, and unchanged by the Legislature, reflect a phase-in of the increase to contribution rates that resulted from a change to the mortality assumption. The increase is expected to be phased-in over three biennia for PERS 1/2/3, TRS 1/2/3, SERS 2/3, PSERS 2, and WSPRS 1/2.

For cost-sharing plans, OSA calculates the Contractually Required Contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time period shown, which may differ from the contribution rates produced for the ADC.

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Net Pension Liability				
Last Four Fiscal Years*				
<i>(expressed in thousands)</i>				
	2016	2015	2014	2013
Total Pension Liability - Ending	\$ 191,494	\$ 188,584	\$ 186,527	\$ 183,578
Plan Fiduciary Net Position - Ending	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	\$ (17,169)	\$ (19,271)	\$ (17,668)	\$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	108.97%	110.22%	109.47%	96.49%
Covered-employee payroll	N/A	N/A	N/A	N/A
Plan's net pension liability/(asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
N/A indicates data not applicable. This is a volunteer organization.				
*This schedule is to be built prospectively until it contains ten years of data.				
Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.				
<i>Source: Washington State Office of the State Actuary</i>				

PENSION PLAN INFORMATION

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Change in Net Pension Liability				
Last Four Fiscal Years*				
<i>(expressed in thousands)</i>				
	2016	2015	2014	2013
Total Pension Liability				
Service cost	\$ 893	\$ 919	\$ 1,240	N/A
Interest	12,887	12,656	12,480	N/A
Changes of benefit terms	-	-	-	N/A
Differences between expected and actual experience	(176)	(2,948)	-	N/A
Changes in assumptions	101	1,931	-	N/A
Benefit payments, including refunds of member contributions	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	\$ 191,494	\$ 188,584	\$ 186,527	\$ 183,578
Plan Fiduciary Net Position				
Contributions - Municipalities	\$ 918	\$ 913	\$ 953	N/A
Contributions - Member	67	76	95	N/A
Contributions - State as nonemployer contributing entity	7,235	5,903	6,383	N/A
Net investment income	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(1,205)	(1,020)	(1,469)	N/A
Other	-	-	(22)	N/A
Net Change in Plan Fiduciary Net Position	808	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	\$ 208,663	\$ 207,855	\$ 204,195	\$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	\$ (17,169)	\$ (19,271)	\$ (17,668)	\$ 6,444
N/A indicates data not available.				
*This schedule is to be built prospectively until it contains ten years of data.				
Note: Figures may not total due to rounding.				
<i>Source: Washington State Office of the State Actuary</i>				

PENSION PLAN INFORMATION

Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund

Schedule of Contributions			
Last Ten Fiscal Years			
<i>(expressed in thousands)</i>			
Year	Actuarially Determined Contribution	Contributions in relation to the Actuarial Determined Contribution	Contribution deficiency (excess)
2016	\$ 6,846	\$ 8,153	\$ (1,307)
2015	6,653	6,816	(163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)
2009	2,500	6,223	(3,723)
2008	1,900	6,102	(4,202)
2007	3,000	7,063	(4,063)

Neither covered-employee payroll nor contributions as a percentage of covered-employee payroll are applicable. This is a volunteer organization.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns			
Last Three Fiscal Years*			
	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.19%	4.05%	18.50%

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund
Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the

Board’s contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2014, valuation date, completed in the fall of 2015, determines the ADC for the period ending June 30, 2016.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Funding Progress Other Postemployment Benefits <i>(expressed in millions)</i>			
	2015	2013	2011
Actuarial valuation date	1/1/2015	1/1/2013	1/1/2011
Actuarial value of plan assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)*	5,274	3,707	3,492
Unfunded actuarial accrued liability (UAAL)	5,274	3,707	3,492
Funded ratio	0%	0%	0%
Covered payroll	6,219	5,787	5,937
UAAL as a percentage of covered payroll	85%	64%	59%
* Based on projected unit credit actuarial cost method.			
<i>Source: Washington State Office of the State Actuary</i>			

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative

action at which assets are to be preserved or maintained.

- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2016, the state was responsible to maintain and preserve 20,764 pavement lane miles, 3,294 bridges and tunnels, and 47 rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having “hairline” severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having “hairline” alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having “hairline” alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The WSDOT’s policy is to maintain 85 percent of pavements at a condition level of fair or better. The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition* Two Year Cycle Ending Calendar Year			
			Average of Last
<u>2015</u>	<u>2013</u>	<u>2011</u>	<u>Three Assessments</u>
93.2%	92.8%	91.2%	92.4%

* The percentage for 2011 is based solely on number of lane miles, whereas 2013 and 2015 are based on vehicle miles traveled. Vehicle miles traveled are key data for highway planning and management, and a common measure of roadway use.

The following table reflects the state’s estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements Preservation and Maintenance - Planned to Actual - Fiscal Year (expressed in thousands)					
	2016	2015	2014	2013	2012
Planned	\$ 160,423	\$ 173,716	\$ 122,868	\$ 137,779	\$ 148,811
Actual	161,211	142,789	143,598	108,972	148,366
Variance	\$ (788)	\$ 30,927	\$ (20,730)	\$ 28,807	\$ 445
	-0.5%	17.8%	-16.9%	20.9%	0.3%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management’s decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT’s website at: <http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm>.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges," which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code*	Description
Good	7 or more	A range from no problems noted to some minor problems.
Fair	5 or 6*	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

*For 2015 the NBI code of 6 has changed from good condition to fair condition. This change aligns with federal reporting requirements.

The WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better. The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition* Two Year Cycle Ending Fiscal Year			
			Average of Last
<u>2015</u>	<u>2013</u>	<u>2011</u>	<u>Three Assessments</u>
92.1%	91.4%	95.4%	93%

* In 2013 the methodology changed from number of bridges to square footage of the bridge deck. This change aligns with federal reporting requirements.

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year (expressed in thousands)					
	2016	2015	2014	2013	2012
Planned	\$ 75,160	\$ 71,078	\$ 92,192	\$ 98,519	\$ 66,510
Actual	66,339	64,060	87,271	87,306	61,026
Variance	\$ 8,821	\$ 7,018	\$ 4,921	\$ 11,213	\$ 5,484
	11.7%	9.9%	5.3%	11.4%	8.2%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to WSDOT's website at: <http://www.wsdot.wa.gov/Bridge/Structures/>.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments over a two fiscal year cycle. Sites and buildings are divided into functional components that are assessed with a numerical rating of one to five. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program and weighted by the criticality of the functional component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows condition ratings for safety rest areas:

Safety Rest Areas Percentage in Fair or Better Condition Two Year Cycle Ending Fiscal Year			
			Average of Last Three Assessments
<u>2015</u>	<u>2013</u>	<u>2011</u>	
100%	100%	100%	100%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year (expressed in thousands)					
	2016	2015	2014	2013	2012
Planned	\$ 7,204	\$ 8,463	\$ 7,488	\$ 6,607	\$ 6,278
Actual	7,185	8,369	7,591	6,676	6,467
Variance	\$ 19	\$ 94	\$ (103)	\$ (69)	\$ (189)
	0.3%	1.1%	-1.4%	-1.0%	-3.0%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: <http://www.wsdot.wa.gov/safety/restareas>.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 1, 2016

The Honorable Jay Inslee
Governor, State of Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated November 1, 2016. The financial statements include pension trust fund investments valued at \$3.22 billion, which comprise 28.6 percent of total assets and 31.0 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners.

Our report includes a reference to other auditors who audited the financial statements of Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board, as described in our report on the State of Washington's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable

noncompliance associated with the Department of Retirement Systems, Local Government Investment Pool, University of Washington, or the funds managed by the State Investment Board.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 to be material weaknesses.

We also noted certain matters that we have reported to the management of the State in a separate letter dated November 1, 2016.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of the State's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

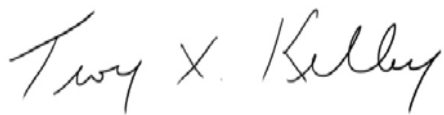
STATE'S RESPONSE TO FINDINGS

The State's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 1, 2016

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

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the State of Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2016. The State's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

The State's basic financial statements include the Washington Health Benefit Exchange, which expended \$47,674,528 in federal awards reported under CFDA 93.525 and Valley Medical Center (UW) (legal name is King County Public Hospital District No. 1), which expended \$812,696 in federal awards. The federal awards for these two entities are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of Washington Health Benefit Exchange or Valley Medical Center (UW) because they arranged for separate audits of their federal awards in accordance with the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit

requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the State's compliance.

Basis for Adverse Opinion on CFDA 93.575 – Child Care and Development Block Grant, and CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund programs

As described in Findings 2016-020, 2016-021, 2016-022, and 2016-023 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions for its CFDA 93.575 Child Care and Development Block Grant and CFDA 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to these programs.

Adverse Opinion on CFDA 93.575 – Child Care and Development Block Grant, and CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund programs

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph above, the State did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its CFDA 93.575 – Child Care and Development Block Grant, and CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund programs for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying Schedule of Audit Findings and Questioned Costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-018, 2016-019, 2016-024, 2016-026, 2016-027, 2016-028, 2016-029, 2016-030, 2016-031, 2016-032, 2016-033, 2016-034, 2016-035, 2016-037, 2016-039, 2016-040, 2016-041, 2016-042, 2016-043, 2016-044, 2016-045, 2016-046, 2016-047, 2016-048, and, 2016-049. Our opinion on each major federal program is not modified with respect to these matters.

State's Response to Findings

The State's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2016-003, 2016-004, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-018, 2016-019, 2016-020, 2016-021, 2016-022, 2016-023, 2016-024, 2016-025, 2016-026, 2016-027, 2016-028, 2016-029, 2016-033, 2016-034, 2016-036, 2016-037, 2016-038, 2016-039, 2016-040, 2016-041, 2016-043, 2016-044, 2016-045, 2016-049, and 2016-050 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2016-016, 2016-017, and 2016-032 to be significant deficiencies.

State's Response to Findings

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the state of Washington as of and for the year ended June 30, 2016, and have issued our report thereon dated November 1, 2016, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the state of Washington's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Pat McCarthy

State Auditor

Olympia, WA

March 23, 2016, except for the Schedule of Expenditures of Federal Awards, as to which the date is November 1, 2016

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Schedule of Audit Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the state.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the state’s compliance with requirements applicable to its major federal programs, with the exception of the CFDA 93.575 Child Care and Development Block Grant, and the CFDA 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund program for which we issued an adverse opinion on compliance with applicable requirements.

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

Identification of Major Federal Programs:

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

CFDA	PROGRAM
Various	Research and Development Cluster
10.553 10.555 10.556 10.559	<u>CHILD Nutrition Cluster</u> School Breakfast Program (SBP) National School Lunch Program (NSLP) Special Milk Program for Children (SMP) Summer Food Service Program for Children (SFSP)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
10.558	Child and Adult Care Food Program (CACFP)
12.400	National Guard Military Construction Projects
17.225	Unemployment Insurance (UI)
17.258 17.259 17.278	<u>WIA/WIOA Cluster</u> WIA/WIOA Adult Program WIA/WIOA Youth Activities WIA/WIOA Dislocated Worker Formula Grants
20.319	Highway Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
64.005	Grants to States for Construction of State Home Facilities
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
93.044 93.045 93.053	<u>Aging Cluster</u> Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers Special Programs for the Aging – Title III, Part C – Nutrition Services Nutrition Services Incentive Program
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.575 93.596	<u>Child Care and Development Fund Cluster</u> Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance – Title IV-E
93.667	Social Services Block Grant
93.775 93.777	<u>Medicaid Cluster</u> State Medicaid Fraud Control Units

93.778	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Medical Assistance Program (Medicaid; Title XIX)
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$30,000,000.

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

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**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Summary of Financial Statement Findings

Finding Number	Finding
2016-001	The State should improve internal controls over the processing and recording of Unemployment Insurance premium payment and wage information and accounting for program activities in the Guaranteed Education Tuition program's (GET) to ensure accurate reporting.

Summary of Federal Findings

Finding Number	Finding
2016-002	The Department of Social and Health Services improperly charged \$3.6 million to multiple federal grants.
2016-003	The Department of Health did not have adequate internal controls over and did not comply with requirements to monitor local agency operations timely and at the minimum percentage for the WIC program.
2016-004	The Department of Social and Health Services did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements.
2016-005	The Employment Security Department made unsupported payments to Trade Readjustment Allowance program participants under the Unemployment Insurance program.
2016-006	The Employment Security Department did not establish adequate internal controls over its Next Generation Tax System, which led to improper computations of employer unemployment insurance tax rates.
2016-007	The Department of Transportation did not have adequate internal controls over and did not comply with federal wage rate requirements for the High-Speed Rail Corridors program.
2016-008	The Department of Enterprise Services did not have adequate internal controls over and was not compliant with federal wage rate requirements for the Grants to States for Construction of State Home Facilities program.
2016-009	The Department of Services for the Blind failed to establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period.

2016-010	The Department of Services for the Blind failed to establish adequate internal controls over and was not compliant with federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
2016-011	The Department of Social and Health Services failed to establish adequate internal controls over and was not compliant with federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
2016-012	The Department of Social and Health Services did not establish adequate internal controls over and was not compliant with federal requirements to determine client eligibility within a reasonable period for the Vocational Rehabilitation program.
2016-013	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments paid on behalf of clients and staff time and effort for Vocational Rehabilitation were allowable.
2016-014	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
2016-015	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.
2016-016	The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly reports for the Temporary Assistance for Needy Families Grant.
2016-017	The Department of Social and Health Services did not have adequate internal controls in place to ensure compliance with the maintenance of effort requirements for the Temporary Assistance for Needy Families grant program.
2016-018	The Department of Social and Health Services did not have adequate internal controls in place and was not compliant with requirements for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.
2016-019	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.

2016-020	The Department of Early Learning and the Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to identify and detect fraud in the Child Care and Development Fund program.
2016-021	The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.
2016-022	The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.
2016-023	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.
2016-024	The Department of Social and Health Services did not have adequate internal controls over and did not comply with foster care payment rate setting and application requirements for the Foster Care program.
2016-025	The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Foster Care program.
2016-026	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.
2016-027	The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Adoption Assistance program.
2016-028	The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.
2016-029	The Health Care Authority and the Department of Social and Health Services did not have adequate internal controls and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.
2016-030	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers and Rural Health Clinics.
2016-031	The Health Care Authority did not repay the federal government for improper payments made to Medicaid Managed Care Organizations.
2016-032	The Health Care Authority did not establish adequate internal controls and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.

2016-033	The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals.
2016-034	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Children's Health Insurance Program funds were claimed for eligible Medicaid expenditures.
2016-035	The Health Care Authority did not notify Medicaid providers of revalidation requirements as required by the Center for Medicare and Medicaid Services.
2016-036	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over requirements to ensure surveys for Medicaid nursing home facilities were completed in a timely manner.
2016-037	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure surveys for Medicaid intermediate care facilities were completed in a timely manner.
2016-038	The Department of Social and Health Services did not have adequate internal controls over its examinations of Medicaid nursing home cost reports.
2016-039	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure complaints of abuse and neglect of clients at Medicaid residential facilities were responded to properly.
2016-040	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community Options Program Entry System and Community First Choice in-home care providers had proper background checks.
2016-041	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements for cost of care adjustments paid to Medicaid supported living providers.
2016-042	The Department of Social and Health Services, Developmental Disabilities Administration did not ensure two Medicaid Community First Choice in-home care providers had proper background checks.
2016-043	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.

2016-044	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with regulations to adequately monitor Adult Family Home providers to ensure Medicaid providers and their employees had proper background checks.
2016-045	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable.
2016-046	The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments processed through the Social Service Payment System.
2016-047	Medicaid funds were overpaid to a supported living agency that contracted with the Department of Social and Health Services, Developmental Disabilities Administration.
2016-048	The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers.
2016-049	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments made through the Social Service Payment System to individual providers were allowable.
2016-050	The Department of Social and Health Services did not have adequate internal controls over the level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse.

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**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Summary of Questioned Costs

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Questioned Costs	Finding Number(s)
U.S. Department of Agriculture	Department of Social and Health Services	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	\$260,904	\$0	2016-002
U.S. Department of Labor	Employment Security Department	17.225	Unemployment Insurance	\$1,645	\$1,027,796	2016-005
U.S. Department of Education	Department of Social and Health Services	84.126	Vocational Rehabilitation Grants to States	\$11,145,636	\$13,241,044	2016-013
U.S. Department of Health and Human Services	Department of Social and Health Services	93.558	Temporary Assistance for Needy Families (TANF)	\$3,309,359	\$24,923,091	2016-002 2016-015 2016-019
U.S. Department of Health and Human Services	Department of Social and Health Services	93.566	Refugee and Entrant Assistance	\$14,628	\$0	2016-002
U.S. Department of Health and Human Services	Department of Early Learning	93.575 93.596	Child Care and Development Fund Cluster	\$24,345	\$108,047,040	2016-021 2016-022
U.S. Department of Health and Human Services	Department of Social and Health Services	93.575 93.596	Child Care and Development Fund Cluster	\$18,882	\$102,972,489	2016-023
U.S. Department of Health and Human Services	Department of Social and Health Services	93.659	Adoption Assistance – Title IV-E	\$3,069	\$997,425	2016-027

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Questioned Costs	Finding Number(s)
U.S. Department of Health and Human Service	Health Care Authority	93.775 93.777 93.778	Medicaid Cluster	\$885,619	\$15,748,512	2016-030 2016-031 2016-032 2016-033 2016-034
U.S. Department of Health and Human Services	Department of Social and Health Services	93.775 93.777 93.778	Medicaid Cluster	\$2,265,760	\$96,530,983	2016-040 2016-041 2016-042 2016-043 2016-044 2016-045 2016-046 2016-047 2016-048 2016-049
			Total	\$17,929,847	\$363,488,380	

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Financial Findings Reported Under Government Auditing Standards

2016-001 The State should improve internal controls over the processing and recording of Unemployment Insurance premium payment and wage information and accounting for program activities in the Guaranteed Education Tuition program's (GET) to ensure accurate reporting.

Background

It is the responsibility of state management to design and follow internal controls that provide reasonable assurance regarding the reliability and accuracy of information used for financial reporting. We identified deficiencies in internal controls that could adversely affect the State's ability to accurately report its financial statements.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate material weaknesses as defined below in the Applicable Laws and Regulations section, as a finding.

Next Generation Tax System's (NGTS)

The Employment Security Department (ESD) administers Washington State's unemployment insurance program. A new system called NGTS was implemented in March 2014 to process employer wage reports and payments.

During the previous audit, we issued a finding related to the NGTS processing of employer wage reports and payments. NGTS processed approximately \$1.1 billion in Unemployment Insurance Premium payments during fiscal year 2016.

Guaranteed Education Tuition Program (GET)

The State of Washington administers a Guaranteed Education Tuition (GET) program. GET is Washington's prepaid college tuition plan that helps families with young children save for future higher education expenses. GET is a qualified tuition program under Section 529 of the Internal Revenue Code.

Engrossed Second Substitute Senate Bill (E2SSB) 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State GET Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. GET is closed to new enrollments until July 1, 2017.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness over financial reporting:

NGTS

System processing

- Adjustments can be entered and processed in NGTS without review and approval of a second individual.
- Detail Benefit Charges within NGTS do not consistently agree to the Summary Benefit Charges.

System report issues

- Employer Unemployment Insurance Premium payments and tax and wage reports were not consistently posting accurately to employer accounts in NGTS.
- Reports generated from NGTS were incorrect and could not be relied upon to verify the accuracy or completeness of changes made to employer accounts.
- NGTS account balance reports do not accurately reflect ending and beginning account balance from month to month. NGTS reports cannot be relied upon for use in reconciling premiums to the State's general ledger account system, AFRS.

Reconciliations

- Controls are inadequate over interfaces between internal and external systems. There are no reconciliations between systems to ensure information transmitted by interfaces is accurate and complete.
- Summary and detail wage reports filed by employers are not reconciled and are sometimes out of balance. As a result, filing errors that could cause an incorrect calculation of premiums and benefits may not be identified and resolved timely.
- Daily reconciliations between the bank and NGTS are attempted, however, due to a variety of system errors, the bank and NGTS are often out of balance.
- GUIDE reports are used to determine a portion of the accounts receivable balance. The amount reported by ESD and the amount according to the detail claimant GUIDE reports varied by \$13.3 million.

GET

- The legislative change to the GET program resulted in complicated and unique accounting for the program activities. The Office of Financial Management (OFM) and GET program staff did not have a process in place to ensure unique program activities were correctly recorded in the State's general ledger accounting system AFRS and financial statements.

Cause of Condition

NGTS

This is the second year that the Employment Security Department has used the NGTS system. Prior to implementing the system, the Department did not perform adequate testing to ensure the system could process accurate and complete Unemployment Insurance Premium payments, tax and wage reports, unemployment insurance rates, and employer receivables. In addition, the lack of some key reconciliations increase the likelihood that system errors will not be detected and corrected timely.

GET

OFM and GET program staff did not perform adequate research to ensure GET program activity was correctly accounted for in AFRS and reported correctly on the financial statements.

Effect of Condition

We identified the following errors during our audit of the financial statements:

NGTS

- The “Other Receivables” balance was overstated by a net total of \$6.6 million due primarily to the following:
 - Testing of 87 employer receivable balances found 16 instances where the employer paid amount recorded in NGTS varied from what was recognized as receivable at year-end, resulting in an understatement of \$1,278,372.
 - The Department did not apply their written criteria for the determination of uncollectible receivables consistently each period based on an aging report to ensure that the allowance for uncollectible accounts reflects historical experience. The Department wrote off accounts over 180 days as their allowance method.
- A total of \$129,025,815 of the claimant overpayment portion of the balance was written off. OFM improperly classified \$24,600,977 as a current period expense rather than a prior period adjustment.
- Testing of 87 employer tax rates found five rates that were incorrectly assessed as delinquent. This represents a 5.7% exception rate for the population. The actual misstatement is \$321,507 with a projected overstatement of \$13,006,411.

GET

- Refunds to program participants were accounted for as a reduction to revenues, which resulted in negative revenues of \$347 million in the charges for services balance on the financial statements. Rather than a reduction to revenue, this should have been reported as a “special item” on the financial statements. This error was corrected on the final financial statements.
- In fiscal year 2015, the GET program established a liability to account for refunds of \$59 million and recognized it as a reduction in revenues. In fiscal year 2016, accounting staff

continued to reduce revenue rather than reducing the established liability. This error was corrected.

- GET program staff did not make an adjustment to increase short-term receivables and decrease the long-term receivables by the same amount. This resulted in an understatement of “current receivables” by \$19.9 million and an overstatement of the non-current portion of receivables by the same amount. This error was not corrected.

Recommendation

We recommend the following:

NGTS

- Establish internal controls to ensure the complete and accurate processing of employer payments and tax and wage reports for Unemployment Insurance Premium payments.
- Identify and correct defects within NGTS, including inaccurate and incomplete reports.
- Perform reconciliations between systems to ensure information transmitted by interfaces is accurate and complete.

GET

- GET program staff and OFM ensure adequate research is performed to ensure for the correct accounting of unique transactions.
- GET program staff and OFM perform a thorough risk-based review during the year-end close process to detect potential accounting errors.
- OFM dedicate adequate staff time to research and prepare the annual financial report to ensure it is fairly presented, complete, and accurate in compliance with reporting requirements.

State’s Response

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

OFM will continue to work with the Employment Security Department and the Washington Student Achievement Council to improve internal controls over the processing and reporting of financial activities.

OFM will enhance the process for reviewing unusual events or unique program activities that are material to the state’s financial reporting, and work with agencies to ensure they are properly accounted for and correctly reported on the financial statements.

Auditor’s Remarks

We appreciate the state's commitment to resolving this finding and thank the state for their cooperation and assistance. We will review the status during the next audit.

Applicable Laws and Regulations

RCW 43.88.160 Fiscal management – Powers and duties of officers and agencies, states in part:

- (4) In addition, the director of financial management, as agent of the governor, shall:
- (a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its *Codification of Statements on Auditing Standards*, Section 265 as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Section 20.15.30.a *Who is responsible for internal control?*

The agency head or authorized designee is ultimately responsible for identifying risks and establishing, maintaining, and reviewing the agency's system of internal control. If the agency head delegates this responsibility, the designated person should have sufficient authority to carry out these responsibilities. Normally, this person is a senior agency manager who does not serve in the internal audit function.

Section 20.15.40.c *Control Activities*

Control activities help ensure risk responses are effectively carried out and include policies and procedures, manual and automated tools, approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. These activities occur across an agency, at all levels and in all functions, and are designed to help prevent or reduce the risk that agency objectives will not be achieved. Managers set up control activities to provide reasonable assurance that the agency and business unit objectives are met. An example of a control activity is something as simple as listing tasks assigned to staff members and then periodically checking the list to verify that assignments are completed on time. Refer to Section 20.25 for further discussion of control activities.

Section: 20.15.50.a - Annual assurance

A risk assessment and internal control review process provides management with reasonable assurance that controls are operating as expected. In addition, the process should be used to determine if internal control modifications are needed by considering events that have occurred, processes or procedures that have changed, new projects or programs that are being planned or implemented, and other changes within the agency that may have additional risks. If the review uncovers internal control weaknesses or if prior weaknesses still exist, they should be documented and addressed.

Periodically, an agency should conduct a comprehensive review of the internal control structure to determine if it is adequately addressing agency risks. This can be done agency-wide at one time or by sections of the agency over a period of time.

Agencies must maintain adequate written documentation of activities conducted in connection with risk assessments, review of internal control activities and follow-up actions. This documentation includes any checklists and methods used to complete these activities. Refer to Subsection 20.25.50 for required documentation. For sample checklists and procedures, refer to the OFM Administrative and Accounting Resources website at: <http://www.ofm.wa.gov/resources/default.asp>.

Agencies have the flexibility to assign appropriate staff to complete the risk assessments and review of internal control activities required by this policy. The internal control officer is the person appointed by the agency head who is assigned responsibility for coordinating and scheduling the agency-wide effort of evaluating and reporting on reviews and improving control activities. The internal control officer also provides assurance to the agency head that the agency has performed the required risk assessments and the necessary evaluative processes. This communication may be ongoing and informal, but at least once per year, this assurance must be made in writing to the agency head. The internal control officer is responsible for ensuring that the required documentation is maintained and available for review by agency management, the State Auditor's Office (SAO), and OFM.

Federal Findings and Questioned Costs

2016-002 The Department of Social and Health Services improperly charged \$3.6 million to multiple federal grants.

Federal Awarding Agencies: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Pass-Through Entity: None

CFDA Numbers and Titles: 10.551 Supplemental Nutrition Assistance Program (SNAP)
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558 Temporary Assistance for Needy Families
93.566 Refugee and Entrant Assistance – State-Administered Programs

Federal Award Numbers: 201616S806947, 201615Q750347, 201616S251947, 201616S252047, 201616S802647, 201616Q390347, 201616S251447, 201616S803647, 1601WATANF, 1601WATAN3, G-1601WARCMA, G-1601WARSOC

Applicable Compliance Component: Period of Performance

Known Questioned Cost Amount: \$3,576,497

Background

The Department of Social and Health Services administers multiple federal grant programs and spent about \$5 billion in federal grant funds during fiscal year 2016. The Department is responsible for ensuring grant money is used for costs that are allowable and related to each grant’s purpose. Each federal grant specifies a period during which program costs may be obligated. Payments for costs obligated before a grant’s beginning date are not allowed without the grantor’s prior approval.

In the fiscal year 2014 and 2015 audits, we reported findings that the Department improperly charged multiple federal grants before their effective dates. These were reported as finding numbers 2014-022 and 2015-003. In those audits, we determined the improper charges were for centralized costs that are allocated throughout the Department.

Description of Condition

Most of the Department’s federal grant awards have a fiscal year 2016 grant period that began on October 1, 2015. We found three programs obligated expenditures in September 2015, but the costs were charged to the fiscal year 2016 grants. The grant programs and amounts improperly charged were:

- Temporary Assistance for Needy Families, \$3,300,965

- Supplemental Nutrition Assistance Program Cluster, \$260,904
- Refugee and Entrant Assistance, \$14,628

The Department took steps to address our prior audit findings. Specifically, the Department identified the salary and benefit costs that were improperly charged and corrected them by charging them to the proper grant. However, the other administrative costs were not corrected during the audit period.

The Department did not have prior authorization from the grantor to charge pre-award costs to the grants.

Cause of Condition

An Accounting Administrator said the Department has not fully corrected this problem because of limitations in its automated systems. While the salary and benefit costs were identified, the other administrative costs were constantly charged by the automated system, and the Department was not able to identify which charges were allowable and which should be charged to the previous grant. The Department recently made changes to their procedures that should help correct the problem, but these changes were not in place for the period under audit.

Effect of Condition and Questioned Costs

We are questioning improperly charged expenditures of \$3,576,497 made before the start of the performance periods for the three grant programs described above.

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

Recommendation

We recommend the Department only charge expenditures to federal grants if they are obligated during the period of performance. The Department should consult with the grantors to determine what, if any, of the questioned costs should be repaid.

Agency's Response

The Department partially concurs with this finding.

The Department notes that the aforementioned transactions are accruals, and contends that there will be related appropriate payments during the same or future period. The Department does not agree that accruals result in charging to federal grants. All accruals, whether manual or automatic as in the case with payroll and benefits, automatically reverse the next fiscal month. Related payments are charged to federal grants, which is the reason that the Department's Economic Services Administration, Division of Finance and Financial Recovery (DFFR) implemented processes to reverse payments from the improperly charged grant year and charge these payments to the appropriate grant year.

DSHS improperly charged amounts in salaries, benefits and other administrative costs. SAO identified the payroll cycle for the pay period ending September 30th and paid on October 10th as the only payroll cycle that charged to the wrong grant year. DFFR identified these charges, reversed them, and charged to the appropriate grant year. DFFR researched all other administrative charges (disbursements), based on processing dates, and moved those to charge against the appropriate grant year as well. DFFR completed the reversal process for the Supplemental Nutrition Assistance Program and the Refugee and Entrant Assistance grant, they did not complete reversals for the Temporary Assistance for Needy Families program due to focus on completing the TANF claim which was a higher risk.

For the Refugee and Entrant Assistance grant, DFFR reversed the accruals and the automatic reversal of the accruals. This was in addition to the reversal of the disbursements. However, another administration posted a small amount of accrual transactions the day after resulting in improper charges of \$14,628.

For the Supplemental Nutrition Assistance Program Cluster, DFFR reversed all identified disbursements consisting of payroll, benefits, and goods and services charged to the wrong grant year resulting in more than \$3 million of reversals. DFFR is confident that all the appropriate costs were identified and corrected to charge to the appropriate grant year. The Department does not agree that this program should be included in the finding as this amount is material and the reversals exceed the \$2,801,282 accrual amount originally questioned.

DFFR realizes additional procedural changes and strategies are needed to resolve future Period of Performance issues. WaTech recently added an option to add Month of Service (MOS) to transactions in the Agency Financial and Reporting System (AFRS) that will provide DFFR with an easier and more proficient process in identifying charges improperly charged to the wrong grant year. ESA Internal Control Administrator implemented a procedural change requiring accounting staff to include the MOS on all AFRS transactions. Accounting staff are required to review and research improperly charged costs monthly and make corrections as needed. DFFR will continue with the manual process via journal vouchers to move disbursements as needed. DFFR will change the process of updating the Automated Cost Allocation Plan from October to November and will update the current procedures with the preceding changes and include a checklist for use by staff responsible for the various grants in question. DFFR will apply the current and updated processes to Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program and the Refugee and Entrant Assistance grants.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. We would, however, like to address some of the concerns expressed by the Department. The Department states that the amounts reported are accruals and that these do not relate to charges to the federal grant. This issue centers on accruals incurred in September of 2015 that were accrued prior to the end of the month. These accruals are then reversed out in October and automatically charged to the new federal fiscal year grants that had just become available. Since these accruals were for activities occurring prior to the availability of the new fiscal year grants they were improper. This is an issue that our Office had extensive conversations with the Department about and received confirmation from management that

the accruals do in fact get reversed out and recharged to the new grant. When the Department states the accruals get reversed they are technically correct, but omit the fact they are immediately charged back to the grants as expenditures. If the accruals did not result in improper charges to the grants in October, the Department would have had no need to implement the manual procedures they detailed to address the problem.

It is also important to point out that the reason our audit work started with the accruals is that the Department informed us they are unable to provide us detailed documentation supporting those expenditures after they have been cost allocated. During the next audit, we will again request this information and if the Department is again unable to identify the expenditures associated with the federal funds we will attempt to use other methods, such as sampling, to determine the amount of improper charges.

The Department acknowledges they did not reverse the reported amounts for the TANF program and they acknowledge the \$14,628 reported for the Refugee program was improperly charged. These expenditures account for about 93 percent of the reported questioned costs.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

CFR Part 200, Appendix XI Compliance Supplement, states in part:

H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Compliance Requirements

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §__.23; OMB Circular A-110 (2 CFR section 215.28)).

2 CFR section 215.28 Period of availability of funds, states:

Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

2016-003 **The Department of Health did not have adequate internal controls over and did not comply with requirements to monitor local agency operations timely and at the minimum percentage for the WIC program.**

Federal Awarding Agency: U. S. Department of Agriculture
Pass-Through Entity: None
CFDA Number and Title: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Number: 7WA700WA1, 7WA700WA7
Applicable Compliance Component: Subrecipient Monitoring
Known Questioned Cost Amount: None

Background

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is operated by the Department of Health (Department). WIC reaches more than 289,000 women, infants, and children in over 200 clinics throughout the state and is funded exclusively with federal funds from the U.S. Department of Agriculture.

WIC serves pregnant, postpartum and breastfeeding women, and children up to 5 years old, who are at or below 185 percent of the federal poverty level. WIC provides:

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

The Department passes grant funds to local health districts, non-profit organizations and tribes that administer the program and provide services. The Department spent about \$134 million in federal grant funds during fiscal year 2016. About \$38 million was passed through to local agencies for client services.

Federal regulations require the Department to monitor local agency program operations at least once every two years, including onsite reviews of at least 20 percent of the clinics in each local agency or one clinic, whichever is greater. The onsite reviews include evaluation of management, certification, nutrition education, civil rights compliance, accountability, financial management systems and food delivery systems.

Description of Condition

The Department did not have adequate internal controls to ensure onsite reviews of all local agencies were conducted.

Program Monitoring

We identified one individually significant local agency and also used a non-statistical sampling method to randomly select 12 of the 60 local agencies that received pass-through funds from the Department to examine. We found the Department did not monitor one local agency at least once every two years.

We also found the Department did not always ensure onsite reviews were performed for a minimum of 20 percent of the clinics in each local agency when an agency required more than one clinic to be monitored. Of the 61 total local agencies, four required multiple clinics to be reviewed. One required six clinics to be reviewed but only four were, and the other required three reviews but only two were performed.

Fiscal Monitoring

We analyzed the Department's monitoring list of agencies to ensure it was complete and determined one agency was missing. As a result, the agency was not monitored at least once in two years.

We also randomly selected 12 of the other 60 agencies who were required to receive a fiscal monitoring visit from the Department. We found the Department visited all 12, but one instance when the WIC program was not reviewed.

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

Cause of Condition

Program Monitoring

According to the Monitoring Unit Supervisor, the Department did not devote enough resources to ensure it reviewed at least 20 percent of the clinics in each local agency.

Fiscal Monitoring

According to the Fiscal Monitoring Unit Manager, two WIC providers were inadvertently overlooked due to a reorganization of the Department's fiscal monitoring function.

Effect of Condition

When monitoring is not conducted, it increases the likelihood the Department would not detect in a timely manner when agencies and clinics are not following program rules.

Recommendation

We recommend the Department strengthen internal controls to ensure it monitors all local agency program and fiscal operations at least once every two years, including onsite reviews of at least 20 percent of the clinics in each local agency.

Agency's Response

Program Monitoring Portion:

The department concurs with audit finding that was identified by Auditor's Office around ensuring that 20 percent of all Women, Infants, and Children (WIC) clinics associated with contracted WIC agencies be included during onsite monitor engagements. Code of Federal Regulations (CFR) 246.19(b)(3) requires the department to conduct monitoring reviews of each local agency at least once every two years and that a minimum of 20 percent of the clinics in each local agency have onsite reviews. We recently received clarification from our granting agency, USDA-FNS, on how to calculate the required 20 percent of the clinics in each local agency. Based on this we will include all WIC clinics, including temporary sites, in the denominator for the 20% calculation.

The following controls are in place in response to this finding:

- *Local agency that was identified as not having been monitored in two years was monitored on February 7, 2017;*
- *Monitor plan has been developed for all local agencies for 2017 and 2018 to ensure compliance with CFR requirements; and*
- *Quarterly assessment by the supervisor will be done to ensure staff are following the plan for completing all monitors. Contingency plans will be developed for any deviations from the planned schedule.*

Fiscal Monitoring Portion:

We appreciate the opportunity to respond to the exceptions identified during the Auditor's Office testing for the Fiscal Monitoring portion of the finding. The Fiscal Monitoring Unit (FMU) was created by DOH Leadership to centralize the fiscal monitoring function at the Department which entailed moving site visits from an external contractor to an in-house function performed by Department staff. Calendar year 2016 was the first year that FMU staff took over all fiscal monitoring site visits and the scheduling function for all DOH subrecipients. In the future, during the scheduling phase, the FMU will ensure that WIC program staff has the opportunity to review the schedule and add or delete WIC subrecipients based upon that review to ensure the Department performs a fiscal monitor review at least once every two years.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 7 Code of Federal Regulations, which states in part:

§246.2 Definitions

Clinic means a facility where applicants are certified.

§246.19 Management evaluation and monitoring reviews.

- (b) *State agency responsibilities.* (1) The State agency shall establish an on-going management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve Program deficiencies, the monitoring of the implementation of corrective action plans, and on-site visits. The results of such actions shall be documented.
- (2) Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems. If the State agency delegates the signing of vendor agreements, vendor training, or vendor monitoring to a local agency, it must evaluate the local agency's effectiveness in carrying out these responsibilities.
- (3) The State agency shall conduct monitoring reviews of each local agency at least once every two years. Such reviews shall include on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater. The State agency may conduct such additional on-site reviews as the State agency determines to be necessary in the interest of the efficiency and effectiveness of the program.
- (4) The State agency must promptly notify a local agency of any finding in a monitoring review that the local agency did not comply with program requirements. The State agency must require the local agency to submit a corrective action plan, including implementation timeframes, within 60 days of receipt of a State agency report of a monitoring review containing a finding of program noncompliance. The State agency must monitor local agency implementation of corrective action plans.
- (5) As part of the regular monitoring reviews, FNS may require the State agency to conduct in-depth reviews of specified areas of local agency operations, to

implement a standard form or protocol for such reviews, and to report the results to FNS. No more than two such areas will be stipulated by FNS for any fiscal year and the areas will not be added or changed more often than once every two fiscal years. These areas will be announced by FNS at least six months before the beginning of the fiscal year.

- (6) The State agency shall require local agencies to establish management evaluation systems to review their operations and those of associated clinics or contractors.

2016-004 The Department of Social and Health Services did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements.

Federal Awarding Agencies: U.S. Department of Agriculture
 U.S. Department of Housing and Urban Development
 U.S. Department of Justice
 U.S. Department of Labor
 U.S. Department of Education
 U.S. Department of Health and Human Services
 Social Security Administration

Pass-Through Entity: None

CFDA Numbers and Titles: Numerous, see list at end of finding

Federal Award Numbers: Numerous, see list at end of finding

Applicable Compliance Component: Allowable Costs/Cost Principles

Known Questioned Cost Amount: Undetermined

Background

The Department of Social and Health Services (Department) is required to submit a public assistance cost allocation plan to the U.S. Department of Health and Human Services (HHS). Public assistance cost allocation plans are used to allocate administrative costs between federal and state programs. Once the Department submits a plan, HHS reviews and approves it. If HHS does not approve a plan in a timely manner, the Department can follow the submitted plan until it is informed otherwise. The Department can update its plan throughout the year, but it must submit amendments with these changes to HHS and submit a new plan each year that there are changes.

It is common for the Department to negotiate with HHS before plans are approved. Negotiations take place in consecutive order, because changes to one plan may affect the next. HHS approved the fiscal year 2012 plan in October 2015, the 2013 plan in June 2016 and the 2014 plan in October 2016.

Description of Condition

The Department did not submit a cost allocation plan for fiscal year 2016 by the July 1, 2015, due date, as required by federal law. We followed up with the Department in December 2016 and were told it still had not submitted the 2016 plan.

We consider this control deficiency to be a material weakness.

Cause of Condition

A Department Grants Manager said that in fiscal year 2014 an HHS employee verbally requested the Department stop submitting public assistance cost allocation plans and updates until HHS approved the prior plans. We contacted HHS to attempt to verify this statement, but the staff member the

Department spoke to is no longer with the agency. The Branch Chief for HHS also told us their agency does not have the authority to grant exceptions to the regulations requiring the plans to be submitted.

Effect of Condition and Questioned Costs

Approximately \$1.1 billion in costs are distributed to federal and state programs using the public assistance cost allocation plan. We determined at least \$472 million of that amount were federal costs. HHS could disallow all of the federal costs.

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

Recommendations

We recommend the Department establish internal controls to ensure the required public assistance cost allocation plans and amendments are created and submitted in a timely manner. We also recommend the Department submit all required plans and amendments before charging affected costs to a federal grant.

Agency's Response

The Department concurs with this finding.

The Centers for Medicare and Medicaid Services' (CMS), Region 10, Division of Cost Allocation (DCA) was in possession of the Department's FY12, FY13 and FY14 cost allocation plans (Plans). While DCA was in possession of those three Plans, they were working with the Department to ensure the FY12 Plan was approved. The Department was provided verbal directions from DCA's negotiator to stop submitting Plans until DCA finished approving those previous year's Plans. The Department had worked with the same negotiator for several years and constantly based our actions off of the information we received from her. Therefore, when the Department was directed to stop submitting new Plans, we stopped.

The Department had not received any notifications from any of its Federal Partners, to include Region 10 DCA management, there was an issue with FY15 and FY16 Plans not being submitted. The Federal Partners are aware of where the Department stands with its Plans as they are actively working with the Department on approvals of previously submitted Plans. The Department was never informed we were out of compliance by DCA.

The Department has since received written directions from DCA and will now ensure, prior to July 1, 2017, that all outstanding Plans, up through FY18 will be submitted to DCA.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

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

relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 45 U.S. Code of Federal Regulations Part 95, *General Administration – Grant Programs (Public Assistance, Medical Assistance and State Children’s Health Insurance Programs)* subpart E established requirements for cost allocation plans.

Section 95.501 Purpose.

This subpart establishes requirements for:

- (a) Preparation, submission, and approval of State agency cost allocation plans for public assistance programs; and
- (b) Adherence to approved cost allocation plans in computing claims for Federal financial participation.

Section 95.509 Cost allocation plan amendments and certifications.

- (a) The State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA if any of the following events occur:
 - (1) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.
 - (2) A material defect is discovered in the cost allocation plan by the Director, DCA or the State.
 - (3) The State plan for public assistance programs is amended so as to affect the allocation of costs.
 - (4) Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.
- (b) If a State has not submitted a plan or plan amendment during a given State fiscal year, an annual statement shall be submitted to the Director, DCA certifying that its approved cost allocation plan is not outdated. This statement shall be submitted within 60 days after the end of that fiscal year.

Section 95.515 Effective date of a cost allocation plan amendment.

As a general rule, the effective date of a cost allocation plan amendment shall be the first day of the calendar quarter following the date of the event that required the amendment (See §95.509). However, the effective date of the amendment may be earlier or later under the following conditions:

- (a) An earlier date is needed to avoid a significant inequity to either the State or the Federal Government.
- (b) The information provided by the State which was used to approve a previous plan or plan amendment is later found to be materially incomplete or inaccurate, or the previously approved plan is later found to violate a Federal statute or regulation. In either situation, the effective date of any required modification to the plan will be the same as the effective date of the plan or plan amendment that contained the defect.
- (c) It is impractical for the State to implement the amendment on the first day of the next calendar quarter. In these instances, a later date may be established by agreement between the State and the DCA.

Section 95.517 Claims for Federal financial participation.

(a) A State must claim FFP for costs associated with a program only in accordance with its approved cost allocation plan. However, if a State has submitted a plan or plan amendment for a State agency, it may, at its option claim FFP based on the proposed plan or plan amendment, unless otherwise advised by the DCA. However, where a State has claimed costs based on a proposed plan or plan amendment the State, if necessary, shall retroactively adjust its claims in accordance with the plan or amendment as subsequently approved by the Director, DCA. The State may also continue to claim FFP under its existing approved cost allocation plan for all costs not affected by the proposed amendment.

Section 95.519 Cost disallowance.

If costs under a Public Assistance program are not claimed in accordance with the approved cost allocation plan (except as otherwise provided in §95.517), or if the State failed to submit an amended cost allocation plan as required by §95.509, the costs improperly claimed will be disallowed.

CFDA Numbers and Titles Material to program:

16.727	Enforcing Underage Drinking Laws Program
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects
93.051	Alzheimer's Disease Demonstration Grants to States
93.072	Lifespan Respite Care Program
93.517	Affordable Care Act Aging and Disability Resource Center
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.566	Refugee and Entrant Assistance State Administered Programs
93.597	Grants to States for Access and Visitation Programs
93.626	Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models
93.643	Children's Justice Grants to States
93.645	Stephanie Tubbs Jones Child Welfare Services Program
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.669	Child Abuse and Neglect State Grants
93.791	Money Follows the Person Rebalancing Demonstration
96.001	Social Security Disability Insurance

CFDA Numbers and Titles Not material to the program:

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.596	Pilot Project to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP
14.008	Transformation Initiative: Choice Neighborhoods Demonstration Small Research Grant Program
16.593	Residential Substance Abuse Treatment for State Prisoners
16.812	Second Chance Act Reentry Initiative
17.235	Senior Community Service Employment Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers
93.052	National Family Caregiver Support, Title III, Part E
93.09	Guardianship Assistance
93.15	Projects for Assistance In Transition From Homelessness
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.564	Child Support Enforcement Research
93.575	Child Care and Development Block Grant
93.584	Refugee and Entrant Assistance Targeted Assistance Grants
93.599	Chafee Education and Training Vouchers Program
93.609	The Affordable Care Act – Medicaid Adult Quality Grants
93.628	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services
93.674	Chafee Foster Care Independence Program
93.767	Children's Health Insurance Program
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Federal Award Numbers:

2011AHFX0059, 2013CZBX0010, 2013CZBX0015, 2013RTBX0022, 2014RTBX0051, 2015IE320321, 2015IQ750347, 2015IS251447, 201616Q750347, 201616S251447, 2-15AAWAT3FC, 2-15AAWAT3SS, 2-16AAWAT3FC, 2-16AAWAT3SS, 2-90DS200801, 2-90JI001001, 2-90LI001701, 2-90LI001702, 2-90RO003004, 4-1404WADI00, 4-1504WADI00, 4-1604WADI00, 5-1505WA1081, 5-1505WA5000, 5-1505WA5001, 5-1505WA5ADM, 5-1505WA5MAP, 5-1605WA5000, 5-1605WA5001, 5-1605WA5021, 5-1605WA5ADM, 5-1605WA5MAP, 5-1I1331234A, 5-1J1331313A, 5-AMQG131118, 5-MFP300141A, 5-SHAD131131, C-10SM60196A, C-11TI23477A, C-12SM61237A, C-12TI24265A, C-13SP20155A, C-13TI25342A, C-14B1WACMHS, C-14B1WASAPT, C-14SM16048A, C-14SM61705A, C-14TI25570A, C-15B1WACMHS, C-15B1WASAPT, C-15SM16048A, C-15TI25995A, C-15TI26138A, E-H126A140071, E-H126A150071, E-H126A160071, G-1401WA1420, G-1401WACETV, G-1401WACJA1, G-1401WAFVPS, G-1401WASAVP, G-1402WATANF, G-1411WAFPCV, G-14TAWARTAG, G-1501WAADPT, G-1501WACA01, G-1501WACETV, G-1501WACILP, G-1501WACJA1, G-1501WACWSS, G-1501WAFOST, G-1501WAFPSS, G-1501WAFVPS, G-1501WAGARD, G-1501WARCMA, G-1501WARSOC, G-1501WASAVP, G-1501WASOSR, G-1502WATANF, G-1504WACSES, G-15TAWARTAG, G-1601WAADPT, G-1601WACA01, G-1601WACWSS, G-1601WAFOST, G-1601WAFPSS, G-1601WAGARD, G-1601WARCMA, G-1601WARSOC, G-1601WASOSR, G-1601WATANF, G-1604WACSES, G-90FD019401, G-90FD019402, G-90FD019801, G-90FD019802, H-21645RG, T-AD26895ZW0

2016-005 The Employment Security Department made unsupported payments to Trade Readjustment Allowance program participants under the Unemployment Insurance program.

Federal Awarding Agency: U.S. Department of Labor
Pass-Through Entity: None
CFDA Number and Title: 17.225 Unemployment Insurance
Federal Award Number: UI-26568-15-55-A-53
UI-28010-16-55-A-53
Applicable Compliance Component: Activities Allowed or Unallowed,
Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$1,645
Likely Questioned Cost Amount \$1,027,796

Background

The Employment Security Department administers the Unemployment Insurance program, which provides benefits to workers during periods of involuntary unemployment. The federal government and employers in Washington primarily fund the program.

The Unemployment Insurance program may provide additional benefits under several other programs including Trade Readjustment Allowance (TRA). Trade Readjustment Allowances are income support payments to participants who have exhausted Unemployment Compensation and whose jobs were affected by foreign imports as determined by the Department of Labor.

Once determined eligible, a claimant must submit a weekly claim form to the Department to receive TRA benefit payments. Department staff will review the form to ensure that the payment is allowable.

In fiscal year 2016, Employment Security spent about \$1.1 billion in program funds, 91 percent of which was paid for benefits to workers. About \$9.2 million of these program funds were TRA program funds.

We reported a finding in the fiscal year 2015 audit for the Department not having adequate documentation to support payments, which resulted in questioned costs. This was reported as finding number 2015-008.

Description of Condition

We examined \$22,959 in payments made to 25 TRA participants who received benefit payments during fiscal year 2016. We reviewed each payment to determine if the Department received the weekly TRA benefit claim form prior to making payments.

The Department could not provide the weekly TRA benefit claim forms for three payments totaling \$1,645. Without the proper support, we could not verify whether these payments were accurate or allowable.

Cause of Condition

The Department did not have written policies and procedures in place to ensure supporting documentation was retained in accordance with state law. Additionally, management did not sufficiently monitor or review the work of Department staff to ensure the payments were accurate, allowable and adequately supported.

Effect of Condition and Questioned Costs

The Department risks making unallowable payments with federal funds when adequate support is not retained and claims are not reviewed. The Department paid \$1,645 to participants that was either unallowable or unsupported. Because a statistical sampling method was used to select the payments examined, we estimate the amount of likely questioned costs to be \$1,027,796.

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

Recommendation

We recommend the Department establish and follow written policies and procedures, including appropriate supervisory review procedures, sufficient to ensure that payments are supported prior to issuing payment and that supporting documentation is retained in accordance with state and federal laws and regulations.

The Department should consult with the Department of Labor to determine what, if any, of the questioned costs should be repaid.

Agency's Response

The Department concurs with this finding. The Department has established processing guidelines effective to ensure benefit payments are supported prior to issuance and that supporting documentation is retained in accordance with state and federal laws and regulations. The Department has implemented appropriate supervisor review to ensure guidelines are being followed.

The Department will consult with the U.S. Department of Labor to determine what, if any, of the questioned costs should be repaid.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

OMB Circular A-87: Cost Principles for State, Local and Indian Tribal Governments (2 CFR Part 225); Appendix A – General Principles for Determining Allowable Costs; Section C – Basic Guidelines states in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - j. Be adequately documented.

State Government General Records Retention Schedule (SGGRRS) Version 5.1 (August 2011)

3.4 GRANTS MANAGEMENT

The function relating to the administration of grants either issues by the state or received by state agencies. Records include grant applications, grantor and grantee correspondence and official responses, grant contacts, fiscal records, reports, administrative correspondence, grant products, and other related records.

DESCRIPTION OF RECORDS

Grants Received by State Agencies (GS 23004)

Documentation of grant projects and funds received and expended by state agencies. May include copies of Requests for Proposals (RFPs), applications, notifications of grant awards, fiscal reports and supporting documentation, reports and correspondence related to grant monitoring, audit reports, status reports, compliance reports, grants modifications requests, progress reports and final reports.

Retention and Disposition Action

Retain for 6 years after end of grant period then destroy.

Title 20, Code of Federal Regulations, states in part:

Subpart B – Trade Readjustment Allowances (TRA)

Section 617.12 – Evidence of Qualification

- (a) State agency action. When an individual applies for TRA, the State agency having jurisdiction under §617.50(a) shall obtain information necessary to establish:
 - (1) Whether the individual meets the qualifying requirements in §617.11;
 - (2) The individual's average weekly wage; and
 - (3) For an individual claiming to be partially separated, the average weekly hours and average weekly wage in adversely affected employment.
- (b) Insufficient data. If information specifically in paragraph (a) of this section is not available from State agency records or from any employer, the State agency shall require the individual to submit a signed statement setting forth such information as may be required for the State agency to make the determinations required by paragraph (a) of this section.

- (c) Verification. A statement made under paragraph (b) of this section shall be certified by the individual to be true to the best of the individual's knowledge and belief and shall be supported by evidence such as Forms W-2, paycheck stubs, union records, income tax returns, or statements of fellow workers, and shall be verified by the employer.

Section 617.19 – Requirement for participation in training, states in part:

- (a) In general-(1) Basic requirement.
 - (i) All individuals otherwise entitled to basic TRA, for each week, must either be enrolled in or participating in a training program approved under § 617.22(a), or have completed a training program approved under § 617.22(a), as provided in § 617.11(a)(2)(vii), in order to be entitled to basic TRA payments for any such week (except for continuation of payments during scheduled breaks in training of 14 days or less under the conditions stated in § 617.15(d)). The training requirement of paragraph (a)(1)(i) of this section shall be waived in writing on an individual basis, solely in regard to entitlement to basic TRA, if approval of training for the individual is not feasible or is not appropriate, as determined in accordance with paragraph (a)(2) of this section.

2016-006 The Employment Security Department did not establish adequate internal controls over its Next Generation Tax System, which led to improper computations of employer unemployment insurance tax rates.

Federal Awarding Agency: U.S. Department of Labor
Pass-Through Entity: None
CFDA Number and Title: 17.225 Unemployment Insurance
Federal Award Number: UI-28010-16-55-A-53, UI-26568-15-55-A-53, UI-25237-14-55-A-53, UI-27138-15-55-A-53, UI-27935-15-55-A-53, UI-26427-14-55-A-53
Applicable Compliance Component: Special Tests and Provisions – Employer Experience Rating
Known Questioned Cost Amount: None

Background

The Employment Security Department administers Washington’s unemployment insurance program using a federally certified experience-rated tax system. Having a federally certified system reduces Washington employer’s tax rates by up to 5.4 percent. There are two components of state unemployment taxes, the experience rate and the social-cost rate, that are added together to determine an employer’s unemployment insurance rate. Employers receive delinquent tax rates if they have not submitted all reports, taxes, interest and penalties by September 30 of the preceding year. The delinquent tax rate includes an additional percentage added to the employers’ experience rate, ranging from 0.5 percent to 2 percent.

The Department notifies employers every December of their unemployment tax rates for the following calendar year. The rates are adjusted only if errors are discovered.

The Department implemented a new computer system called Next Generation Tax System (NGTS) in March 2014 that processes employer wage reports and payments, and automatically calculates employers’ unemployment insurance tax rates. In fiscal year 2016, NGTS processed about \$1.1 billion in Unemployment Insurance premium payments.

As part of our 2015 audit of the Washington’s Comprehensive Annual Financial Report (CAFR), our Office issued a finding related to the NGTS processing of employer wage reports and payments. This finding was reported in our 2015 single audit (2015-002). The finding was re-issued as part of our 2016 (CAFR) audit.

Description of Condition

We found the Department did not establish adequate internal controls to ensure employer unemployment insurance tax rates were properly calculated. Missing tax and wage reports and payments caused some employers to be reported as delinquent when they were not. Due to the inaccurate payment, reporting and delinquency data recorded in NGTS, the system miscalculated some employers’ rates, creating a higher tax liability for those affected.

We used a statistical sampling method and randomly sampled 87 employers to determine if NGTS properly computed their unemployment insurance tax rates. We determined that NGTS incorrectly determined five (5.7 percent) of these employers' tax rates. In each case, the employers were inappropriately assigned a delinquent tax rate.

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

Cause of Condition

The Department has not established a process to verify that files transmitted through interfaces were received and processed into NGTS accurately and completely. The Department also did not establish adequate procedures to review or spot check the data for errors.

Before the implementation of NGTS, the Department did not perform adequate testing to ensure the system accurately processed unemployment insurance tax payments, tax and wage reports, unemployment insurance rates and employer receivables. In addition, the lack of some key reconciliations increases the likelihood system errors will not be detected and corrected in a timely manner.

Effect of Condition

We determined the five employers that were assessed improper rates overpaid their unemployment insurance taxes by almost \$322,000.

If Washington's experience-rated UI tax system does not comply with state law, the U.S. Department of Labor could revoke the state's certification. If the certification is revoked, all employers could be required to pay up to an additional 5.4 percent in federal unemployment insurance tax.

Recommendations

We recommend the Department:

- Establish internal controls to ensure employer unemployment insurance tax rates are correct and to ensure the complete and accurate processing of employer payments and tax and wage reports for unemployment insurance tax payments
- Identify and correct defects within NGTS
- Perform reconciliations between systems to ensure information transmitted by interfaces is accurate and complete

Agency's Response

The Department concurs with this finding.

The ESD will continue to improve internal controls to ensure employer unemployment insurance tax rates are correct and to ensure the complete and accurate processing of employer payments and tax and wage reports for unemployment insurance tax payments.

ESD has already identified defects within NGTS and is in the process of correcting them.

ESD has developed a comprehensive strategy to address interface issues that includes strengthening controls between systems to ensure data that enters NGTS is accurate and complete.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

26 USC 3301 Rate of tax

There is hereby imposed on every employer (as defined in section 3306(a)) for each calendar year an excise tax, with respect to having individuals in his employ, equal to—

- (1) 6.2 percent in the case of calendar years 1988 through 2010 and the first 6 months of calendar year 2011; or
- (2) 6.0 percent in the case of the remainder of calendar year 2011 and each calendar year thereafter; of the total wages (as defined in section 3306(b)) paid by him during the calendar year (or portion of the calendar year) with respect to employment (as defined in section 3306(c)).

26 USC 3302 Credits against tax, states in part:

(b) Additional credit

In addition to the credit allowed under subsection (a), a taxpayer may credit against the tax imposed by section 3301 for any taxable year an amount, with respect to the unemployment compensation law of each State certified as provided in section 3303 for the 12-month period ending on October 31 of such year, or with respect to any provisions thereof so certified, equal to the amount, if any, by which the contributions required to be paid by him with respect to the taxable year were less than the contributions such taxpayer would have

been required to pay if throughout the taxable year he had been subject under such State law to the highest rate applied thereunder in such 12-month period to any person having individuals in his employ, or to a rate of 5.4 percent, whichever rate is lower.

26 USC 3303 Conditions of additional credit allowance, states in part:

- (b) Certification by the Secretary of Labor with respect to additional credit allowance
 - (3) The Secretary of Labor shall, within 30 days after any State law is submitted to him for such purpose, certify to the State agency his findings with respect to reduced rates of contributions to a type of fund or account, as defined in subsection (c), which are allowable under such State law only in accordance with the provisions of subsection (a). After making such findings, the Secretary of Labor shall not withhold his certification to the Secretary of the Treasury of such State law, or of the provisions thereof with respect to which such findings were made, for any 12-month period ending on October 31 pursuant to paragraph (1) or (2) unless, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds the State law no longer contains the provisions specified in subsection (a) or the State has, with respect to such 12-month period, failed to comply substantially with any such provision.

Revised Code of Washington 50.29.025: Contribution rates (as amended by 2011 c 4)

Due to the length of the RCW it is not included here but can be found at <http://apps.leg.wa.gov/RCW/default.aspx?cite=50.29.025>

2016-007

The Department of Transportation did not have adequate internal controls over and did not comply with federal wage rate requirements for the High-Speed Rail Corridors program.

Federal Awarding Agency: U.S. Department of Transportation
Pass-Through Entity: None
CFDA Number and Title: 20.319 High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
Federal Award Number: FR-HSR-0017-11-01-06
Applicable Compliance Component: Special Tests and Provisions – Wage Rate Requirements
Known Questioned Cost Amount: None

Background

The Department of Transportation, Rail Division, administers the High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants. The purpose of the program is to deliver incremental and critical rail infrastructure improvements for emerging high-speed rail service, expand travel choices and foster economic growth in Washington. The Department spent more than \$207 million in federal grant funds during fiscal year 2016.

For federally funded construction projects that exceed \$2,000, federal regulations require contractors to pay prescribed prevailing wages to laborers (Davis-Bacon Act). Contracts for these projects must contain language notifying the contractor and subcontractors they must comply with wage rate requirements in construction contracts. The Act also requires recipients of federal funds to obtain weekly-certified payroll reports and a statement of compliance from the contractor for its employees and subcontractors to ensure prevailing wages are paid.

Description of Condition

We found the Department did not have adequate internal controls to ensure compliance with wage rate requirements. The Department's process was to collect certified payrolls when contractors submitted invoices requesting payment.

- We examined six invoices and found two invoices did not contain the weekly-certified payrolls. The certified payrolls were not collected during our audit period.

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

Cause of Condition

Rail management acknowledged that staff did not follow its invoice review process to ensure the two invoices missing certified payrolls were received before the invoice was approved and paid.

Effect of Condition

Without collecting weekly-certified payroll reports with the monthly invoices, the Department cannot ensure the contractors and subcontractors paid prevailing wages. Additionally, the Department is not compliant with federal requirements, which could lead to actions by the federal grantor. The Department could also be liable for paying additional wages if prevailing wages were not paid.

Recommendation

We recommend the Department follow internal controls to ensure all the weekly, certified payroll reports are collected and reviewed with the monthly invoices.

Agency's Response

Thank you for the opportunity to respond to the draft finding on the High-Speed Rail Corridors grant program (CFDA 20.319) for the 2016 Statewide Single Audit Report. WSDOT values an independent review of its operations including adherence to federal laws and regulations.

WSDOT's Stakeholder Agreements with Burlington Northern Santa Fe Railroad (BNSF) and Sound Transit (ST) include the requirement to comply with the Davis-Bacon Act regarding payment of prevailing wages. The Federal Rail Administration (FRA) as our grantor provided legal guidance to WSDOT stating that since the Department required BNSF and ST to comply with Davis-Bacon Act requirements, it would be BNSF and ST's responsibility to collect certified payrolls from its construction contractors on a weekly basis.

WSDOT monitors BNSF and ST to ensure that they follow Davis-Bacon Act requirements. WSDOT receives weekly certified payrolls from BNSF and ST with their monthly invoices. WSDOT's Rail, Freight and Ports Division staff review the certified payrolls to confirm that the construction contractors' employees are paid prevailing wages prior to payment to BNSF and Sound Transit.

WSDOT's Rail, Freight, and Ports Division has already addressed the oversight where two ST invoices did not contain weekly-certified payrolls from its contractors. Rail Division management identified the issue, requested and received missing certified payrolls from ST in November 2016, and have been receiving certified payrolls with each subsequent ST invoice.

We appreciate the assistance from your staff and look forward to continuing our working relationship based on a high level of professional standards.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

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

5.5 Contract provisions and related matters.

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

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

classification of work actually performed, without regard to skill, except as provided in §5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: *Provided*, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

...

- (3) (ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (*e.g.*, the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the sponsoring government agency (or the applicant, sponsor, or owner).
- (B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:
- (1) That the payroll for the payroll period contains the information required to be provided under §5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under §5.5 (a)(3)(i) of

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

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

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

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

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

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

2016-008

The Department of Enterprise Services did not have adequate internal controls over and was not compliant with federal wage rate requirements for the Grants to States for Construction of State Home Facilities program.

Federal Awarding Agency: U. S. Department of Veterans Affairs
Pass-Through Entity: None
CFDA Number and Title: 64.005 Grants to State for Construction of State Home Facilities
Federal Award Number: FAI 53-034
Applicable Compliance Component: Special Tests and Provisions – Wage Rate Requirements (Davis-Bacon Act)
Known Questioned Cost Amount: None

Background

In fiscal year 2016, the Department of Veterans Affairs (DVA) spent about \$15.6 million in federal funds for construction of the Walla Walla Veterans Home, an 80-bed nursing home facility for veterans in Washington State.

For federally funded construction projects that exceed \$2,000, federal regulations require contractors to pay federally prescribed prevailing wages to laborers (Davis-Bacon Act). In addition, contracts for these projects must contain language notifying the contractor and subcontractors they must comply with wage rate requirements in construction contracts. The Act also requires recipients of federal funds to obtain weekly-certified payroll reports for all contractors and subcontractors to ensure prevailing wages are paid.

DVA contracted with the Department of Enterprise Services (DES) for project management services that included, but were not limited to, ensuring that the project, agreements and contracts comply with applicable state and federal statutes and requirements, including wage rate requirements. The contract also specified that DES would manage the construction contracts, including reviewing and approving construction invoices for final approval and payment.

Description of Condition

We found DES failed to ensure required language was included in the contract notifying contractors and subcontractors of the requirement to submit weekly-certified payroll reports. The Department also did not obtain weekly-certified payroll reports.

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

Cause of Condition

DES was unaware that it was required to include specific language related to wage rates in the construction contract. DES was also unaware that the wage rate documentation had to be collected and reviewed weekly to ensure compliance with wage rate requirements.

Effect of Condition

Without adequate internal controls in place to ensure that weekly-certified payroll reports are obtained, DES cannot ensure the contractors and subcontractors paid prevailing wage. The state could be liable for paying additional wages if prevailing wages were not paid.

Recommendation

We recommend DES establish and follow internal controls to ensure provisions that require the contractor and subcontractors submit weekly certified payroll reports to the recipient of federal funds are included in all construction contracts subject to the wage rate requirement. We also recommend DES establish and follow internal controls to ensure all the weekly-certified payroll reports have been collected and reviewed.

Agency's Response

The Washington State Department of Enterprise Services (Enterprise Services) would like to thank the Washington State Auditor's Office for bringing this matter to our attention. Through the Engineering & Architectural Services (E&AS) program, Enterprise Services performs a broad range of services, including project management services, for an extremely wide variety of client agencies, including:

- *34 community and technical colleges*
- *Washington State Department of Corrections*
- *Washington State Department of Social & Health Services*
- *Washington State Department of Veterans Affairs*
- *Washington State Department of Enterprise Services*
- *Washington State Patrol*
- *Washington Military Department*
- *Other Washington State boards, commissions, and agencies*

E&AS provides project management services for the Washington State Department of Veterans Affairs (DVA) and other client agencies pursuant to an Interagency Agreement (IAA). In this case, DVA, as the federal funds grantee, entered into an IAA with Enterprise Services for certain project management services pertaining to the construction of a skilled nursing facility by third party contractors - DES Agreement No. K3539. While the IAA noted the federal Davis-Bacon Act obligation (40 U.S.C. §§ 3141 et seq.), it did not specify the parties' contractual obligations regarding the Davis-Bacon Act requirements to be assumed and performed by Enterprise Services.

Upon notification by the State Auditor's Office, Enterprise Services took immediate corrective actions that included:

1. *Notification to agency program representatives and management of the status of the audit and its ramifications.*
2. *Review of all current program contracts to identify any similar requirements and potential risks.*
3. *Amendment of three contracts to clarify Davis-Bacon Act requirements regarding verification responsibility for certified payroll (e.g., certified payroll is provided weekly by the general contractor to Enterprise Services).*
4. *Initiation of a program-wide verification with each client agency to address Davis-Bacon Act compliance as a contract consideration for every project with federal funding and that, when appropriate, the parties operationalize their respective contractual commitments.*
5. *Initiated a team-wide project management services training, provided by the Attorney General's Office, regarding Davis-Bacon Act compliance requirements.*
6. *On all projects, the Contracts Specialist will verify that contractors and consultants under contract are not on the Federal Suspension and Debarment listing.*
7. *E&AS will review and edit eight (8) of our existing forms and develop procedures to ensure adherence to the requirements.*

With the above actions, we are confident that this finding is resolved.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

5.5 Contract provisions and related matters.

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

(1) *Minimum wages.* (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in §5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: *Provided*, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

...

(3) (ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (*e.g.*, the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors

shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the sponsoring government agency (or the applicant, sponsor, or owner).

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

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

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

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

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

(7) *Contract termination: debarment.* A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for

debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

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

2016-009 The Department of Services for the Blind failed to establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.

Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Federal Award Number:	GANH126A150072.15, GANH126A150072.16
Applicable Compliance Component:	Eligibility
Known Questioned Cost Amount:	None

Background

The Department of Services for the Blind’s Vocational Rehabilitation program provides services for individuals who are blind, are going blind or who have low vision so that such individuals may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates and administers the program in accordance with federal laws and regulations, as well as a State Plan that is approved every fiscal year. In most cases, clients must be determined eligible within a reasonable period of time, not to exceed 60 days. There are two exceptions to the 60-day requirement:

- An exceptional or unforeseen circumstance occurred beyond the control of the Department.
- The Department is assessing the client’s ability to perform in work situations through trial work experience.

When either of these exceptions are met, Department staff must document the determination in their case management system.

To ensure eligibility decisions are made within 60 days, Department staff use monthly reports from its case management system to identify clients who are nearing or have exceeded the deadline. The reports are distributed to team leaders who resolve the issues.

Description of Condition

We found the Department did not have adequate internal controls to ensure eligibility determinations were made within 60 days as required. The Department provided us with reports from its case management system of all clients who were determined to be eligible during the audit period. The reports identified 46 determinations that took longer than the 60-day limit. We examined ten of these eligibility determinations and found in five cases the Department’s internal controls failed, resulting

in the eligibility determination exceeding the 60-day limit and the delay not being properly documented.

We also randomly selected and examined 55 of 415 client eligibility determinations made during the audit period to check for compliance with federal regulations. We found while all clients met the eligibility criteria, six instances (11 percent) when clients did not have their eligibility determination made within 60 days. There was no documentation for the six cases in the case management system describing an exception to the 60-day limit. Additionally, in two of the cases there was no documentation supporting the client agreed to a specific extension of time. In three cases, the case management system contained no documented support for the delay.

The Department provided some evidence that the client eligibility determinations on the monthly reports were investigated in the form of informal email communication. However, this communication was not consistently available and did not provide sufficient evidence a supervisor or manager monitored to ensure the reports were properly addressed.

We consider these control deficiencies to be a material weakness.

Cause of Condition

There is no formal confirmation or review process to ensure the monthly reports that identify cases coming due or overdue are addressed and adequately documented by staff. The program's procedure manual does not contain any guidance on how the review process is supposed to be performed.

Additionally, the Department's procedure manual states there must be "clear justification for the exception", while the federal requirements states exceptions must be "exceptional and unforeseen". In some cases, it appeared staff were documenting the extension using the lower standard of "clear justification for the exception" instead of the stricter federal requirements.

Effect of Condition

By not having adequate internal controls, the Department is not always making timely eligibility decisions in accordance with federal law. This could lead to eligible clients not receiving services in a timely manner and also puts the Department at risk that the federal grantor will withhold grant funds.

Recommendation

We recommend the Department:

- Improve its internal controls to ensure eligibility determinations are made timely
- Ensure any exceptional and unforeseen circumstances are properly documented
- Ensure supervisory reviews are properly documented and effective
- Update its procedures to include the federal requirements and the process for supervisory review.

Agency's Response

The agency understands the importance of not unnecessarily delaying an eligibility determination, and we make every effort to complete the determination within the 60 days allotted per federal regulation, and work to gather participant agreement for delays beyond the agency control.

The auditor did not find our internal systems for alerting counselors to those cases with eligibilities that are coming due or are overdue clearly systemized and documented so that it is clear to an outside observer that the controls are consistently performed. We will work to create more systematized processes for internal controls to make our monthly processes more evident to an outside observer. We commit to creating systems that document managers' receipt of tracking reports, and documenting the managers' verification of providing the tracking information to the counselors on a regular basis.

The auditor found a lack of required documentation for justification and participant agreement for delay of eligibility in some of the cases reviewed. Five of the ten overdue eligibilities did indeed have documentation that met agency policy, indicating participant agreement to delay and justification for the delay. Of the five other cases that were found to lack adequate documentation, it should be noted that four instances were from one to four days delayed, with the 60th day in each case falling on a weekend. While the delays were not significant, and likely the counselor in each situation considered it reasonable that a delay justification was unnecessary if eligibility was made one or two working days after the 60 day period had passed, we accept that 60 days means 60 days, and will provide coaching to counselors that they should in future include documentation if an eligibility determination is passing the 60 day mark, regardless if that 60th day is a non-work day, holiday or weekend.

The new regulations were finalized June 30, 2016, and the agency is providing coaching to counselors about the new requirement to include a specific expected day of completion for eligibility. This requirement did not exist as a rule before the regulations were finalized, and we disagree with any findings that were found solely due to lack of a specific completion date. We expect to be working towards implementing the new rule in this coming year, along with many other process changes to align to the new regulations.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

During the audit, Department management asserted that the requirement to meet a 60-day deadline was not implemented until the end of the audit period, June 30, 2016. When conducting the single audit, we are required to follow the federal guidance from the Office of Management and Budget in the 2016 Compliance Supplement. The guidance clearly states that we are required to test for compliance with the 60-day limitation. Additionally, the guidance given in the OMB 2014 and 2015 Compliance Supplements also contained this requirement, which means the audit requirement has been in place for at least three years.

Additionally, the Department responded that some of the exceptions we cited were over a weekend period. Our sample did include internal control failures of 1-2 days. However, our sample also identified instances when determinations were overdue by 3, 15, 16, 27, 31, and 60 days.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be

prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

29 USC 722(a)(6) Eligibility and individualized plan for employment – Timeframe for making an eligibility determination states in part:

The designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless—

- (A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or
- (B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

WAC 67-25-025 Eligibility for services, states:

- (1) The department shall determine whether an individual is eligible for vocational rehabilitation services within sixty days after receipt of an application for services, unless, exceptional and unforeseen circumstances beyond the control of the department preclude completion of the determination within sixty days, in which case, the department will notify the applicant.
- (2) The applicant must agree to an extension of eligibility determination or, must agree to participate in trial work experience or extended evaluation in accordance with WAC 67-25-065 and 67-25-070. If the applicant does not agree to an extension of the eligibility determination or does not agree to participate in trial work experience or extended evaluation, the applicant will be determined ineligible for vocational rehabilitation services and the case service record will be closed in accordance with WAC 67-25-055.

Washington State Department of Services for the Blind Vocational Rehabilitation Procedures states:

3. ELIGIBILITY (WAC 67-25-025)

Eligibility Timelines

The Rehabilitation Act requires that eligibility determination be made within 60 days after receiving an application. The only exception is if unforeseen circumstances beyond the control of the VR Team prevent completion of the determination within 60 days. Case note E60 “Eligibility Determination over 60 Days” is used to document this exception and must:

- Provide clear justification for the exception;
- Outline needed action to complete the determination;
- Indicate how the individual was informed of the need for an extension; and
- Indicate that the individual accepts the justification and agrees to an extension.

Case note E60 must be completed to address the above four points (ideally as bullet points) every 30 days after the initial entry until the individual is found eligible, or the case is closed

2016-010 The Department of Services for the Blind failed to establish adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.

Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: None
CFDA Number and Title: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Federal Award Number: GANH126A150072.15, GANH126A150072.16
Applicable Compliance Component: Special Tests and Provisions
Known Questioned Cost Amount: None

Background

The Department of Services for the Blind’s Vocational Rehabilitation program provides services for individuals who are blind, are going blind, or who have low vision so that such individuals may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates and administers the program in accordance with federal laws and regulations, as well as a State Plan that is approved every fiscal year. It is responsible for ensuring that, once an individual is determined eligible, an Individual Plan for Employment (IPE) is created as soon as possible but no later than 90 days after the date they were determined eligible. The creation of the IPE can extend past 90 days only if the Department and the individual agree to an extension with a specific date by which it must be completed. When this happens Department staff must document the extension in their case management system.

In order to ensure IPEs are created within 90 days, the Department uses monthly reports to identify clients who are nearing or have exceeded their IPE deadline. The reports are distributed to team leaders who ensure any issues are properly resolved by completing the IPE, or documenting the agreement to the extension and the specific date of completion.

Description of Condition

We found the Department did not have adequate internal controls to ensure IPE development was completed within 90 days as required. The Department provided us reports from their case management system indicating 132 out of 338 (39 percent) applicants did not receive their IPE within 90 days. We randomly selected and examined 17 of these late determinations and found in 16 cases, the Department’s internal controls failed, resulting in the IPE development exceeding 90 days without the proper documentation.

We also examined the 17 IPE determinations for compliance with federal regulations and found 16 of the cases were missing at least one of the two elements, which allow extension of the IPE date; the client agreement and the date of completion.

We consider these control deficiencies to be a material weakness.

Cause of Condition

There is no formal confirmation or review process to ensure the cases identified in the monthly reports are addressed and adequately documented by staff. The Department provided some evidence that the IPE determinations on the monthly reports were investigated in the form of informal email communication. However, this communication was not consistently available and did not provide sufficient evidence a supervisor or manager monitored to ensure the reports were properly addressed.

Additionally, the Department's procedure manual does not contain any guidance on how this review process is supposed to be performed.

Effect of Condition

By not having adequate internal controls, the Department is not always making timely IPE determinations in accordance with federal law. This could lead to a delay in clients receiving services and also puts the Department at risk that the federal grantor will withhold grant funds.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure IPEs are created timely
- Ensure extensions are agreed upon by the client and are properly documented
- Ensure supervisory reviews are properly documented and effective
- Update its procedures to include the federal requirements and the process for supervisory review

Agency's Response

The agency understands the importance of not unnecessarily delaying planned vocational rehabilitation services, and we make every effort to complete the individualized plan for employment within the required 90 days, with agreement for the associated services that will be required for the individual to successfully get, keep or advance in their career and vocational rehabilitation. When delays are beyond the control of the agency, we work to gather and document the participant agreement for delays.

The auditor did not find our internal systems for alerting counselors to those cases with plans that are coming due or are overdue clearly systemized and documented so that it is clear to an outside observer that the controls are consistently performed. We will work to create more systematized processes for internal controls to make our monthly processes more evident to an outside observer. We commit to

creating systems that document managers' receipt of tracking reports, and documenting the managers' verification of providing the tracking information to the counselors on a regular basis.

The auditor reported to find a lack of required documentation for justification and participant agreement for delay of plan in 16 of the 17 cases reviewed. The agency is in full agreement that process for getting and documenting participant agreement was not followed in six of the 16 cases. For ten of the cases, the agency disagrees with the finding as the documentation met agency policy and procedure, and the federal regulations that existed at the time the work was done. Ten of the cases have findings because the documentation lacked inclusion of a specific date for estimated completion of plan activities that is agreed to by the participant. The date for IPE completion of those ten include:

- 02/18/2016
- 01/12/2016
- 05/26/2016
- 09/11/2015
- 12/01/2015
- 06/13/2016
- 02/08/2016
- 06/12/2016
- 10/15/2015
- 09/08/2015

The agency understands that this is a new requirement, becoming rule on June 30th, 2016 in the final federal regulations, and we understand that we need to move towards compliance with this requirement in this coming year. We have begun to coach counselors of the new requirement to include a specific date in any plan delay justification. However, we strongly feel we should not be expected to comply with a process that was not a rule during the period of audit (note all completion dates for the ten cases with findings occurred before the June 30, 2016 date when regulations with the new requirement went into effect), and strongly disagree with the finding as a result.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

During the audit, Department management asserted that the requirement to meet a 90-day deadline was not implemented until the end of the audit period, June 30th, 2016. When conducting the single audit, we are required to follow the federal guidance from the Office of Management and Budget in the 2016 Compliance Supplement. The guidance clearly states that we are required to test for compliance with the 90-day limitation. Additionally, the guidance in the OMB 2015 Compliance Supplement also contained this requirement, which means the audit requirement has been in place for at least two years. However, due to the concerns expressed by the Department, we contacted the federal agency program contact with the U.S. Department of Education to confirm the requirement. He informed us the requirement went into effect in 2014 when the enabling legislation was signed and was therefore in place before our audit period began.

Additionally, the Department responded we reported a lack of documentation for justification of delays, but this is not accurate. The requirement is only that the participant agree to delay, and to establish a date for completion, which is what we reported. We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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29 USC 722 (b) Development of an individualized plan for employment, states in part:

(3) Mandatory procedures

(F) Timeframe for completing the individualized plan for employment states: The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

2016-011 The Department of Social and Health Services failed to establish adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.

Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: None
CFDA Number and Title: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
Federal Award Number: H126A150071-15B, H126A160071-16A
Applicable Compliance Component: Special Tests and Provisions – Completion of Individual Plans of Employment
Known Questioned Cost Amount: None

Background

At the Department of Social and Health Services, the Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of physical, sensory or mental disabilities. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates in accordance with federal laws and regulations, as well as a state plan that is approved every fiscal year. Once a client is determined to be eligible, an Individual Plan for Employment (IPE) is created as soon as possible, and no later than 90 days after the date they were determined eligible. This 90-day limit was imposed by federal regulations in 2014. The creation of the IPE can extend past 90 days only if the Department and the individual agree to an extension with a specific date by which it must be completed. When this happens, Department staff must document the extension in their case management system.

The Department requires that counselors send a letter to the client informing them of the need for an extension and the date they believe an IPE can be created by. The client is required to sign and return the letter to indicate they agree to the extension. The Department also requires that both the client and the client’s counselor sign and date the completed IPE. Without both signatures, the IPE is not considered approved. Once the IPE is approved, the date of approval is entered into the Department’s Service Tracking and Reporting System (STARS) for use in monitoring and reporting cases.

Description of Condition

We found the Department did not have adequate internal controls to ensure IPE development was completed within 90 days as required. The written procedures in place stated counselors had 120 days to complete an IPE. The program specialist stated staff received training and were instructed to use a 90-day time limit for clients determined eligible after October 1, 2015. The Department also lacked effective internal controls to ensure that dates entered into STARS were accurate and properly supported.

The Department provided us reports from its case management system indicating 1,452 of 4,630 applicants (25 percent) did not receive their IPE within 90 days. We randomly selected and examined 88 of these late determinations — 44 of those clients were determined eligible before October 1, 2015, and 44 were determined eligible after that date.

Of the 88 late determinations we randomly selected, we found 40 cases (91 percent) determined before October 1, 2015, and 29 cases (69 percent) determined after October 1, 2015, in which either the client did not approve the extension before the 90-day deadline or the IPE was not completed and approved by the agreed upon extension date, or both of these conditions were present. We also determined that eight of the 88 IPEs examined (9 percent) lacked either the counselor's or client's signatures. Despite the lack of signatures, dates were still entered into STARS indicating that the IPEs had been properly approved.

We consider these control deficiencies to be a material weakness.

Cause of Condition

Although the Department was aware the requirement went into effect in July of 2014, the Director of the Division of Vocational Rehabilitation directed the Policy Manager to delay implementation until October 1, 2015, due to the amount of work required to implement the requirement. The Department also did not have written policies and procedures in place to ensure that clients received IPEs within 90 days or that it required clients to agree to a specific extension date if needed.

Additionally, Department staff were not following policies and procedures to ensure that both the counselor and the client were approving the IPE. Managerial oversight was not sufficient to detect or prevent these issues.

Effect of Condition

By not having adequate internal controls, the Department is not always making timely IPE determinations in accordance with federal law. This could delay services to clients and also puts the Department at risk that the federal grantor will withhold grant funds.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure IPEs are created in a timely manner
- Ensure extensions are agreed upon by the client and are properly documented
- Ensure both counselors and clients are approving the completed IPEs

Agency's Response

The Department concurs with the recommendations and will implement improved internal controls to ensure their implementation.

The Department offers the following information regarding its timeframe for implementation of the requirement to develop IPEs no later than 90-days after the date a client is determined eligible:

- 1. The 90-day requirement for IPE development was signed into law and enacted on July 22, 2014 with the amendments of the Rehabilitation Act under the Workforce Innovation and Opportunity Act. At that time the Department of Education Rehabilitation Services Administration (RSA) let state VR agencies know that while all changes to the Rehabilitation Act were immediately in effect, it would be one year or longer until implementing federal regulations were drafted and adopted. RSA encouraged state VR agencies to implement as many changes as possible based on statutory language, but did not issue any formal guidance or technical assistance regarding specific changes or timelines to be implemented prior to final regulation. However, the 90-day IPE development timeframe was identified as an example of a change that RSA hoped state VR agencies would implement as quickly as possible. RSA did not publish draft regulations until April 2016 and they were not finalized until September 2016. During this period, RSA was prohibited from providing formal guidance on any facet of programmatic changes required by the amended Rehabilitation Act until the rule-making process was completed.*
- 2. The Department's implementation of the 90-day requirement for IPE development started in August 2014 and was completed in October 2015. This included the following major steps:*
 - a. August 2014 – February 2015: Identify all of the Rehabilitation Act statutory changes that could be implemented without final federal regulations or formal guidance and technical assistance from RSA, including 90-day IPE development.*
 - b. February 2015 – September 2015: Re-program the Service Tracking and Reporting System (STARS), the automated case management system, to reflect 90-day IPE development and substantially revise all of the vocational assessment screens on which an IPE is based; compose and publish a new Customer Handbook with information about new programmatic changes and tools for developing an IPE within 90-days; develop and deliver training to all staff so they learn how to implement the 90-day timeframe for IPE development and related changes in service delivery*
- 3. Effective October 1, 2015, all new clients who were determined eligible on or after that date were required to develop an IPE within 90-days or sign an extension agreement.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

Remote. The chance of the future event or events occurring is slight.

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

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than

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

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

29 USC 722 (b) Development of an individualized plan for employment, states in part:

(3) Mandatory procedures

(F) Timeframe for completing the individualized plan for employment:

The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

2016-012

The Department of Social and Health Services did not establish adequate internal controls over and was not compliant with federal requirements to determine client eligibility within a reasonable period of time for the Vocational Rehabilitation program.

Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: None
CFDA Number and Title: 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number: H126A150071-15B, H126A160071-16A
Applicable Compliance Component: Eligibility
Known Questioned Cost Amount: None

Background

At the Department of Social and Health Services, the Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of physical, sensory, and/or mental disabilities. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department must comply with federal regulations, as well as a state plan that is approved every fiscal year. In most cases, clients' eligibility must be determined within a reasonable period of time, not to exceed 60 days. There are two exceptions to the 60-day requirement:

- An exceptional or unforeseen circumstance occurred beyond the control of the Department, and the client agrees to the extension.
- The Department is assessing the client's ability to perform in work situations through trial work experience.

When either of these exceptions are met, Department staff must document the determination in the case management system. A customer service manual requires staff to complete an extension agreement form and have the client sign the form indicating approval of the extension. The manual does not state that there are only two exceptions to the 60-day requirement.

To ensure eligibility decisions are made accurately and in a timely manner, the case management system pulls random samples of client cases for Vocational Rehabilitation Supervisors to review. The Department's practice is for each supervisor to review two cases per month for each counselor they oversee.

Description of Condition

We found the Department did not have adequate internal controls to ensure eligibility determinations were made within 60 days as required. The Department gave us reports from its case management system of the 9,464 clients who were determined to be eligible during the audit period. The reports

identified 793 determinations that took longer than the 60-day limit. We randomly selected and examined 44 of these eligibility determinations and found 35 instances when the Department's internal controls failed, resulting in the eligibility determination exceeding the 60-day limit and the delay not being properly documented. Of these cases, 33 were not supported by documentation to show the client agreed to a specific extension date, and 29 cases lacked a reason for the extension that was an exceptional or unforeseen circumstance outside of the Department's control.

We also found internal controls were not effective to ensure management monitored eligibility determinations to ensure they were accurate and completed in a timely manner. The Department provided a list of 2,893 client cases that were randomly selected by the case management system for review by supervisors. Division management did not require supervisors to complete their review of these selected cases. Also, Information Technology staff deleted some of the randomly selected cases from the review list at the request of management.

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

Cause of Condition

The Department did not establish an adequate monitoring process to ensure cases selected each month were reviewed by supervisors. According to the program's interim director, cases were not monitored because of supervisor turnover. Additionally, the Department's procedure manual did not contain guidance about how to perform the review process and management did not monitor to ensure selected reviews were performed.

Effect of Condition

By not establishing adequate internal controls, the Department is not always making timely eligibility decisions in accordance with federal law. The Department is at a higher risk of not providing services to eligible clients in a timely manner. There is also at risk that the federal grantor could withhold grant funds.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure eligibility determinations are made in a timely manner
- Ensure any exceptional and unforeseen circumstances are properly documented
- Ensure supervisory reviews of all randomly selected cases are performed
- Update its procedures to include the federal requirements and the process for supervisory reviews

Agency's Response

The Department concurs with the recommendations and will implement improved internal controls to ensure their implementation. However, the Department notes that of the 9,464 clients determined eligible during the audit period, the 793 determinations that exceeded 60-days represent 8.4% of all

eligibility determinations which constitutes a relatively small number of cases that missed the required timeframe. The Department acknowledges that while the number of cases is small, increased focus is needed to assure proper documentation of eligibility determinations that require longer than 60-days.

Supervisors were required to complete their review of selected cases. However, in rare circumstances when a supervisor vacated their position, some did not complete all of their required case reviews before leaving. The Department recognized this gap in some supervisory reviews and initiated steps for Area Managers to assure that an existing supervisor completed required case reviews prior to vacating their position.

Auditor’s Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

29 USC 722(a)(6) Eligibility and individualized plan for employment, Timeframe for making an eligibility determination, states:

The designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless—

- (A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or
- (B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

Washington State DVR Customer Service Manual states:

Time line for Eligibility Determinations

The 60-day period within which a VR counselor must determine if an applicant is eligible begins on the date the individual signs the Application for VR Services. If it will take longer than 60 days to determine eligibility, the VR counselor and applicant discuss the reason for the delay and whether another approach is needed to get the necessary information.

If the individual agrees to extend the eligibility period, the extension documentation is completed and a copy of the signed agreement is filed in the case service record. This agreement is not valid until signed by the applicant. If the applicant does not return the signed agreement, the VR counselor must follow-up to obtain a signed agreement.

If there is a need to gather or exchange information with other parties to complete the assessment for eligibility and severity of disability, a VR Counselor must obtain signed consent and/or release forms from the applicant.

2016-013

The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments paid on behalf of clients and staff time and effort for Vocational Rehabilitation were allowable.

Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number:	H126A150072.15, H126A150072.16
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	\$11,145,636
Likely Questioned Cost Amount:	\$13,241,044

Background

At the Department of Social and Health Services, the Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of physical, sensory, and/or mental disabilities. These services are funded primarily by the Vocational Rehabilitation Grant.

The Department operates in accordance with federal regulations, as well as a state plan that is approved every year. The Department is allowed to spend federal grant dollars on administrative costs to run the program. Because staff that work on this grant bill 100 percent of their time and effort to this grant, the Department uses a semi-annual certification process to ensure billed time is accurate. The program creates reports of time charged to the grant during each six-month period and sends the appropriate list of employees to their supervisor to certify. Department policy states each supervisor is responsible for reviewing time for the staff they supervise and that they must sign the certifications by the following dates:

- Hours worked from October to March is due by May 15
- Hours worked from April to September is due by November 15

The Department can also pay for pre-employment services or employment services that are included in the individual plan for employment (IPE) that assist individuals with a disability in preparing for, securing, retaining or regaining an employment outcome. To ensure the client is informed and involved in their employment outcome, they are required to sign and date the completed IPE after reviewing it. The client's counselor is also required to sign and date the IPE. Employment services are not considered allowable unless they are in the approved IPE. Pre-employment services are not required to be in the IPE but must be for services that allow the Department to determine eligibility or ability to work.

The Department spent about \$48.3 million in federal program funds in fiscal year 2016, including about \$16.3 million for salaries and benefits and \$25.3 million for client services.

Description of Condition

We found the program did not follow Department policies and procedures to ensure employee time and effort was certified in a timely manner.

The Department confirmed that 75 certifications were required to be completed during fiscal year 2016. Using a non-statistical sampling method, we randomly sampled 13 certifications to examine. We found eight (62 percent) certifications that were due by May 15, 2016, were not completed until October 2016.

Upon further inquiry, the budget analyst who performs the function said that all certifications for October through March, which covered payroll costs totaling \$11,099,787, were not performed in a timely manner.

We also found the program did not have adequate internal controls to ensure payments for client employment services were for services recorded in an approved IPE. Using a statistical sampling method, we randomly sampled 59 out of 58,164 total payments made for client services during fiscal year 2016. We examined each payment to determine if it was for an allowable pre-employment service or a service that should have been included in the client's IPE.

We found four cases (6.8 percent) in which the employment service was not included in an approved IPE or the item was purchased before the IPE was approved. None of the exceptions identified were considered pre-employment services, so they were required to be in an approved IPE. We also examined the five largest payments, totaling \$147,158, and found one that cost \$33,622 was issued without an approved IPE.

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

Cause of Condition

Vocational Rehabilitation central office staff are required to pull the certification reports, which are reviewed by supervisors, but the Department did not ensure new employees were aware of the Department's policy and timelines. The new staff member responsible for running the time and effort reports did not perform this duty until October 2016, five months after the original due date. The Department did not have a process in place to ensure the administrative policy was followed.

Additionally, Department staff were not following policies and procedures to ensure that payments made for client services were contained in the client's approved IPE and that services were not being paid for before approval. Managerial oversight was not sufficient to detect or prevent these issues.

Effect of Condition and Questioned Costs

We found \$11,099,787 in direct payroll and benefit charges to the grant that were not supported by timely certifications as required by Department policy. By not performing a timely review and certification of employee time and effort charged to the grant, the Department risks making unsupported charges for employee time and effort.

Additionally, the Department risks making unallowable payments for client services with federal funds by not ensuring that employment services were included in an approved IPE. The Department paid \$45,849 to participants who were considered unallowable or unsupported. Because a statistical sampling method was used to select the payments examined, we estimated the amount of likely questioned costs to be \$2,141,257.

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

Recommendation

We recommend Vocational Rehabilitation staff follow Department policies to ensure payroll certifications are properly reviewed. We also recommend staff ensure payments for client employment services are made only for services that are included in an approved IPE and that these services are not paid for before approval.

The Department should consult with its grantor to determine what, if any, of the questioned costs should be repaid.

Agency's Response

The Department concurs with the finding.

Time certification for the one quarter was completed during FY17, rather than FY16. The direct payroll and benefit charges, while done outside the correct fiscal year, were appropriately charged to the grant and certified. The program will follow administrative policies to ensure payroll certifications are conducted accurately and timely going forward.

Some client employment services were paid or purchased before they were included in an approved Individual Plan for Employment (IPE). Directives to field staff will emphasize required services must be included in the IPE along with staff and client signatures, the case management system will alert staff about IPE required purchases and the program will ensure internal compliance reviews are performed regarding IPE requirements.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

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

relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), states in part:

Section 200.430 Compensation – personal services

- (a) General. Compensation for personal services... Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied for both Federal and non-Federal activities;
 - (i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated:

2016-014

The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.243 Substance Abuse and Mental Health Services
Projects of Regional and National Significance
93.959 Block Grants for Prevention and Treatment of
Substance Abuse
Federal Award Number: 2B08TI010056-14; 2B08TI010056-15; 2B08TI010056-
16; 5U79TI023477-05; 5U79SP020155-03;
5U79TI024265-03; 1H79TI025995-01; 5H79SM061705-
02; 5H79TI025342-02; 1H79TI026138-01;
1H79TI025570-01
Applicable Compliance Component: Subrecipient Monitoring
Known Questioned Cost Amount: None

Background

The Department of Social and Health Services, Division of Behavioral Health and Recovery, administers the Block Grants for Prevention and Treatment of Substance Abuse. The Department subawards some of the funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and support services. The Department spent more than \$32.8 million in grant funds during fiscal year 2016. Of this amount, the Department passed about \$13 million to 84 subrecipients.

The Department also administers the Substance Abuse and Mental Health Services Projects of Regional Significance. This federal grant program is designed to address priority substance abuse treatment, prevention and mental health needs of regional and national significance. The Department spent more than \$10.2 million in grant funds during fiscal year 2016. Of this amount, the Department passed about \$3.6 million to 26 counties, school districts and nonprofit organizations as subrecipients.

Federal regulations require the Department to monitor the grant-funded activities of subrecipients. This includes ensuring its subrecipients that spend \$500,000 or more in federal grant money during a fiscal year receive an audit of expenditures and related internal controls, in accordance with the federal Office of Management and Budget Circular A-133, and submit its audit reports to the Federal Audit Clearinghouse within nine months of its fiscal year end. For fiscal years beginning after December 26, 2014, OMB Circular A-133 was superseded by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards – 2 CFR 200 in which the threshold triggering an audit was increased to \$750,000. For the period under audit, OMB Circular A-133 applied.

The Department is also required to follow up on any audit findings a subrecipient receives that may affect the federal program, and to issue a management decision within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

In prior audits, we reported the Department did not have internal controls over and did not comply with requirements to ensure subrecipients received required audits. The prior finding numbers were 2015-016 and 2014-019.

Description of Condition

The Department does not have adequate internal controls in place to verify:

- Subrecipients received required audits
- Findings are followed up on and management decisions are issued in a timely manner
- Funds received are being reported for audit purposes

During the audit period, we found no evidence that the Department monitored or verified if any subrecipients obtained required audits.

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

Cause of Condition

The Department did not have policies or procedures in place to ensure subrecipients received required audits. The Department did not assign the responsibility to perform this function to a specific unit or individual. Additionally, management did not provide sufficient oversight to ensure the requirement was met. The Department's corrective action plan for the previous finding stated that by August 2016 the Department will establish policies and procedures to ensure all required audits occur and subrecipient audits are included in the subrecipient tracking system.

Effect of Condition

Without establishing adequate internal controls, the Department cannot be certain all subrecipients that met the threshold for an audit complied with federal grant requirements and therefore cannot ensure it has met the monitoring requirements of its federal grantor.

Recommendation

We recommend the Department improve its monitoring of subrecipients by:

- Verifying all required audits occurred
- Following up on all subrecipient audit findings related to the program and issuing a management decision in a timely manner
- Ensuring subrecipients report the federal funds they received from the Department

We also recommend the Department establish policies and procedures to help ensure monitoring of subrecipient audits occurs and is consistent.

Agency's Response

The Department concurs with the finding.

The Department agreed to formalize its subrecipient monitoring procedure in its corrective action plan for the previous finding numbers 2015-016 and 2014-019.

BHA Management Bulletin BFD 16-09-002 became effective on September 1, 2016 and ensures compliance with the Code of Federal Regulations, Title 1, Part 200, the Department's Administrative Policy 19.50.30 – Subrecipient Monitoring, and audit conditions identified in this finding.

The BHA Management Bulletin BFD 16-09-002 outlines procedures that will ensure compliance with staff risk assessment, monitoring, and audit report collection responsibilities, and collecting federal audit requirements from vendors. In addition to the Management Bulletin, two staff have been assigned the roles and responsibilities of subrecipient monitoring.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

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

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

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

U.S. Office of Management and Budget Circular A-133, *Compliance Supplement 2015*, Part 3 – Compliance Requirements states in part:

Section M. Subrecipient Monitoring
Compliance Requirements

A pass-through entity is responsible for: ...

- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

U.S. Office of Management and Budget 2 CFR Part 200, Appendix XI, *Compliance Supplement 2016*, Part 3 – Compliance Requirements states in part:

Section M. Subrecipient Monitoring
Compliance Requirements

A pass-through entity is responsible for:

- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$750,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years beginning on or after December 26, 2014 have met the audit requirements of 2 CFR part 200, subpart F and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

2016-015

The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.558 Temporary Assistance for Needy Families
Federal Award Number: 1601WATANF; 1601WATAN3;1502WATANF
Applicable Compliance Component: Special Tests and Provisions-Child Support Non-Cooperation
Known Questioned Cost Amount: \$3,218
Likely Questioned Cost Amount: \$91,919

Background

The Department of Social and Health Services, Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. The Department spent over \$304 million in grant funds during fiscal year 2016.

The Division of Child Support (DCS) within the Department of Social and Health Services provides child support services including paternity establishment, child support order establishment and child support collection services. TANF clients are required to cooperate with the DCS in order to help establish paternity and/or modify or enforce child support payments. The DCS is responsible for determining when a client is non-cooperative and notifying the Community Services Division where monitoring of TANF clients takes place. Federal regulations require the Department to reduce benefits if a client is non-cooperative with DCS.

In our fiscal year 2015 audit, we reported the Department did not have adequate internal controls over and did not comply with requirements to sanction TANF clients who were not cooperative with DCS child support services. The prior finding number was 2015-018.

Description of Condition

During the audit period, the Department did not have adequate internal controls in place to ensure it complied with child support noncooperation requirements. After child support noncooperation was determined, the Department did not monitor sufficiently to ensure benefits were reduced.

We used a statistical sampling method and randomly sampled 59 TANF recipients out of a total population of 4,234 recipients who should have received a noncooperation notice. For the 59 recipients selected for testing, we examined documentation to determine whether the Department complied with federal requirements and found:

- A record of noncooperation was not documented in 15 client files.
- A record of noncooperation was not documented timely in three additional client files.
- Out of these 18 clients, benefits were not properly reduced for seven who were not cooperative.

In addition, we reviewed five clients whose record of noncooperation was not documented in the prior audit period to determine if their benefits were properly reduced in the current audit period. We found that once the Department was made aware of the exceptions during the last audit they did issue the required overpayments. However, prior to becoming aware they had already issued \$1,963 in unallowable payments to these clients.

We consider these control deficiencies to be a material weakness.

Cause of Condition

The Department was unaware some non-cooperative client's benefits were not being reduced or denied. In six of the client files, a computer error occurred and the Department was unaware the error had not been corrected. Additionally, management did not adequately monitor to ensure the Department complied with federal requirements.

Effect of Condition and Questioned Costs

By not monitoring to ensure non-cooperative clients had their benefits reduced or denied, the Department issued \$3,218 in improper payments to clients. Because a statistical sampling method was used to select the payments we examined, we estimate the amount of likely questioned costs to be \$91,919.

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

Recommendation

We recommend the Department establish policies and procedures sufficient to ensure participants who are non-cooperative with DCS have their TANF benefits reduced or denied as required by federal law. We further recommend management monitor to ensure the requirements for imposing sanctions are being met.

The Department should consult with the Department of Health and Human Services to determine what, if any, of the questioned costs should be repaid.

Agency's Response

The Department concurs with the audit finding.

The Department recognizes that it did not properly apply sanctions for 18 clients who did not cooperate with child support requirements which resulted in seven of those clients receiving more benefits than they were eligible to receive. The Department will carefully review these cases and will establish overpayments as appropriate. The Department did not reduce benefits for the remaining 11 clients because their benefits were already closing for another reason or the client was receiving benefits for a child only, and therefore the benefits should not have been reduced.

The system glitch identified in the prior year's audit affected cases through September 1, 2016 of the current year's audit sample. The Division of Child Support (DCS) immediately fixed the glitch and sent all potentially affected cases to the Community Services Division (CSD) for review.

CSD took immediate action to ensure staff appropriately prioritize non-cooperation notices from DCS to ensure sanctions are applied timely and accurately. CSD will also develop an online refresher training to highlight existing policies/procedures already in place to reduce benefits for clients in non-cooperation status, and complete a monthly random review of a sample of clients to determine if additional training or guidance is needed. CSD will continue to pursue a long-term, automated solution to ensure all cases in non-cooperation status are properly sanctioned.

The Community Services Division and the Division of Child Support will continue to work together to identify and eliminate potential gaps in appropriately sanctioning a client in non-cooperation status.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance

requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 45, Code of Federal Regulations, Section 264.30 and 264.31-Other Accountability Provisions:

§264.30 What procedures exist to ensure cooperation with the child support enforcement requirements?

(a) (1) The State agency must refer all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified or enforced, to the child support enforcement agency (i.e., the IV-D agency).

(2) Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child.

(b) If the IV-D agency determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with §260.52 of this chapter, then the IV-D agency must notify the IV-A agency promptly.

(c) The IV-A agency must then take appropriate action by:

- (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or
- (2) Denying the family any assistance under the program.

§264.31 “What happens if a State does not comply with the IV-D sanction requirement?” states in part,

- (a) (1) If we find that, for a fiscal year, the State IV-A agency did not enforce the penalties against recipients required under §264.30(c), we will reduce the SFAG payable for the next fiscal year by one percent of the adjusted SFAG.

2016-016

The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly reports for the Temporary Assistance for Needy Families Grant.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.558 Temporary Assistance for Needy Families
Federal Award Number: 1601WATANF; 1601WATAN3;1502WATANF
Applicable Compliance Component: Reporting
Known Questioned Cost Amount: None

Background

The Department of Social and Health Services, Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in entering the work force through required work participation. State agencies must meet or exceed minimum annual work participation rates of 50 percent overall and 90 percent for two parents. The Department spent more than \$304 million in grant funds during fiscal year 2016.

Federal regulations require the Department to file quarterly reports that include work participation data at the summary and individual level. The Department must file separate reports for their federal TANF program and state programs. The proper reporting of work participation data is critical because it serves as the basis for the federal government to determine whether states have met the required work participation rates. A penalty may apply for failure to meet the required rates.

Description of Condition

During the audit period, the Department did not have adequate internal controls in place to ensure it complied with grant reporting requirements. Data is extracted from large databases and is transformed with customized code to produce reports. The Department performed informal, manual reviews to attempt to ensure necessary coding changes were applied properly. However, we found these reviews were not adequate to ensure all changes were properly identified and reviewed. Additionally, a program change tool was not utilized to facilitate an adequate review. Without the use of such a tool to identify what code was modified, added or deleted, there is an increased risk that changes to code could be made, both intentionally and unintentionally, and not reviewed.

In addition, we found the review and testing of coding changes was not adequately documented. Therefore, we were unable to evaluate if internal controls were in place and effective.

We consider these internal control weaknesses to constitute a significant deficiency. We were able to examine other supporting data not used by the report preparers to verify the amounts reported by the Department were materially accurate.

Cause of Condition

The Department did not have adequate written policies or procedures in place to ensure it complied with reporting requirements. Additionally, while the Department indicated it had program change control software, it was not in use during the audit period. Management did not adequately monitor to ensure the Department complied with federal requirements because it believed informal review and testing of the coding was sufficient to ensure accuracy and completeness.

Effect of Condition

By not ensuring the accuracy of the required quarterly data reports, the Department diminishes the federal government's ability to monitor grant requirements. Additionally, grant conditions allow the grantor to penalize the Department 4 percent of the grant for each quarter the state fails to submit an accurate, complete and timely report, and up to 21 percent for not meeting minimum participation rates.

Because it did not perform adequate reviews, the Department cannot be sure the data was accurate and complete. Without assurance the data is accurate, the Department could become noncompliant without being aware and could be penalized.

Recommendations

We recommend the Department:

- Establish adequate written policies and procedures for this complex reporting process
- Improve internal controls to ensure accurate and complete reporting
- Use a program change tool, along with a secondary review, to ensure all changes are appropriate, accurate and complete

Department's Response

The Department partially agrees with this audit finding.

Management considers the cost benefit of documentation requirements for the entity as well as the size, nature, and complexity of the entity and its objectives. We believe:

- *Controls for change requests, coding updates and the approval processes are adequate. The Department has extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System and how Statistical Analysis System processes use these data to comply with reporting requirements. Staff also run a quality assurance process that identifies potential fatal and warning edits; these results are reviewed by the Supervisor.*
- *Manual monitoring, reviewing, and testing of coding changes were performed to ensure they were applied correctly. While no version control software was used by the Department, staff kept systematic copies of all old code versions using filename conventions, duplicating most of*

the functionality of version control software. The Department is not aware of any audit standards that require version control software to be used by entities audited under the Single Federal Audit.

- *The quarterly reports required for meeting participation rates were accurate, complete and submitted timely. While the Department may benefit from a more formal process, the review of both code and results is extensive and the process includes monthly dissemination of summary data to multiple partners for review and double checking.*

Going forward, the Research and Data Analysis division will ensure:

- *All proposed coding changes are documented, approved by supervisor, and reviewed after implementation. This process is formally documented for each major change.*
- *Version control software packages are researched to determine if they will be used. Current source code archiving processes are documented.*
- *Supervisor review of all verification and review actions are documented.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 45, Code of Federal Regulations

Section 265.3 – What reports must the State file on a quarterly basis, states in part:

(a) Quarterly reports

(1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report

(2) Each State that claims MOE expenditures for a separate State program(s) must collect on a monthly basis, and file on a quarterly basis, the data specified in the SSP-MOE Data Report.

(b) *TANF Data Report.* The TANF Data Report consists of four sections. Two sections contain disaggregated data elements and two sections contain aggregated data elements.

(1) *Disaggregated Data on Families Receiving TANF Assistance - Section one.* Each State must file disaggregated information on families receiving TANF assistance. This section specifies identifying and demographic data such as the individual's Social Security Number and information such as the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income. The data must be provided for both adults and children.

- (2) *Disaggregated Data on Families No Longer Receiving TANF Assistance - Section two.* Each State must file disaggregated information on families no longer receiving TANF assistance. This section specifies the reasons for case closure and data similar to the data required in section one.
 - (3) *Aggregated Data - Section three.* Each State must file aggregated information on families receiving, applying for, and no longer receiving TANF assistance. This section of the TANF Data Report requires aggregate figures in such areas as: The number of applications received and their disposition; the number of recipient families, adult recipients, and child recipients; the number of births and out-of-wedlock births for families receiving TANF assistance; the number of noncustodial parents participating in work activities; and the number of closed cases.
 - (4) *Aggregated Caseload Data by Stratum-Section four.* Each State that opts to use a stratified sample to report the quarterly TANF disaggregated data must file the monthly caseload data by stratum for each month in the quarter.
- (d) *SSP-MOE Data Report.* The SSP-MOE Data Report consists of four sections. Two sections contain disaggregated data elements and two sections contain aggregated data elements.
- (1) *Disaggregated Data on Families Receiving SSP-MOE Assistance - Section one.* Each State that claims MOE expenditures for a separate State program(s) must file disaggregated information on families receiving SSP-MOE assistance. This section specifies identifying and demographic data such as the individual's Social Security Number, the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income. The data must be provided for both adults and children.
 - (2) *Disaggregated Data on Families No Longer Receiving SSP-MOE Assistance - Section two.* Each State that claims MOE expenditures for a separate State program(s) must file disaggregated information on families no longer receiving SSP-MOE assistance. This section specifies the reasons for case closure and data similar to the data required in section one.
 - (3) *Aggregated Data - Section three.* Each State that claims MOE expenditures for a separate State program(s) must file aggregated information on families receiving and no longer receiving SSP-MOE assistance. This section of the SSP-MOE Data Report requires aggregate figures in such areas as: The number of recipient families, adult recipients, and child recipients; the total amount of assistance for families receiving SSP-MOE assistance; the number of non-custodial parents participating in work activities; and the number of closed cases.
 - (4) *Aggregated Caseload Data by Stratum - Section four.* Each State that claims MOE expenditures for a separate State program(s) and that opts to use a stratified sample to report the SSP-MOE quarterly disaggregated data must file the monthly caseload by stratum for each month in the quarter.
- (e) *Optional data elements.* A State has the option not to report on some data elements for some individuals in the TANF Data Report and the SSP-MOE Data Report, as specified in the instructions to these reports.
- (f) *Non-custodial parents.* A State must report information on a non-custodial parent (as defined in § 260.30 of this chapter) if the non-custodial parent:
- (1) Is receiving assistance as defined in § 260.31 of this chapter;

- (2) Is participating in work activities as defined in section 407(d) of the Act; or
- (3) Has been designated by the State as a member of a family receiving assistance.

Title 45, Code of Federal Regulations

Section 262.1 What penalties apply to States [states in part]?

- (a) We will assess fiscal penalties against States under circumstances defined in parts 261 through 265 of this chapter. The penalties are:
 - (1) A penalty of the amount by which a State misused its TANF funds;
 - (2) An additional penalty of five percent of the adjusted SFAG if such misuse was intentional;
 - (3) A penalty of four percent of the adjusted SFAG for each quarter a State fails to submit an accurate, complete and timely required report;
 - (4) A penalty of up to 21 percent of the adjusted SFAG for failure to satisfy the minimum participation rates;

2016-017 **The Department of Social and Health Services did not have adequate internal controls in place to ensure compliance with the maintenance of effort requirements for the Temporary Assistance for Needy Families grant program.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.558 Temporary Assistance for Needy Families
Federal Award Number: 1601WATANF; 1601WATAN3;1502WATANF
Applicable Compliance Component: Level of Effort
Known Questioned Cost Amount: None

Background

The Department of Social and Health Services (Department), Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. The Department spent more than \$304 million in grant funds during fiscal year 2016.

Federal regulations require the Department to maintain state spending at certain levels to meet federal grant requirements. Referred to as maintenance of effort (MOE), these requirements include that the state must:

- Maintain qualified state expenditures for eligible families at a level that is at least 80 percent of historic state expenditures. Qualified expenditures with respect to eligible families may come from all programs, such as the state’s TANF program as well as programs separate from the state’s TANF program.
- Maintain qualified state expenditures at a level that is more than 100 percent of its historic state expenditures for fiscal year 1994 to keep any of the federal contingency funding it received
- Show all the costs are verifiable.

Although the Department administers the grant, it can count certain expenditures made by other state agencies toward its MOE requirements. To do so, the Department must ensure the expenditures of the other state agencies were on TANF-eligible clients.

During fiscal year 2016, the Department claimed about \$186 million of its own spending within seven programs. In addition, the Department claimed about \$420 million in MOE expenditures from 15 programs, including seven other state agencies and two non-profit organizations. These expenditures were not part of the state’s TANF program.

In our fiscal year 2015 audit, we reported the Department did not have adequate internal controls to ensure MOE requirements were met. This was reported as finding number 2015-020.

Description of Condition

During the audit period, the Department did not have adequate internal controls in place to ensure it complied with the MOE requirements.

Data is extracted from large databases and is transformed with customized code to produce the list of eligible clients used to match other agency data. The Department performed reviews to attempt to ensure necessary coding changes were applied properly. However, we found a program change tool was not used to facilitate an adequate review. Without the use of such a tool to identify what code was modified, added or deleted, there is an increased risk that changes to code could be made, either intentionally or unintentionally, and not reviewed. In addition, we found the review and testing of coding changes was not adequately documented to evaluate if internal controls were in place and effective.

We also found the Department failed to:

- Adequately monitor expenditures throughout the year to ensure it would meet the MOE requirements
- Review final expenditure data from outside agencies to determine whether the expenditures are allowable, supported and correct

We consider these internal control weaknesses to constitute a significant deficiency. We were able to examine other supporting data not used by the report preparers to verify the amounts reported by the Department were materially accurate.

Cause of Condition

The Department did not have adequate written policies or procedures in place to ensure it complied with MOE requirements. Additionally, while the Department indicated it had program change control software, the software was not in use during the audit period. Management did not adequately monitor to ensure the Department complied with federal requirements because it believed informal review and testing of the coding was sufficient to ensure accuracy and completeness.

The Department did not have ongoing fiscal monitoring to ensure the MOE requirements would be met. The Department also believed it could rely on the other agencies' processes to ensure expenditures are allowable, supported and correct.

Effect of Condition

By not performing adequate reviews of coding and expenditure data, the Department cannot be sure the MOE data was accurate and complete.

The Department did not know if it would be compliant until after the year had ended due to lack of ongoing monitoring. In addition, the Department did not review adequate supporting documentation before reporting the MOE amount to the grantor, therefore the report preparer and approver did not know whether the amounts reported were allowable.

We determined the Department met the MOE requirements for fiscal year 2016. However, during our testing, we found the following MOE expenditures from several agencies that were not allowable:

- The Department included federal funds that resulted in a MOE amount over-reported by \$3,746,257.
- The Department included unallowable amounts totaling \$6,064. This testing was done using a statistically valid sampling method, and we therefore project the likely error is \$2,840,489.
- The Department included MOE amounts that were outside the current federal fiscal year.

Without assurance the data is allowable and accurate, the Department could unknowingly become noncompliant, and the grantor could reduce future grant funds in the amount of the shortage.

Recommendations

We recommend the Department:

- Establish adequate written policies and procedures for this complex process to ensure it collects and reviews adequate documentation to support all MOE expenditures
- Use a program change tool, along with a secondary review, to ensure all coding changes are appropriate, accurate and complete
- Monitor throughout the year to ensure the federal requirements are met

Department's Response

The Department partially agrees with the overall findings of the State Auditor's Office.

The Department agrees that its written policies and procedures to ensure it collects and reviews adequate documentation to support MOE sources, as well as its monitoring protocol, were not adequately organized or structured. The Department also agrees internal controls need to be improved and documented, such that management may review to ensure accurate and timely reporting.

The Department agrees it should implement a protocol to review final expenditure data from outside agencies to ensure expenditures were allowable, supported, and correct. The Department disagrees on the mechanism to be used for such a review, particularly concerning other state agency MOE sources. The Department believes the use of attestations between the Department and other state agencies satisfies 45 CFR section 263.2(e) (1): "The expenditure is verifiable and meets all applicable requirements in 45 CFR 92.3 and 92.24." The Department feels its current use of attestations to satisfy this requirement is in congruence with both Federal/State Regulations and other states' generally accepted practices.

In response to finding number 2015-020 from the 2015 audit, the Economic Services Administration (ESA), Division of Finance and Financial Recovery (DFFR), Community Services Division (CSD), and Research and Data Analysis (RDA) created a collaborative and joint work group to develop written policies and procedures, and strengthen internal controls specific to reporting and MOE requirements. The finalized procedures identify the steps and processes for staff to ensure the MOE is

accurate and allowable, and include additional controls to ensure quarterly and annual reporting requirements are met.

The written policies and procedures will be used to implement a number of changes, including, but not limited to:

- *Improved procedures regarding its control environment:*
 - *Utilization of CSD “Core Values,” and DSHS RESPECT “Values and Key Principles” to define the control environment.*
- *Development of new and a strengthening of current:*
 - *Risk assessment methods:*
 - *Weekly assessment of potential program exploitation, reporting procedural risks, data and expenditure validity concerns, program eligibility risks, and potential risks due to legislative or programmatic changes.*
 - *Establishment of site-visits to MOE source programs.*
 - *Control activities, including, but not limited to:*
 - *Quarterly review including frequency analysis, trend analyses and triangulation among DFFR, RDA, and CSD, to verify its reported expenditures.*
 - *Information and communication methods:*
 - *Creation of a TANF/MOE Microsoft SharePoint site accessible by all TANF/MOE DSHS groups/leaders, where documents, discussions, calendars, program instructions, processes, and procedures are stored and shared between WA agencies and departments. The TANF/MOE SharePoint site is updated weekly.*
 - *Monitoring practices:*
 - *Site visits, agenda-led open-discussion meetings with TANF MOE participating programs*
 - *Weekly meetings among DFFR, RDA, and CSD TANF MOE administrators*
 - *Creation of “exception protocol” and adoption of WA government “whistle blower” protocol.*

The Department implemented these procedures after the audit period and understands these improvements do not impact this audit period.

Representatives from the Department’s Community Services Division, Division of Finance and Financial Recovery, and Research and Data Analysis Division will continue to meet weekly for ongoing review and updating of internal controls, and policies and procedures related to MOE expenditures. In addition, the representatives will also meet quarterly to sample and check the report for accuracy and review the data for MOE expenditure projection.

The recommendation to utilize a change tool and secondary review to ensure all coding changes are appropriate, accurate and complete is addressed by the Department’s Research and Data Analysis Division (RDA) for SAO 2016-023 TANF Reporting 199-209 finding.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

45 CFR section 263 Expenditures of State and Federal TANF Funds, states in part

Section 263.1 – How much State money must a State expend annually to meet the basic MOE requirement, states in part:

- (a) (1) The minimum basic MOE for a fiscal year is 80 percent of a State’s historic State expenditures.

Section 263.2 – What kinds of State expenditures count toward meeting a State’s basic MOE expenditure requirement, states in part:

- (e) Expenditures for benefits or services listed under paragraph (a) of this section may include allowable costs borne by others in the State (e.g., local government), including cash donations from non-Federal third parties (e.g., a non-profit organization) and the value of third party in-kind contributions if:
 - (1) The expenditure is verifiable and meets all applicable requirements in 45 CFR 92.3 and 92.24;
 - (2) There is an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement; and,
 - (3) The State counts a cash donation only when it is actually spent.

Section 263.8 - What happens if a State fails to meet the basic MOE requirement?

- (a) If any State fails to meet its basic MOE requirement for any fiscal year, then we will reduce dollar-for-dollar the amount of the SFAG payable to the State for the following fiscal year.
- (b) If a State fails to meet its basic MOE requirement for any fiscal year, and the State received a WtW formula grant under section 403(a)(5)(A) of the Act for the same fiscal year, we will also reduce the amount of the SFAG payable to the State for the following fiscal year by the amount of the WtW formula grant paid to the State.

Section 263.9 May a State avoid a penalty for failing to meet the basic MOE requirement through reasonable cause or corrective compliance?

No. The reasonable cause and corrective compliance provisions at §§ 262.4, 262.5, and 262.6 of this chapter do not apply to the penalties in § 263.8.

Section 264.72 What requirements are imposed on a State if it receives contingency funds, states in part:

- (a) (1) A State must meet a Contingency Fund MOE level of 100 percent of historic State expenditures for FY 1994.
- (2) A State must exceed the Contingency Fund MOE level to keep any of the contingency funds that it received. It may be able to retain a portion of the amount of contingency funds that match countable State expenditures, as defined in § 264.0,

that are in excess of the State's Contingency Fund MOE level, after the overall adjustment required by section 403(b)(6)(C) of the Act.

2016-018 **The Department of Social and Health Services did not have adequate internal controls in place and was not compliant with requirements for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.558 Temporary Assistance for Needy Families
Federal Award Number: 1601WATANF; 1601WATAN3;1502WATANF
Applicable Compliance Component: Reporting
Known Questioned Cost Amount: None

Background

The Department of Social and Health Services, Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in entering the work force through the Work First program, with limited exceptions.

The Department spent about \$305 million in grant funds during state fiscal year 2016.

Quarterly financial reports

Federal regulations require the Department to file quarterly financial reports that include spending data on the use of federal TANF funds, as well as state TANF funds. The Department must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Financial Report. A quarterly report must be filed for each federal grant that is open. The state must maintain TANF spending at a specific level to meet federal maintenance of effort (MOE) requirements.

Annual report

The Department also must file an annual report containing detailed information on the state's MOE spending for that year. The total MOE expenditures reported on the federal fiscal year end quarterly financial report must match the expenditures reported on the annual report. The Department must maintain records that show all costs are allowable and verifiable.

We reported a finding in our 2015 audit that the Department lacked adequate internal controls over submitting quarterly and annual reports for the TANF program. This was reported in finding number 2015-21.

Description of Condition

The Department did not have adequate internal controls in place to ensure it complied with grant reporting requirements for quarterly financial reports or its annual report.

Quarterly financial reports

The Department reported \$606,337,064 in state spending for federal fiscal year 2015, but did not maintain all the documentation needed to support the expenditures. We examined four of the seven submitted quarterly reports. For one of the four quarterly reports we examined, the Department reported expenditures through April instead of March in error. This resulted in a misstatement of \$36,569,124. In addition, the final report for federal fiscal year 2015 included nearly \$420,000,000 in spending by other state agencies and two nonprofit organizations. Each of these entities told the Department how much they spent, but the staff who submitted the reports did not verify the amounts were accurate and adequately supported before reporting them to the federal government.

Annual report

The annual report was filed before confirming the MOE totals matched the federal fiscal year end quarterly financial report, resulting in a misstatement of \$35,201,987. In addition, we identified errors in the underlying data from other agencies that totaled about \$3.8 million. This error was partially identified through statistically valid sampling methods, and we therefore project another \$2.8 million is likely in error as well.

We consider these internal control weaknesses to constitute a material weakness for the quarterly financial reports and the annual report.

Cause of Condition

The Department did not have written policies or procedures in place to ensure it complied with reporting requirements. The staff who prepared the reports relied on emails received from other state agencies and two nonprofit organizations for support and believed this was sufficient.

Additionally, management did not adequately monitor to ensure the Department complied with the federal requirements.

Effect of Condition

By not ensuring the accuracy of the required quarterly and annual reports, the federal government's ability to monitor grant funds is diminished. Additionally, grant terms allow the grantor to penalize the Department for noncompliance, including suspending or terminating the award.

We were able to examine other supporting data not used by the report preparers and determined one quarterly report and the annual report had material errors.

Recommendations

We recommend the Department:

- Establish written policies and procedures for preparing the reports
- Improve internal controls sufficiently to ensure reporting requirements are met
- Verify expenditures reported as state maintenance of effort to ensure they are allowable and adequately supported
- Maintain adequate documentation to support reports filed with its federal grantor

Department's Response

The Department partially concurs with the State Auditor's Office that the Department's internal controls that were in place to ensure compliance with federal reporting requirements were not adequate and that there were errors in the Department's quarterly and annual reports.

The Department does not agree with the conclusion of the State Auditor's Office that "the Department did not have written policies or procedures in place." The Department acknowledges that its procedures for preparing the financial reports were not adequately documented or well-organized.

In response to finding number 2015-021 from the 2015 audit by the State Auditor's Office, the Department created a work group comprised of staff from the Division of Finance and Financial Recovery (DFFR), Community Services Division (CSD), and Research & Data Analysis (RDA). The work group developed additional written procedures and adopted those procedures to strengthen internal controls for ensuring that federal reporting requirements were met. The Department has been continuously improving the internal controls since the ending of the last audit period. The Department realizes that some of the internal controls were not in place or finalized during this audit period and understands that the SAO could not consider these improvements.

The Department does not agree with the SAO that "the staff who prepared the reports relied on emails received from other state agencies and two nonprofit organizations for support and believed this was sufficient." The Department ensured that the state agencies' expenditures were verifiable and allowable by reviewing the agencies' reporting methodologies and records maintenance protocols, and analyzing the agencies' expenditure data to the extent allowable under state regulations and policies protecting confidentiality.

The Department asserts that the State Auditor's Office erred in applying federal regulations when it concluded that the Department's staff who submitted the reports "must verify" the amounts of spending by the other non-State government agencies before counting those expenditures toward the State's basic Maintenance of Effort (MOE) requirement, rather than merely ensuring that the amounts could be verified. Section 263.2(e) of Title 45 of the Code of Federal Regulations establishes requirements for the kinds of expenditures that may be counted toward meeting its maintenance of effort requirement. An expenditure may be counted and reported if it "is verifiable and meets all applicable requirements in 45 CFR 92.3 and 92.24" and if there is "an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement." [45 CFR § 263.2(e)(1) and (2)] The Department believes obtaining attestations from the other agencies is

in accordance with the federal requirement that expenditures are verifiable and that the State has an agreement with the other party allowing the State to count the expenditure toward its MOE requirements. The Department feels its current use of attestations to satisfy this requirement is in congruence with both Federal/State Regulations and other states' generally accepted practices."

In addition to an ongoing review of policies and procedures for continuous discussion on process improvements and internal controls, the Department will:

- *Convene and lead a quarterly TANF MOE meeting consisting of representatives from CSD, DFFR, and RDA to review the MOE projection data.*
- *Develop a quarterly report review checklist and update the written policies and procedures to include this new process.*
- *Initiate a meeting with the SAO to review and provide feedback on the newly developed written policies and procedures.*

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

We requested copies of all policies and procedures in place during the audit period relating to the preparation of these reports. The Department provided no policies, stating that a policy was being worked on, but was still in draft form and had not been implemented. The Department did provide two documents related to small pieces of the report preparation, but they did not cover enough of the process to ensure the reports were accurate and complete. We reaffirm the Department did not have written policies and procedures in place that would ensure compliance with federal requirement.

The Department also states *"The Department ensured that the state agencies' expenditures were verifiable and allowable by reviewing the agencies' reporting methodologies and records maintenance protocols, and analyzing the agencies' expenditure data to the extent allowable under state regulations and policies protecting confidentiality."* During the audit we had numerous meetings with staff and at no point was evidence provided that showed the Department reviewed the methodologies and records maintenance protocols of the other state agencies. We followed up with the Department to determine if other reviews we were not aware of were being performed. The Department referred us to multiple processes we were already aware of such as:

- Performing trend and frequency analyses
- Comparing the population of TANF eligible clients from the expenditures reported by the other agencies to ensure they were TANF eligible
- Meeting internally to discuss the amounts reported by the partner agencies to determine if they appear reasonable. This includes comparing to prior reporting periods
- Asking the partner agencies to confirm and accept the calculated expenditure amounts

These processes identified by the Department are useful analytical tools, but are not sufficient to ensure reported expenditures are accurate. Therefore, the Department cannot be sure they are reporting the proper amounts. This is evidenced by the fact the Department was unaware there were errors in the amounts reported by their three largest partner agencies until we informed them.

The Department also asserts “*the State Auditor’s Office erred in applying federal regulations when it concluded that the Department’s staff who submitted the reports “must verify” the amounts of spending by the other non-State government agencies before counting those expenditures toward the State’s basic Maintenance of Effort (MOE) requirement, rather than merely ensuring that the amounts could be verified.*” 45 CFR § 263.2(e)(1) and (2) cited by the Department only applies to non-State entities, which only made up four percent of the \$420 million non-DSHS expenditures reported. The Department further states it feels this standard is the same for other state agencies and that an attestation is sufficient to rely on other agencies expenditures. This is not accurate because the state is responsible for the accuracy of its own information. If the Department were to have agreements with other agencies, that specify they are responsible for maintaining sufficient internal controls to ensure the accuracy of the data provided, the Department may be able to rely on those controls. In the absence of such agreements, the responsibility to ensure only allowable and accurate amounts are reported is the Department’s. The effect of this lack of monitoring was apparent when we discovered expenditures were improperly claimed at each of the other three agencies we examined.

We will review the status of the Department’s corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 45, Code of Federal Regulations

Section 265.3 – What reports must the State file on a quarterly basis, states in part:

(a) Quarterly reports

(1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report

Section 263.2 – What kinds of State expenditures count toward meeting a State’s basic MOE expenditure requirement, states in part:

(e) Expenditures for benefits or services listed under paragraph (a) of this section may include allowable costs borne by others in the State (e.g., local government), including cash donations from non-Federal third parties (e.g., a non-profit organization) and the value of third party in-kind contributions if:

(1) The expenditure is verifiable and meets all applicable requirements in 45 CFR 75.2 and 75.306;

- (2) There is an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement; and,
- (3) The State counts a cash donation only when it is actually spent.

Section 265.9 What information must the State file annually, states in part:

- (a) Each State must file an annual report containing information on the TANF program and the State's MOE program(s) for that year. The report may be filed as:
 - (1) An addendum to the fourth quarter TANF Data Report; or
 - (2) A separate annual report.
- (c) Each State must provide the following information on the State's program(s) for which the State claims MOE expenditures:
 - (1) The name of each program and a description of the major activities provided to eligible families under each such program;
 - (2) Each program's statement of purpose;
 - (3) If applicable, a description of the work activities in each separate State MOE program in which eligible families are participating;
 - (4) For each program, both the total annual State expenditures and the total annual State expenditures claimed as MOE;
 - (5) For each program, the average monthly total number or the total number of eligible families served for which the State claims MOE expenditures as of the end of the fiscal year;
 - (6) The eligibility criteria for the families served under each program/activity;
 - (7) A statement whether the program/activity had been previously authorized and allowable as of August 21, 1996, under section 403 of prior law;
 - (8) The FY 1995 State expenditures for each program/activity not authorized and allowable as of August 21, 1996, under section 403 of prior law (see § 263.5(b) of this chapter); and
 - (9) A certification that those families for which the State is claiming MOE expenditures met the State's criteria for "eligible families."
- (d) If the State has submitted the information required in paragraphs (b) and (c) of this section in the State Plan, it may meet the annual reporting requirements by reference in lieu of re-submission. If the information in the annual report has not changed since the previous annual report, the State may reference this information in lieu of re-submission.

Section 265.10 When is the annual report due?

The annual report required by § 265.9 is due at the same time as the fourth quarter TANF Data Report.

Section 265.4 When are quarterly reports due?

- (a) Each State must file the TANF Data Report and the TANF Financial Report (or, as applicable, the Territorial Financial Report) within 45 days following the end of the quarter or be subject to a penalty.

- (b) Each State that claims MOE expenditures for a separate State program(s) must file the SSP-MOE Data Report within 45 days following the end of the quarter or be subject to a penalty.
- (c) A State that fails to submit the reports within 45 days will be subject to a penalty unless the State files complete and accurate reports before the end of the fiscal quarter that immediately succeeds the quarter for which the reports were required to be submitted.

2016-019

The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.558 Temporary Assistance for Needy Families
Federal Award Number:	1502WATANF, 1601WATANF, 1601WATAN3
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	\$ 5,176
Likely Questioned Cost Amount:	\$24,831,172

Background

The Department of Social and Health Services (DSHS) administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in activities listed in the Individual Responsibility Plan (IRP) through the WorkFirst program, unless the TANF benefits are received on behalf of a child only. TANF funds may be used to pay for participants' child care costs to meet one of the program's primary purposes of helping clients obtain employment. If a client obtains employment and is no longer eligible for TANF, TANF funds may still be used to pay for child care costs to assist the client in maintaining employment.

Working Connections Child Care Program

Washington has established the Working Connections Child Care (WCCC) program that helps eligible working families in paying for child care. Both the Department of Early Learning (DEL) and DSHS administer the program. DEL is responsible for establishing policies and procedures for the program and for licensing child care providers. DSHS determines client eligibility and pays child care providers under an agreement with DEL.

Federal grant funding

Payments are made to WCCC providers for child care from both the Child Care and Development Fund (CCDF) grant and the TANF grant. While the two federal programs are separate, the requirements and policies in Washington for child care payments are consolidated under the WCCC program.

In fiscal year 2016, DSHS made an estimated 638,072 monthly child care subsidy payments to all providers funded by the CCDF and TANF grants. In total DSHS paid over \$271 million in federal grant funds to providers - about \$32 million coming from the TANF grant.

Child care providers

There are three provider types in the WCCC program:

- Licensed centers
- Licensed in-home providers
- Friends, family or neighbors (FFNs)

State rules require child care providers to maintain attendance records to support their requests for payment. At a minimum, the records must include the child's name, date(s) child care was provided and authorized signature, typically of a parent or guardian, documenting the times the child arrived and left care.

Prior audit results

Since fiscal year 2005, we have reported DEL and DSHS have not established adequate internal controls to prevent unallowable payments to child care providers. In 2015, we issued a finding to DEL reporting questioned costs of \$64,802 and likely questioned costs of \$85,239,118 for CCDF funds only.

The most recent audit finding numbers were 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13. The findings for fiscal years 2008 through 2011 were issued to both DSHS and DEL while 2012 through 2015 were issued to DEL only.

In the past four audits, we also reported that DSHS did not have adequate internal controls over the eligibility process for CCDF child care subsidy recipients. The eligibility process is closely related to the allowable activities payments for providers. These were reported as finding numbers 2015-026, 2014-026, 2013-017 and 12-30. During the 2015 state fiscal year, we questioned \$12,967 in known questioned costs and \$22,680,872 in likely questioned costs due to incorrect eligibility determinations.

Description of Condition

We found the internal control deficiencies identified during our audit of the CCDF program directly affect DSHS' use of TANF funds, because the federal grants are commingled when paying WCCC providers.

We found DSHS does not have adequate internal controls to ensure payments to child care providers were allowable. Although each agency performs some oversight activities, they were not sufficient to ensure payments were allowable.

Because CCDF and TANF funds are commingled for the WCCC program, child care payments were tested as one population for both funding sources. We randomly selected and examined 133 WCCC payments for child care totaling \$57,813 in federal funds, to determine if they were allowable. Of this amount, 23 payments included a total of \$12,957 in TANF federal funding. With assistance from DEL, we requested attendance records from providers that supported the payments. We also compared the

providers' records to the case files to determine if the payments were allowed by federal and state regulations as well as DEL policies.

We found 14 of the 23 (61 percent) payments with TANF funding were partially or completely unallowable. Of these payments, 13 were fully TANF funded and one was partially TANF funded. The total questioned costs for these payments was \$5,176.

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

Cause of Condition

DSHS did not have sufficient preventive internal controls to ensure payments were allowable. While DSHS authorizes a maximum for what providers may bill without further approval, this does not prevent providers from billing for unallowable days or hours, or services. Childcare providers are not required to submit any supporting documentation before payments are made. The authorization maximums also do not prevent clients from using child care when they are not meeting the activities required in the IRP.

While DSHS reviewed some payments through its internal auditing activities, it did not consider certain components required by state regulations. This includes comparing attendance records and employer verified working schedules for the parent(s) to the payment and supporting documentation. Therefore, while the DSHS auditors' reconciliations identified overpayments during their reviews, we determined they are ineffective because we found errors with 61 percent of the payments we tested.

The primary reasons we determined the payments to be unallowable were:

- DSHS did not verify employment or school schedule as required when determining initial or ongoing eligibility
- Providers overbilled for services not performed or supported by required documentation
- Attendance records were not provided upon request or were inadequate to support payments

Effect of Condition and Questioned Costs

Not having adequate internal controls in place puts DSHS at a higher risk of making improper payments for child care services. Additionally, by not considering all the criteria state regulations require, DSHS auditors might not detect all improper payments when performing reconciliations.

We used a statistical sampling method to randomly select the payments examined in the audit. We found \$5,176 in known questioned costs and estimate the total amount of likely questioned costs to be \$24,831,172.

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

Many of the improper payments were partially funded by state money. Specifically, we found 81 improper payments were partially funded with a total of \$206 of state money, which projects to a

likely improper payment amount of \$986,249. This amount is not included in the federal questioned costs.

Recommendations

We recommend DSHS implement preventive internal controls over payments to providers to reduce the rate of unallowable payments. We also recommend DSHS develop internal controls to help detect unallowable provider billings based on the expected consumer child care needs as documented by the parent's verified working schedule.

Further, we recommend DSHS continue to improve its reconciliation process, including testing to all federal and state regulations when reviewing provider payments.

Finally, we recommend DSHS consult the grantor to discuss the repayment of questioned costs, including interest.

Agency's Response

The Department of Social and Health Services appreciates, acknowledges and supports the State Auditor's Office's (SAO) mission, which is to hold state and local governments accountable for the use of public resources.

The Department partially concurs with the overall findings of the State Auditor's Office. To that end, the Department will enact major changes to improve our internal controls. To appropriately and effectively initiate and implement these substantial changes, while minimizing impact to our clients, the Department will seek 25 additional full-time employees and necessary resources to staff the business-process redesign and support the information technology initiatives necessary to improve our internal controls.

The Department also notes that even if we immediately implement changes that fully resolve the audit findings, given that we are currently about three quarters of the way through the SFY17 audit period (which spans July 1, 2016 – June 30, 2017), we won't see the full benefit of our corrective actions until the State Fiscal Year 2018 audit (which will span the period of July 1, 2017 – June 30, 2018). It is likely that we will see similar findings in the SFY17 audit.

SAO Description of Weakness: *DSHS did not verify employment or school schedule as required when determining initial or ongoing eligibility.*

Program policy and guidance, as maintained by the Department of Early Learning (DEL), does not require staff to verify employment or school schedule as a condition of eligibility. The Individual Responsibility Plan (IRP) outlines the approved activity for Temporary Assistance for Needy Families (TANF) clients participating in the WorkFirst program. The IRP also lists the number of hours the client is required to participate, which determines the client's authorization for full-time or part-time child care. WorkFirst staff and contractors maintain the client's schedule, and regularly track and report actual hours of participation. For contractors, DSHS assumes the client is participating and remains eligible for child care unless the client is referred back for non-participation.

DEL clarified policy around verification to address SAO findings from SWSA 2015. On April 15, 2016, DEL revised WAC 170-290-0012 removing section (d) which referenced obtaining “work, school, or training schedule.” To further support these changes, DEL created WAC 170-290-0014 to outline information that must be verified before making a payment to a provider. The rule specifically allows for self-attestation of work schedule. DHS approved the plan on June 27, 2016, but made it effective as of March 1, 2016. Federal approval of the CCDF state plan ratified DELs policy changes.

SAO Description of Weakness: *Providers overbilled for services not performed or supported by required documentation. While DSHS authorizes a maximum for what providers may bill without further approval, this does not prevent providers from billing for unallowable days or hours, or services. Childcare providers are not required to submit any supporting documentation before payments are made. The authorization maximums also do not prevent clients from using child care when they are not working. Attendance records were not provided upon request or were inadequate to support payments.*

DSHS acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. DELs policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper-based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made. As referenced in the agency response for the 2016-021 Activities Allowed finding:

“DEL continues to request funding for an electronic time and attendance billing system whereby attendance data for all providers is available for Quality Assurance review and as a condition of receiving subsidy payments. With an electronic time and attendance system, DEL can effectively audit 100% of all payments, and will use data analysis (algorithms) to dramatically increase overpayment detection. The electronic attendance system will reduce provider errors and will alter provider behavior, especially for those who now typically bill for their full authorization but are unable to produce records to support the billing.”

DSHS will continue to conduct post-payment reviews where it appears likely that an improper payment may have occurred. Factors suggesting improper payment include, for example, providers that bill the maximum authorization each month. Staff will continue to review the case specifics and verification by requesting attendance records to determine whether an overpayment occurred, whether it was a provider or a client that was overpaid, and the amount of the improper payment and establish an overpayment if appropriate.

Auditor’s Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. The Department stated program staff are not required to verify employment or school schedules as a condition of eligibility. WCCC program requirements, including the approved state plan, specify that clients must be participating in verified and confirmed allowable activities. During the audit period, the WCCC program did not allow clients to self-attest either their actual approved activities or expected working schedule. While some changes were made to the new state plan it did not go into effect on March 1, 2016, as the Department states, but instead on June 1, 2016. None of the payments we tested were for

services rendered under the new rules. Additionally, only three of the 14 exceptions were solely for the Department not validating the client’s approved activity. The rest were for reasons such as:

- Providers billed for working days beyond available days within the month, and/or days unsupported by billing records
- A provider billed for a child who did not attend the entire month
- Providers did not provide billing records

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (b) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (c) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (d) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

45 CFR Subpart A, 260.20, What is the purpose of the TANF program? States:

The TANF program has the following four purposes:

- (a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (b) End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- (c) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (d) Encourage the formation and maintenance of two-parent families.

WAC 170-290-0002 Scope of agency responsibilities. [Effective until 5/15/2016]

- (1) The responsibilities of the department of early learning (DEL) include, but are not limited to:
 - (a) Determining child care subsidy policy for the WCCC and SCC programs, including determining thresholds for eligibility and copayment amounts and establishing rights and responsibilities. DEL is also designated as the lead agency for child care and development funds (CCDF) and oversees expenditure of CCDF funds; and
 - (b) Serving as the designated representative for the state to implement the collective bargaining agreement under RCW 41.56.028 for in-home/relative providers as defined in WAC 170-290-0003(7), and for all licensed family child care providers.
- (2) The responsibilities of the department of social and health services (DSHS) include, but are not limited to, service delivery for the WCCC and SCC programs, including determining who is eligible for WCCC and SCC benefits, authorizing payments for these programs, and managing payments made to providers that receive WCCC and SCC subsidies.
- (3) This allocation between DEL and DSHS is pursuant to section 501(2), chapter 265, Laws of 2006 (2SHB 2964), in which the legislature transferred all of the powers, duties, and functions relating to the WCCC program from DSHS to DEL, except for eligibility staffing and eligibility payment functions, which remain in DSHS.

WAC 170-290-0002 Scope of agency responsibilities, states: [Effective 5/16/2016]

DEL is designated as the lead agency for child care and development funds (CCDF) and oversees expenditure of CCDF funds.

- (1) The responsibilities of the department of early learning (DEL) include, but are not limited to:
 - (a) Determining child care subsidy policy for the WCCC and SCC programs;
 - (b) Determining thresholds for eligibility and copayment amounts and establishing rights and responsibilities; and
 - (c) Serving as the designated representative for the state to implement the collective bargaining agreement under RCW 41.56.028 for in-home/relative providers as defined in WAC 170-290-0003(13), and for all licensed family homes.
- (2) The responsibilities of the department of social and health services (DSHS) include, but are not limited to:
 - (a) Service delivery for the WCCC and SCC programs, including determining who is eligible for WCCC and SCC benefits; and
 - (b) Authorizing payments for these programs, and managing payments made to providers that receive WCCC and SCC subsidies.
- (3) This allocation between DEL and DSHS is pursuant to section 501(2), chapter 265, Laws of 2006 (2SHB 2964), in which the legislature transferred all of the powers, duties, and functions relating to the WCCC program from DSHS to DEL, except for eligibility staffing and eligibility payment functions, which remain in DSHS.

WAC 170-290-0005 Eligibility, states:

- (1) Parents. To be eligible for WCCC, the person applying for benefits must:
 - (a) Have parental control of one or more eligible children;
 - (b) Live in the state of Washington;
 - (c) Be the child's:
 - (i) Parent, either biological or adopted;
 - (ii) Stepparent;
 - (iii) Legal guardian verified by a legal or court document;
 - (iv) Adult sibling or step-sibling;
 - (v) Nephew or niece;
 - (vi) Aunt;
 - (vii) Uncle;
 - (viii) Grandparent;
 - (ix) Any of the relatives in (c)(vi), (vii), or (viii) of this subsection with the prefix "great," such as great-aunt; or
 - (x) An approved in loco parentis custodian responsible for exercising day-to-day care and control of the child and who is not related to the child as described above;
 - (d) Participate in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050, or have been approved per WAC 170-290-0055;
 - (e) Comply with any special circumstances that might affect WCCC eligibility under WAC 170-290-0020;

- (f) Have countable income at or below two hundred percent of the federal poverty guidelines (FPG). The consumer's eligibility shall end if the consumer's countable income is greater than two hundred percent of the FPG;
 - (g) Not have a monthly copayment that is higher than the state will pay for all eligible children in care;
 - (h) Complete the WCCC application and DSHS verification process regardless of other program benefits or services received; and
 - (i) Meet eligibility requirements for WCCC described in Part II of this chapter.
- (2) Children. To be eligible for WCCC, the child must:
- (a) Belong to one of the following groups as defined in WAC 388-424-0001:
 - (i) A U.S. citizen;
 - (ii) A U.S. national;
 - (iii) A qualified alien; or
 - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;
 - (b) Live in Washington state, and be:
 - (i) Less than age thirteen; or
 - (ii) Less than age nineteen, and:
 - (A) Have a verified special need, according WAC 170-290-0220; or
 - (B) Be under court supervision.

WAC 170-290-0012 Verifying consumers' information, states:

- (1) A consumer must complete the DSHS application for WCCC benefits and provide all required information to DSHS to determine eligibility when:
 - (a) The consumer initially applies for benefits; or
 - (b) The consumer reapplies for benefits.
- (2) A consumer must provide verification to DSHS to determine if he or she continues to qualify for benefits during his or her eligibility period when there is a change of circumstances under WAC 170-290-0031.
- (3) All verification that is provided to DSHS must:
 - (a) Clearly relate to the information DSHS is requesting;
 - (b) Be from a reliable source; and
 - (c) Be accurate, complete, and consistent.
- (4) If DSHS has reasonable cause to believe that the information is inconsistent, conflicting or outdated, DSHS may:
 - (a) Ask the consumer to provide DSHS with more verification or provide a collateral contact (a "collateral contact" is a statement from someone outside of the consumer's residence that knows the consumer's situation); or
 - (b) Send an investigator from the DSHS office of fraud and accountability (OFA) to make an unannounced visit to the consumer's home to verify the consumer's circumstances. See WAC 170-290-0025(9).
- (5) The verification that the consumer gives to DSHS includes, but is not limited to, the following:
 - (a) A current WorkFirst IRP for consumers receiving TANF;
 - (b) Employer name, address, and phone number;

- (c) State business registration and license, if self-employed;
- (d) Work, school, or training schedule (when requesting child care for non-TANF activities);
- (e) Hourly wage or salary;
- (f) Either the:
 - (i) Gross income for the last three months;
 - (ii) Federal income tax return for the preceding calendar year; or
 - (iii) DSHS employment verification form;
- (g) Monthly unearned income the consumer receives, such as child support or supplemental security income (SSI) benefits;
- (h) If the other parent is in the household, the same information for them;
 - (i) Proof that the child belongs to one of the following groups as defined in WAC 388-424-0001:
 - (i) A U.S. citizen;
 - (ii) A U.S. national;
 - (iii) A qualified alien; or
 - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;
 - (j) Name and phone number of the licensed child care provider; and
- (k) For the in-home/relative child care provider, a:
 - (i) Completed and signed criminal background check form;
 - (ii) Legible copy of the proposed provider's photo identification, such as a driver's license, Washington state identification, or passport;
 - (iii) Legible copy of the proposed providers' valid Social Security card; and
 - (iv) All other information required by WAC 170-290-0135.
- (6) If DSHS requires verification from a consumer that costs money, DSHS must pay for the consumer's reasonable costs.
- (7) DSHS does not pay for a self-employed consumer's state business registration or license, which is a cost of doing business.
- (8) If a consumer does not provide all of the verification requested, DSHS will determine if a consumer is eligible based information already available to DSHS.

WAC 170-290-0020 Eligibility—Special circumstances, states:

- (1) Child care provided at the consumer's place of work. A consumer is not eligible for WCCC benefits for his or her children when child care is provided at the same location where the consumer works.
- (2) Consumer's child care employment.
 - (a) A consumer may be eligible for WCCC benefits during the time she or he works in a child care center but does not provide direct care in the same classroom to his or her children during work hours.
 - (b) A consumer is not eligible for WCCC benefits during the time she or he works in a family home child care where his or her children are also receiving subsidized child care.

- (c) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits may not receive those benefits for their own children during the hours in which they provide subsidized child care.
 - (d) A child care provider who receives TANF benefits on behalf of a dependent child may not bill the state for subsidized child care for that same child.
- (3) Two-parent family.
- (a) A consumer may be eligible for WCCC if he or she is a parent in a two-parent family and one parent is not able or available as defined in WAC 170-290-0003 to provide care for the children while the other parent is working or participating in approved activities.
 - (b) If a consumer claims one parent is not able to care for the children the consumer must provide written documentation from a licensed professional (see WAC 388-448-0020) that states the:
 - (i) Reason the parent is not able to care for the children;
 - (ii) Expected duration and severity of the condition that keeps the parent from caring for the children; and
 - (iii) Treatment plan if the parent is expected to improve enough to be able to care for the children. The parent must provide evidence from a medical professional showing he or she is cooperating with treatment and is still not able to care for the children.
- (4) Single-parent family. A consumer is not eligible for WCCC benefits when he or she is the only parent in the family and will be away from the home for more than thirty days in a row.
- (5) Legal guardians.
- (a) A legal guardian under WAC 170-290-0005 may receive WCCC benefits for his or her work or approved activities without his or her spouse or live-in partner's availability to provide care being considered unless his or her spouse or live-in partner is also named on the permanent custody order.
 - (b) Eligibility for WCCC benefits is based on the consumer's work or approved activities schedule, the child's need for care, and the child's income eligibility and family size of one.
 - (c) The consumer's spouse or live-in partner is not eligible to receive subsidized child care payments as a child care provider for the child.
- (6) In loco parentis custodians.
- (a) An in loco parentis custodian may be eligible for WCCC benefits when he or she cares for an eligible child in the absence of the child's legal guardian or biological, adoptive or step-parents.
 - (b) An in loco parentis custodian who is not related to the child as described in WAC 170-290-0005(1) may be eligible for WCCC benefits if he or she has:
 - (i) A written, signed agreement between the parent and the caregiver assuming custodial responsibility; or
 - (ii) Receives a TANF grant on behalf of the eligible child.
 - (c) Eligibility for WCCC benefits is based on his or her work schedule, the child's need for care, and the child's income eligibility and family size of one.
 - (d) The consumer's spouse or live-in partner is not eligible to receive subsidized child care payments as a child care provider for the child.

- (7) WorkFirst sanction.
 - (a) A consumer may be eligible for WCCC if he or she is a sanctioned WorkFirst participant and participating in an activity needed to remove a sanction penalty or to reopen his or her WorkFirst case.
 - (b) A WorkFirst participant who loses his or her TANF grant due to exceeding the federal time limit for receiving TANF may still be eligible for WCCC benefits under WAC 170-290-0055.

WAC 170-290-0031 Notification of changes, states:

When a consumer applies for or receives WCCC benefits, he or she must:

- (1) Notify DSHS, within five days, of any change in providers;
- (2) Notify the consumer's provider within ten days when DSHS changes his or her child care authorization;
- (3) Notify DSHS within ten days of any significant change related to the consumer's copayment or eligibility, including:
 - (a) The number of child care hours the consumer needs (more or less hours);
 - (b) The consumer's countable income, including any TANF grant or child support increases or decreases, only if the change would cause the consumer's countable income to exceed the maximum eligibility limit as provided in WAC 170-290-0005. A consumer may notify DSHS at any time of a decrease in the consumer's household income, which may lower the consumer's copayment under WAC 170-290-0085;
 - (c) The consumer's household size such as any family member moving in or out of his or her home;
 - (d) Employment, school or approved TANF activity (starting, stopping or changing);
 - (e) The address and telephone number of the consumer's in-home/relative provider;
 - (f) The consumer's home address and telephone number; and
 - (g) The consumer's legal obligation to pay child support;
- (4) Report to DSHS, within twenty-four hours, any pending charges or conviction information the consumer learns about his or her in-home/relative provider; and
- (5) Report to DSHS, within twenty-four hours, any pending charges or conviction information the consumer learns about anyone sixteen years of age and older who lives with the provider when care occurs outside of the child's home.

WAC 170-290-0040 Approved activities for consumers participating in WorkFirst. [Effective until 5/15/2016]

Applicants and consumers who participate in WorkFirst activities may be eligible for WCCC benefits for the following approved activities in their individual responsibility plans (IRPs), for up to a maximum of sixteen hours per day, including:

- (1) An approved WorkFirst activity under WAC 388-310-0200, with the following exception: In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits may not receive those benefits for their own children during the hours in which they provide subsidized child care. These consumers may be eligible for other approved activities in their IRPs;
- (2) Employment as defined in WAC 170-290-0003;

- (3) Self-employment as defined in WAC 170-290-0003 and as described in the consumer's current WorkFirst IRP;
- (4) Transportation time between the location of child care and the consumer's place of employment or approved activity;
- (5) Up to ten hours per week of study time for approved classes; and
- (6) Up to eight hours of sleep time before or after a night shift.

WAC 170-290-0040 Approved activities for applicants and consumers participating in WorkFirst, states: [Effective 5/16/2016]

Applicants and consumers who participate in WorkFirst activities may be eligible for WCCC benefits for the following approved activities in their individual responsibility plans (IRPs), for up to a maximum of sixteen hours per day, including:

- (1) An approved WorkFirst activity under WAC 388-310-0200, with the following exception: In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits may not receive those benefits for their own children during the hours in which they provide subsidized child care. These consumers may be eligible for other approved activities in their IRPs;
- (2) Employment as defined in WAC 170-290-0003;
- (3) Self-employment as defined in WAC 170-290-0003 and as described in the consumer's current WorkFirst IRP;
- (4) Transportation time between the location of child care and the consumer's place of employment or approved activity;
- (5) Up to ten hours per week of study time for approved classes; and
- (6) Up to eight hours of sleep time before or after a night shift.

WAC 170-290-0095, When WCCC benefits start, states:

- (1) WCCC benefits for an eligible consumer may begin when the following conditions are met:
 - (a) The consumer has completed the required WCCC application and verification process as described under WAC 170-290-0012 within thirty days of the date DSHS received the consumer's application or reapplication for WCCC benefits;
 - (b) The consumer is working or participating in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050 or 170-290-0055;
 - (c) The consumer needs child care for work or approved activities within at least thirty days of the date of application for WCCC benefits; and
 - (d) The consumer's eligible provider (under WAC 170-290-0125) is caring for his or her children.
- (2) If a consumer fails to turn in all information within thirty days from his or her application date, the consumer must restart the application process.
- (3) The consumer's application date is whichever is earlier:
 - (a) The date the consumer's application is entered into DSHS's automated system; or
 - (b) The date the consumer's application is date stamped as received.

WAC 170-290-0268, Payment discrepancies—Provider overpayments, states:

- (1) An overpayment occurs when a provider receives payment that is more than the provider is eligible to receive. Provider overpayments are established when that provider:
 - (a) Bills and receives payment for services not provided;
 - (b) Bills without attendance records that support their billing;
 - (c) Bills and receives payment for more than they are eligible to bill;
 - (d) With respect to license-exempt providers, bills the state for more than six children at one time during the same hours of care; or
 - (e) With respect to licensed or certified providers:
 - (i) Bills the state for more than the number of children they have in their licensed capacity; or
 - (ii) Is caring for a WCCC child outside their licensed allowable age range without a DEL-approved exception; or
 - (f) With respect to certified providers caring for children in a state bordering Washington:
 - (i) Is determined not to be in compliance with their state's licensing regulations; or
 - (ii) Fails to notify DSHS within ten days of any suspension, revocation, or change to their license.
- (2) DEL or DSHS may request documentation from a provider when preparing to establish an overpayment. The provider has fourteen consecutive calendar days to supply any requested documentation.
- (3) Providers are required to repay any payments that they were not eligible to receive.
- (4) If an overpayment was made through departmental error, the provider is still required to repay that amount.

WAC 170-290-0271, Payment discrepancies—Consumer overpayments, states:

- (1) DSHS establishes overpayments for past or current consumers when the consumer:
 - (a) Received benefits when he or she was not eligible;
 - (b) Used care for an unapproved activity or for children not in his or her WCCC household;
 - (c) Failed to report information to DSHS resulting in an error in determining eligibility, amount of care authorized, or copayment;
 - (d) Used a provider that was not eligible per WAC 170-290-0125; or
 - (e) Received benefits for a child who was not eligible per WAC 170-290-0015 or 170-290-0020.
- (2) DEL or DSHS may request documentation from a consumer when preparing to establish an overpayment. The consumer has fourteen consecutive calendar days to supply any requested documentation.
- (3) Consumers are required to repay any benefits paid by DSHS that they were not eligible to receive.
- (4) If an overpayment was made through departmental error, the consumer is still required to repay that amount.
- (5) If a consumer is not eligible under WAC 170-290-0032 and the provider has billed correctly, the consumer is responsible for the entire overpayment, including any absent days.

WAC 170-290-0275, Payment discrepancies—Providers covered under collective bargaining, states:

- (1) This section applies to any provider covered under the collective bargaining agreement.
- (2) For in-home/relative and licensed family home child care providers, disputes regarding underpayments shall be grievable.
- (3) Beginning July 1, 2007, there are different time frames for how far back a payment discrepancy may be corrected. The time frames, as provided in this subsection are based on:
 - (a) When services were provided;
 - (b) When the request for the underpayment was made; and
 - (c) The type of provider: Family home or in-home/relative provider.
- (4) Family home and in-home/relative providers must submit a claim for payment no later than twelve months after the date of service. "Submitting a claim for payment" means turning the original invoice in to DSHS for services no later than twelve months after the date of service. If the claim for payment is made within the twelve-month period, the time limits for correcting payment errors are:
 - (a) Two years back if the error is on rates paid by age and/or region, unless discovered by a federal audit. This means the provider has up to two years after the date of service to ask for a corrected payment; or
 - (b) Three years back if the error was for any other reason, including those discovered by a federal audit. This means the provider has up to three years after the date of service to ask for a corrected payment.

WAC 388-410-0001, What is a cash assistance overpayment?, states:

- (1) An overpayment is any cash assistance paid that is more than the assistance unit was eligible to receive.
- (2) There are two types of cash overpayments:
 - (a) Intentional overpayments, presumed to exist if you willfully or knowingly:
 - (i) Fail to report a change you must tell us about under WAC 388-418-0005 within the time frames under WAC 388-418-0007; or
 - (ii) Misstate or fail to reveal a fact affecting eligibility as specified in WAC 388-446-0001.
 - (b) Unintentional overpayments, which includes all other client-caused and all department-caused overpayments.
- (3) If you request a fair hearing and the fair hearing decision is in favor of the department, then:
 - (a) Some or all of the continued assistance you get before the fair hearing decision must be paid back to the department (see WAC 388-418-0020); and
 - (b) The amount of assistance you must pay back will be limited to sixty days of assistance, starting with the day after the department receives your hearing request.
- (4) If you receive child support payments directly from the noncustodial parent, you must turn these payments over to the division of child support (DCS). These payments are not cash assistance overpayments.

2016-020

The Department of Early Learning and the Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to identify and detect fraud in the Child Care and Development Fund program.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number: G1601WACCDF, G1501WACCDF G1401WACCDF
Applicable Compliance Component: Special Tests and Provisions – Fraud Detection and Repayment
Known Questioned Cost Amount: None

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for child care. In fiscal year 2016, child care providers were paid about \$218 million in federal grant funds. DEL is the lead agency for the CCDF program and is responsible for recovering child care payments resulting from fraud. However, the Department of Social and Health Services’ (DSHS) Office of Fraud and Accountability (OFA) has the statutory authority to conduct investigations related to allegations of fraud in the CCDF program. Both DEL and DSHS offer reporting of suspected fraud for citizens online, by mail, by phone, or by fax. All staff who work at either agency can report suspected fraud through internal systems or to a hotline.

State law requires DEL and DSHS staff to report all suspected incidents of child care subsidy fraud to OFA for appropriate investigation and action and to recover child care payments. Once a report is made, it is received by OFA, which then may assign it to an investigator for review. DSHS explained some reports are not assigned to investigators because of workload capacity. If the report is assigned for investigation within the first 90 days from the date of the initial report, an investigator investigates the allegations. If the fraud report is not assigned within the first 90 days of the initial report, it is then “aged out” and sent back to DSHS child care staff. Child care staff then review the original reported information and decide to either send the case back to OFA investigators, or dismiss the fraud report. There are some referrals, approximately 12 percent, that go through a different process and do not “age out”. In fiscal year, 2016 DSHS collected \$383,341 on 26 child care fraud cases.

DEL staff perform case reviews to identify provider payment errors. DEL randomly selects provider payments to review based on a given month of service. When a provider is selected for review, child care subsidy auditors request attendance records for all payments to that provider for the month and compare the records to paid invoices. If an error is found, the subsidy auditor establishes an amount of overpayment and submits it to the Subsidy Audit Supervisor for secondary review to discuss suspected fraud. The Subsidy Audit Supervisor determines whether to forward the case to the Subsidy

Policy Supervisor for a final fraud referral determination. If fraud is suspected, the case is referred to OFA for fraud investigation.

In fiscal year 2016, DEL made 569,633 monthly child care subsidy payments to providers for individual clients. DEL reviewed records for 2,408 provider-billing months, which totaled about \$5.6 million in payments. The reviews identified overpayments in 1,433 (60 percent) of those months, totaling \$975,553.

During the prior year audit, we reported that DEL lacked adequate internal controls over child care fraud and repayments. The prior finding number was 2015-025.

Description of Condition

DEL

DEL lacked adequate internal controls to ensure it referred all suspected client or provider child care fraud to OFA for examination and determination. Despite identifying potential overpayments in 60 percent of the payment records examined during the year, DEL referred only four cases to OFA for investigation of suspected fraud. DEL did not expand its review for any of the cases that resulted in significant overpayments, which could have led to support for a fraud investigation.

DSHS

The OFA did not review all fraud referrals it received. In state fiscal year 2016, there were 2,330 aged-out fraud referral cases that OFA staff did not review. Of those, DSHS asserted 165 were related to suspected child care fraud. During our review, however, we determined that the system DSHS used was not able to accurately identify all cases that were potentially related to child care because it is dependent on how the fraud referral is documented. For example, we looked at two “aged out” cases the Department did not count as child care related and were able to determine they should have been.

DEL and DSHS

We consider these internal control weaknesses to constitute a material weakness. We consider both Departments non-compliant with federal requirements to correctly identify and report fraud.

Cause of Condition

DEL

DEL lacked written policies and procedures related to the identification of suspected fraud for use by staff performing and supervising the payment review process for most of state fiscal year 2016. In April 2016, DEL began implementing a series of trainings on fraud-related detection for its subsidy review staff and provider licensors that work in the field directly with providers throughout Washington. DEL also began drafting fraud referral policies and protocols at the end of state fiscal year 2016.

The determination of whether a case is referred to OFA as suspected fraud is based on staff judgment. Managers said that staff did not, for the majority of the year, receive training to identify suspected fraud. Managers also said that DEL staff were directed to refer anything that appears to represent fraudulent activities to supervisors to review during the entire state fiscal year 2016.

DSHS

According to the OFA's Senior Director, the 2,330 fraud referrals were not reviewed due to insufficient staffing. We could not verify how many of the 2,330 fraud referrals related to the CCDF program because DSHS did not track the referrals by program source during the year. During the audit, the Department discovered a system error that affected 1,588 cases. The error caused the referral to not be sent back to child care staff for further review after it had aged out.

Effect of Condition

DEL

DEL is at higher risk of not detecting fraudulent billing activities by not expanding its examination of records when significant overpayments are detected.

Further, as a result of DEL's lack of established guidance and training for identifying suspected fraud, staff may not have been properly referring cases to OFA for the entire state fiscal year.

DSHS

By not reviewing all fraud referrals made related to the CCDF program, DSHS is at risk of not detecting fraudulent billing activities and not meeting the grant requirement to correctly identify and report fraud.

DEL and DSHS

By not complying with grant requirements, the state is at risk of having federal funds withheld and of potentially being disqualified from receiving future federal funding.

Recommendations

We recommend DEL:

- Establish written policies and procedures for staff to follow when potential fraud is suspected
- Provide training to staff responsible for reviewing provider records and who make decisions about whether to refer cases of suspected fraud to OFA
- Ensure all suspected incidents of child care subsidy fraud are referred to OFA, as required
- Consider expanding its review of provider records when significant overpayments are discovered during payment reviews

We recommend DSHS:

- Review all suspected referrals of child care fraud and ensure fraudulent payments are recovered from the responsible party
- Track fraud referrals, and subsequent collection, by program type

Agencies' Responses

DEL and DSHS concur with this finding and recommendations and will prioritize addressing fraud and other overpayment issues. DEL will recruit for a position tasked solely with addressing fraud and this finding, including developing an agency wide fraud detection and referral system, risk based fraud detection methods, and case development, referral, and tracking systems. This position will utilize existing tools and DEL's electronic Attendance System, currently in procurement and described below, to develop algorithmic and data driven fraud detection.

As to the Auditor's specific recommendations, DEL concurs and offers the following detail:

- ***Establish written policies and procedures for staff to follow when potential fraud is suspected.***

On January 11, 2016, DEL finalized a formal Procedure for staff to follow when potential fraud is suspected. It requires DEL staff who suspect fraud to report it, providing supporting documentation, to the Subsidy Policy Supervisor via a specified form for referral to the Office of Fraud and Accountability (OFA) at the Department of Social and Health Services (DSHS), or anonymously online. DEL will finalize a formal Policy on April 7, 2017, defining fraud as "an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit" as provided in RCW 74.04.004. The Policy will set a "reasonable suspicion" threshold for staff to decide whether a scenario meets the definition, and instruct them to err on the side of reporting when uncertain. DEL will require all staff, as a condition of employment, to review the Policy and Procedure.

- ***Provide training to staff responsible for reviewing provider records and who make decisions about whether to refer cases of suspected fraud to OFA.***

In 2016, DEL developed and provided training for Licensing staff who in the course of their work may eye witness evidence of fraud. Trainings occurred on April 14 and 19, and June 2 and 29, 2016.

By May 7, 2017, DEL will expand on this training and develop similar training for Subsidy Quality Assurance staff. Both trainings will define fraud in layman's terms so staff can distinguish it from error, identify fraud scenarios staff are likely to encounter, explain the reasonable suspicion threshold for reporting, instruct staff on key facts to document for referral, instruct staff on how to fill out the fraud referral form or make an anonymous referral, and inform staff of the process for receiving status updates on their referrals. The training will also coach licensing staff to ensure that when they observe suspicious activity in the field (such as a provider being closed on one or more days when others are typically open), this information is relayed back to the Subsidy Quality Assurance program, so that billing records can be researched and investigated.

Quality Assurance staff training will further instruct these staff to expand review of provider records when they discover significant overpayments and when expanded review will support a fraud referral from Licensing staff.

DEL will regularly provide training on these expanded practices to licensors in each of our four licensing regions and to subsidy policy and audit staff in our Olympia office.

- ***Ensure all suspected incidents of child care subsidy fraud are referred to OFA, as required.***

In the past DEL has consulted with OFA to receive guidance on fraud referrals that are most likely to result in successful prosecution. This may have unintentionally suppressed referral by focusing on the high standard of proof (especially as to provider intent) in successful criminal fraud cases instead of agency staff's duty to report potential fraud.

While continuing to consult with OFA, DEL will ensure that all suspected incidents of fraud are reported by adopting Policy and Procedure and providing training that supports a reasonable suspicion threshold for staff to report potential fraud, and instructs them to err on the side of reporting when in doubt. The Subsidy Policy Supervisor will apply the same standards in determining whether to finally refer to OFA.

Assuming that DEL Quality Assurance staff review 200 providers per month with a 60% payment error rate, and that 15% of errors raise a "reasonable suspicion" of fraud, DEL would expect 18 provider fraud referrals per month. Another 2 referrals each month could be expected from Licensing staff. By broadening the scope of scenarios DEL would refer as described above, DEL would expect to increase fraud referral to OFA to this level by October 2017.

DEL's current efforts to reduce overpayments and identify and refer fraud are undertaken in the context of a manual, paper-based attendance and billing system not conducive to accurate billing or fraud detection. DEL has and will continue to request funding for an electronic time and attendance billing system whereby attendance data for all providers is available for Quality Assurance review and fraud detection. With an electronic time and attendance system, DEL can effectively audit 100% of all payments, and will use data analysis (algorithms) to dramatically increase fraud detection and referral. The electronic attendance system will reduce provider errors and will alter provider behavior, especially for those who now typically bill for their full authorization but are unable to produce records to support the billing. Ultimately, DEL hopes to have an integrated system (eligibility/authorization, attendance and other data needed to correctly compute an invoice) and the ability to reconcile information before making payments. DEL is finalizing a Request for Proposals to procure the attendance piece of this system as a standalone first phase to address this finding and is planning a later phase to link the attendance data received with the subsidy payment system for reconciliation prior to payment.

- ***Consider expanding its review of provider records when significant overpayments are discovered during payment reviews.***

As described above, Quality Assurance staff training will include a component on expanding review of provider records when significant overpayments are discovered. Training will set thresholds by provider type (to be determined) for what constitutes a significant overpayment requiring expanded review. These staff will also expand review as necessary and beneficial to develop fraud referrals from Licensing staff.

DEL will continue efforts to reduce overpayments, including:

- 1. Making changes to program rules such as reducing authorizations to Family, Friends and Neighbor (FFN) providers under the 110 hour rule, and specifying consequences for attendance record deficiencies*
 - 2. Improving communication between DEL and DSHS to ensure accurate eligibility determination and authorization (which contribute to reduced fraud)*
 - 3. Assigning audit caseloads so that auditors focus regionally and develop relationships with providers that promote accuracy and fidelity in billing and attendance records*
 - 4. Employing risk-based auditing techniques such as focus audits on providers billing for twice as many subsidy children as their licensed capacity, or on providers who bill the limit of their authorization.*
- **Review all suspected referrals of child care fraud and ensure fraudulent payments are recovered from the responsible party.***
 - **Track fraud referrals, and subsequent collection, by program type.***

The Department's Office of Financial Recovery (OFR) is implementing a new case management system. OFR's system improvements will improve how overpayment collections are tracked. The Office of Fraud and Accountability (OFA) has improved the functionality of the fraud case management and cleaned up the data contained in the system over the last year. Referrals are assigned priority based upon an algorithm for fraud that has been approved by an outside auditing agency. OFA can adjust the algorithm and intends to work with the Economic Service Administration (ESA) to review the current algorithm logic and discuss and implement appropriate adjustments.

OFA works two types of fraud referrals: eligibility issues and vendor fraud. In regards to eligibility issues, during fiscal year 2016, OFA received over 13,000 referrals for fraud investigations. Of the 13,000 referrals, 2,330 aged out. All of the referrals that aged out were requests for current eligibility issues known as Fraud Early Detection (FRED) referrals. These current eligibility issues are time sensitive and if the work is not completed within a short period, the issue becomes out-of-date. The cases that were not worked, because of time constraints, were sent back to Financial Services Specialist (FSS) workers.

The FSS worker can re-FRED the aged out referral or if the potential fraud issue is ongoing at the next eligibility review, the FSS worker can request again and many are completed on the second request. In fact, several hundred of the FRED referrals that aged out during the audit period were completed on the second referral and occurred after the audit period. As indicated above, OFA will work with ESA to review the current algorithm for how referrals are prioritized.

In addition, OFA also conducts criminal fraud investigations, also known as Intentional Overpayment Investigations, of childcare benefit fraud and child care vendor fraud. All of these cases are

investigated and none age out like the eligibility cases. In regards to the 18-20 anticipated DEL provider fraud referrals per month described in DEL's response, OFA will investigate all of these referrals and they will not age out. OFA continues to review their referral process to see if it can be more efficient.

In addition to the 26 cases for prosecution involving \$383,341, OFA criminal fraud investigations resulted in \$187,951 in identified overpayments during the audit period that were not referred for prosecution. The total amount of overpayments identified in the audit period from OFA childcare investigations was \$571,292.

Auditor's Concluding Remarks

We thank the Departments for their cooperation and assistance throughout the audit. We will review the status of the Departments' corrective actions during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

45 CFR, section 98.60 Availability of funds, states in part:

(i) Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud.

RCW 43.215.562

Child care subsidy fraud - Referral - Collection of overpayments.

- (1) The department must refer all suspected incidents of child care subsidy fraud to the department of social and health services office of fraud and accountability for appropriate investigation and action.
- (2) For the purposes of this section, "fraud" has the definition in RCW 74.04.004.
- (3) This section does not limit or preclude the department or the department of social and health services from establishing and collecting overpayments consistent with federal regulation or seek other remedies that may be legally available, including but not limited to criminal investigation or prosecution.

2016-021 **The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number: G1401WACCDF; G1501WACCDF; G1601WACCDF
Applicable Compliance Component: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$ 22,463
Likely Questioned Cost Amount: \$107,768,876

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development grant to assist eligible working families in paying for child care. The Department of Social and Health Services (DSHS) determines client eligibility and pays child care providers under an agreement with DEL. Child care providers consist of licensed centers, licensed family home providers and friends, family and neighbors (FFNs). Payments are made to providers for child care from both the Child Care and Development grant fund, and the Temporary Assistance for Needy Families grant and a payment can include funding from both programs.

DEL is responsible for establishing adequate policies and procedures to ensure payments are allowable. In fiscal year 2016, DEL made an estimated 638,072 monthly child care subsidy payments to child care providers from both the Child Care and Development Fund and the Temporary Assistance for Needy Families grant as well as state funding. These payments totaled over \$271 million in federal and state funds.

There are three child care provider types: licensed centers, licensed family homes and family, friends and neighbor providers. Licensed centers typically operate as larger-scale facilities, whereas licensed family homes are limited to no more than 12 children at a given-time. Both centers and homes must adhere to strict licensing requirements established by DEL and are subject to routine inspections. FFN providers are exempt from many of the licensing requirements and are not subject to routine on-site monitoring visits.

Authorizations for child care

To be authorized for child care services, parents must be determined eligible based on their income, residency, and demonstrated need based on their work schedules. Once parents are determined eligible, DSHS authorizes one of two service levels. For licensed providers, the service levels are

generally either 23 full-day units (up to 10 hours a day) or 30 half-day units (up to five hours a day). FFN providers are paid by the hour and authorizations are made for either part-time care (up to 110 hours) or full-time care (up to 230).

The authorized service level is based on the parent's work schedule, which is also required to be documented, verified with the employer, and updated with DSHS when it changes significantly. Payments for child care are only allowable if they are properly approved, adequately documented and for actual worked hours.

Attendance records

According to state rules, child care providers must maintain attendance records to support their requests for payment. At a minimum, the records must include the children's names, date(s) child care was provided and authorized signatures, typically of a parent or guardian, documenting the times the child arrived and left care.

DEL subsidy auditor reconciliations

Providers are not required to submit attendance records with their monthly requests for payment. DEL has established a subsidy audit unit that randomly selects prior payments for review. To determine if payments were allowable and properly supported, providers are requested to submit attendance records and other supporting documentation, which are reconciled to paid invoices.

DEL subsidy auditors completed 2,408 reconciliations during the audit period and identified 1,433 instances (60 percent) of provider overpayments during their reconciliations and assessed overpayments that totaled \$975,553. The identified overpayments represented 17 percent of the total amount of payments reviewed.

The most common reasons DEL's reconciliations determined overpayments occurred were:

- Providers overbilled because child care was not provided
- Providers did not submit required attendance records
- Providers billed and were paid for the maximum amount of authorized childcare, regardless if services aligned with the family's established work schedule
- Providers billed for absent days that were not supported

Prior audit results

Since fiscal year 2005, we have reported DEL and DSHS have not established adequate internal controls to prevent unallowable payments. During fiscal years 2010 and 2011, we found DSHS did not adequately reconcile attendance records with child care payments. In fiscal year 2012, DEL assumed this process, but only reconciled one month of child care payments to attendance records. In fiscal year 2013, we found no reconciliations of fiscal year 2013 months of service were performed as all reconciliations were for prior fiscal years. In 2014, reconciliations were initiated for three months of the fiscal year and the rest of the reconciliations were for services months in prior fiscal years.

In 2015, we reported questioned costs of \$64,802 and likely questioned costs of \$85,239,118. The most recent audit finding numbers were 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.

In October 2012, our Office issued an accountability audit report titled, “Audit of State Payments to Child Care Providers,” covering the period from July 1, 2010 to June 30, 2011. Using a statistical sample of 153 providers, the audit identified actual overpayments of \$1.6 million and total estimated overpayments of \$73.9 million. The audit also identified \$2.9 million in payments supported by questionable documentation, with estimated questionable payments that totaled of \$34.9 million. The payments examined in the audit were funded by both state and federal grants.

Description of Condition

We found DEL took steps to address the previous findings, but continues to lack adequate internal controls to prevent and detect significant unallowable payments to child care providers. In response to the most recent audit finding, DEL said it would work to address the internal control weaknesses by having dedicated staff perform payment reconciliations. DEL also said it would seek timely reimbursements from providers for overpayments.

DEL has a desk manual and set audit electronic workbooks that contain steps for subsidy auditors to follow when performing reconciliations. For the audit period, DEL’s reconciliation steps were:

- Determine if submitted provider attendance records are complete and contact the provider if records are incomplete
- Examine attendance records for reasonableness and allow for partial parental/guardian signatures and/or names of children without signatures
- Examine and compare attendance records to parent(s)’ working schedules
- Determine allowable region rates for the provider by region and child’s age, and compare this to the billed invoice
- Allow unlimited absence days per month as long as the child attended for one day of the month
- Determine allowable holiday(s) providers were allowed to bill

At the beginning of the audit period, the Department was not reconciling all required client information, but improved its process about halfway through the audit period and began testing provider records to more client specific information.

We randomly selected and examined 133 payments for child care totaling \$57,813 in federal funds to determine if they were allowable. Of the 133, we randomly selected and stratified these payments by totals from each of three provider types: licensed centers, licensed family providers and FFNs. With assistance from DEL, we requested attendance records from providers that supported the payments. We also compared the providers’ records to the case files to determine if the payments were allowed by federal and state regulations, as well as DEL’s internal policies.

We found 85 payments were partially or fully unallowable. In total, we questioned \$22,463 paid by federal funds.

The reasons we found overpayments occurred were:

- Attendance records were not submitted by providers or were inadequate to support payments
- In some cases providers informed us they did not maintain the required records
- Providers overbilled for services not performed or supported by attendance records
- Some providers billed the maximum childcare authorized regardless of the amount of actual services performed, or required by the parent's work schedules

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

Cause of Condition

Sufficient preventative internal controls did not exist to ensure payments were allowable. While the authorizations establish a maximum for what providers may bill without further approval, it does not prevent providers from billing for unallowable days or hours, or services. Childcare providers are not required to submit any supporting documentation before payments are made. The authorization maximums also do not prevent clients from using child care when they are not in an approved activity.

When DEL subsidy auditors reviewed payments, they were not always able to compare attendance records to a documented, employer verified working schedule for the parents. This is because DSHS staff, when determining a client's eligibility, did not always require a verified schedule. Therefore, while the DEL auditors identified overpayments 60 percent of the time, they likely did not detect all overpayments during their reviews. Audits for providers with overpayments did not consistently receive expanded reviews to determine if the issues were systemic. However, DEL management did put increased emphasis on expanding reviews toward the end of the audit period.

Although DEL writes the guidelines for the CCDF program and implements policy, many key functions, including determining eligibility and issuing payments, are performed by DSHS. As a separate Department, DSHS makes management decisions without input from DEL. While DEL and DSHS do work together, some of the improper payments identified in this finding could have been prevented had DSHS collected all required documentation and properly determined eligibility. As long as DSHS continues to have significant weaknesses in the eligibility determination process, it will be difficult for DEL to stop the types of improper payments reported in this finding.

The Chief Financial Officer of DEL said it is unlikely they can resolve the material weakness and material non-compliance reported in the finding using the current hard-copy attendance record system. He said an electronic system is necessary to perform more thorough fiscal monitoring.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, the state is at a higher risk of making improper payments for child care services. Additionally, by not considering all criteria required by state regulations, DEL auditors may not detect all improper payments when performing reconciliations. By not expanding its audits when overpayments are found, DEL may not be identifying providers with systemic billing issues.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely questioned costs to be \$107,768,876. We also performed testing of client eligibility using a separate population but reported likely questioned costs of \$102,972,489 in audit finding 2016-023. Because likely questioned costs are determined by projecting known questioned costs to the entire population of payments there is significant overlap of the likely questioned costs between these two findings.

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

Many of the improper payments were partially funded by state dollars. Specifically, we found \$6,980 of improper state payments, which projects to a likely improper payment amount of \$33,485,484. This amount is not included in the federal questioned costs.

Actions Taken by the Department

The Department took the following steps to address the previous findings:

- Began policy revisions to address previously reported weaknesses
- Began offering additional provider training
- Increased communication with DSHS CCDF program staff
- Provided training that is more complete for subsidy auditors performing provider payment review
- Moved to auditing provider payments based on month of payment instead of month of service to improve audit review timeliness
- Requested funding for an electronic time and attendance billing system

Recommendations

We recommend DEL:

- Implement preventative internal controls over payments to providers to reduce the rate of unallowable payments
- Develop internal controls that will assist in the detection of unallowable provider billings based on the expected consumer child care needs constrained by the parent's verified working schedule needs
- As the administrator of the grant, work with DSHS to ensure they are addressing known problems with the initial eligibility process for the CCDF program
- Continue to pursue electronic systems to more efficiently prevent and detect improper payments
- Continue to improve its reconciliation process by following Departmental policies, testing to all federal and state regulations when reviewing provider payments
- Expand auditor examinations when significant provider overpayments are found to determine if the issue is isolated or systemic

Agency's Response

DEL concurs with this finding and recommendations, with concerns outlined below. DEL will prioritize addressing provider overpayment issues and is recruiting for a position tasked with monitoring program compliance with federal law, rules, and guidance governing CCDF, and executing action plans to address this and other findings.

DEL has concerns regarding the SAO's sampling methodology and the associated extrapolation of questioned costs. The SAO elected to employ a non-statistical sampling methodology to estimate noncompliance and total questionable costs sampling only 133 payments from the universe of 638,072 payment records. DEL's initial calculations indicate the need for a sample size of between 600 and 1,038 records for a statistically valid sample for the extrapolation with 95% and 99% confidence level respectively. The method of sample size estimation selected would be appropriate for audit purposes of identifying at least one instance of questionable costs in a target population, but the method is inadequate to support extrapolation of questionable costs. The inappropriately small sample size does not provide precise estimates of the actual amount of questionable costs in the larger population DEL requests, for future large-scale projections, that the SAO utilize a larger, statistically valid sample size, therefore lending better credibility to the associated results. Although SAO clearly stratified the sample population, it is unclear whether extrapolation was performed in a stratified manner. In the future, it would be helpful to know whether the extrapolation was performed in a stratified manner. DEL would like to work with SAO during the spring of 2017, to better understand their sampling and extrapolation methodologies, and address our concerns.

In the cause of condition section, SAO states that DEL auditors identified overpayments 60 percent of the time and that they likely did not detect all overpayments during their reviews. As part of their audit process, DEL audit staff draw random samples from among Centers, Family Homes, and Family Friend and Neighbor (FFN) providers who submit invoices each month. By design DEL oversamples FFN providers, where higher rates of improper payments are traditionally detected. So for example, in FY2016 FFN providers represented 56.7% of the provider month records available for sampling, but 75.1% of the records sampled were FFN providers. We believe this intentional over-representation of FFN providers among records reviewed increases the likelihood of detecting overpayments.

As to the Auditor's specific recommendations, DEL concurs and offers the following additional details:

- ***Continue to pursue electronic systems to more efficiently prevent and detect improper payments.***
- ***Implement preventative internal controls over payments to providers to reduce the rate of unallowable payments.***

DEL's current efforts to reduce provider overpayments are undertaken in the context of a manual, paper-based attendance and billing system not conducive to accurate billing. DEL has and will continue to request funding for an electronic time and attendance billing system whereby attendance data for all providers is available for Quality Assurance review and as a condition of receiving subsidy payments. With an electronic time and attendance system, DEL can effectively audit 100% of all payments, and will use data analysis (algorithms) to dramatically increase overpayment detection.

The electronic attendance system will reduce provider errors and will alter provider behavior, especially for those who now typically bill for their full authorization but are unable to produce records to support the billing. Ultimately, DEL hopes to have an integrated system (eligibility/authorization, attendance and other data needed to correctly compute an invoice) and the ability to reconcile information before making payments. DEL is finalizing a Request for Proposals to procure the attendance piece of this system as a standalone first phase to address this finding and is planning a later phase to link the attendance data received with the subsidy payment system for reconciliation prior to payment.

Further, by October 1, 2017, DEL will adopt rules and policy describing consequences for client and provider intentional program violations, including potential ineligibility for client benefits and provider payment to prevent repeat violations that cause unallowable payments. Intentional program violations in this context will be defined in rule and will likely include intentional acts that knowingly result in an unallowable payment but that do not involve misrepresentation.

- ***As the administrator of the grant, work with DSHS to ensure they are addressing known problems with the initial eligibility process for the CCDF program.***

The Department collaborates closely with DSHS - including review of draft staff training, desk aids, communications, and procedures and provision of policy guidance – to ensure DSHS field staff understand and correctly interpret policy regarding eligibility. We will continue this coordination.

In addition, the position described above that DEL is recruiting will coordinate with DSHS on response to this and other audit findings to ensure successful implementation of DSHS and DEL corrective action plans. Specifically, this position will be DEL's lead on system implementation and training to new rules, policies, and guidance adopted to address the Eligibility finding. It will also review findings of the DSHS Division of Program Integrity and provide input on risk-based categories of pre-authorization review. The position will further work with DSHS to ensure implementation of separation of duties so that the same worker cannot make an eligibility determination and authorize provider payment on the same case, and system changes to actively alert a worker when the household composition in WCAP is different from the household composition for other DSHS-administered programs.

DEL and DSHS will continue meeting quarterly and will ensure that problems with the initial eligibility process are a top priority. Also, starting April 2017, DEL and DSHS will reinstitute a quarterly meeting of DSHS and DEL Quality Assurance staff where issues with initial eligibility discovered in QA can be discussed and solutions presented.

- ***Develop internal controls that will assist in the detection of unallowable provider billings based on the expected consumer child care needs constrained by the parent's verified working schedule needs.***

DEL will employ risk-based auditing to identify more provider payment errors, including, but not limited to, focus audits on providers billing for twice as many subsidy children as their licensed capacity, or on providers who bill the limit of their authorization. And starting within three months of implementing of the Electronic Attendance System being procured, DEL will run algorithms against

all provider payments, attendance data, and the eligibility system, to identify payment errors and potential fraud. Further, DEL Subsidy Quality Assurance staff will continue auditing provider payments and, within three months of implementing of the Electronic Attendance System, increase from 200 to 400 the number of monthly audits performed.

Regarding parent working schedules, effective July 1, 2016, DEL amended Chapter 170-290 WAC to comply with Reauthorization of the federal Child Care Development Block Grant Act and the Early Start Act enacted by the State Legislature. Taken together, these Acts prohibited termination of consumer eligibility prior to the end of their 12 month eligibility period for changes in circumstances as to a parent's engagement in approved activities, and eliminated the requirement to report these changes. The WAC amendments eliminated language constraining provider billing to the parent's working schedule so long as billing does not exceed the total authorization. This was necessary because consumers are allowed, as of July 1, 2016, to use child care benefits even after termination of employment and are not required to report changes in work schedule during the eligibility period. This means that the work schedule obtained at the "snapshot" eligibility determination is not controlling as to the hours of day or days of the week a provider can bill, but simply establishes the upper limit of payment authorized. As a result of these rule amendments, DEL assumes that provider billing that is correct in all other respects and based on supported eligibility determination and authorization will not be unallowable for falling outside the hours and days described in the working schedule. This will reduce overpayments substantially.

DEL is currently in the process of finalizing changes to all program guidance and documentation, including the CCDF Plan, to support the above WAC amendments consistently. DEL expects to complete these changes by April 2017.

- ***Continue to improve its reconciliation process by following Departmental policies, testing to all federal and state regulations when reviewing provider payments.***

DEL will ensure its reconciliation process aligns with its policies and all federal and state regulations. The new position described above will review the current process and recommend necessary WAC, guidance, documentation, and reconciliation process changes, consistent with federal rules, for the unit's implementation. Specifically, DEL will examine the current rules as to household composition, consumer income, consumer activity schedules, provider authorizations, and provider attendance record requirements. DEL will clarify WAC language specifying circumstances under which a provider is liable for an overpayment. DEL will complete this work by October 2017. Also by October 2017, DEL will train its Subsidy Quality Assurance staff to any changes in the reconciliation process brought about by process review and WAC changes.

- ***Expand auditor examinations when significant provider overpayments are found to determine if the issue is isolated or systemic.***

By May 7, 2017, DEL will develop Subsidy Quality Assurance staff training including a component on expanding review of provider records when significant overpayments are discovered. Training will set thresholds by provider type (to be determined) for what constitutes a significant overpayment requiring expanded review, and will cover example scenarios where expanded review is necessary

and beneficial to identify systemic issues or possible fraud. Examples may include, but would not be limited to the following:

- 1. A Family, Friends and Neighbors provider billing on authorizations to care for multiple children in their separately located homes during similar hours – expand review to determine if provider routinely bills for care at two different locations at the same time.*
- 2. A provider who has lost attendance records to support billing – expand review to determine if provider routinely cannot produce records.*
- 3. Provider submits attendance records supporting billing well above the amount actually billed – expand review to determine if provider is maintaining records in real time or is creating them upon audit request.*

Auditor’s Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. We are pleased that the Department concurred with the finding but would like to address the Department’s concerns about our sampling methodology and extrapolation of costs. The Department states we chose to employ a non-statistical sampling method. This is not correct. A statistical sample for audit purposes is defined by AU-C 530.05 as “An approach to sampling that has the following characteristics: (a) random selection of the sample items; (b) the use of an appropriate statistical technique to evaluate sample results, including measurement of sampling risk.” Our sampling methodology meets these criteria.

It is important to note that the sampling technique we used is intended to match our audit opinion by determining whether or not expenditures were in compliance with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide 99% confidence of whether exceptions were above our materiality threshold. This conclusion is reflected in our audit report and finding. However, the likely questioned costs projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3).

To ensure a representative sample, we stratified the population by both provider type and dollar amount. Once we completed testing, we evaluated our results compared to other audit evidence and found it to be consistent. For example, we compared our results to the results of the audit last year and found them consistent. We also compared results to the Department’s own internal testing results and found them consistent. As the Department pointed out, they oversample their higher risk populations and thus expect a higher exception rate than the expected actual rate in the population. Since we also determined they do not test to all of the required criteria that we do, our results of a 64 percent exception rate with additional criteria are consistent with their 60 percent rate that focuses on higher risk payments but does not use all criteria.

Upon receiving the Department’s audit finding response we requested any evidence the Department had that our estimate of likely questioned costs was incorrect but were not provided anything other than what is in the response. The Department has not disputed the nature of the identified exceptions or the audit work itself but only the reliability of the projected likely questioned costs. While our sample was appropriately representative and provided statistically valid evidence at 99% confidence of our conclusion regarding material noncompliance, we can agree with the Department that the sample was only designed to determine that likely questioned costs were material to the program. A

much larger sample size would be needed to achieve a similar confidence level about the precise amount of likely questioned costs. For this reason, it may not be sufficient to conclude on the precise amount of questioned costs for purposes of determining a repayment amount to the grantor. We encourage the Department to work with the granting agency to address their concerns in this regard.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 45 Code of Federal Regulations, Section 98.20 - A child's eligibility for child care services, states in part:

- (a) In order to be eligible for services under § 98.50, a child shall:
 - (1) (i) Be under 13 years of age; or,
 - (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;
 - (2) Reside with a family whose income does not exceed 85 percent of the State's median income for a family of the same size; and
 - (3) (i) Reside with a parent or parents (as defined in § 98.2) who are working or attending a job training or educational program; or
 - (ii) Receive, or need to receive, protective services and reside with a parent or parents (as defined in § 98.2) other than the parent(s) described in paragraph (a)(3)(i) of this section.
 - (A) At grantee option, the requirements in paragraph (a)(2) of this section and in § 98.42 may be waived for families eligible for child care pursuant to this paragraph, if determined to be necessary on a case-by-case basis by, or in consultation with, an appropriate protective services worker.
 - (B) At grantee option, the provisions in (A) apply to children in foster care when defined in the Plan, pursuant to § 98.16(f)(7).
- (b) A grantee or other administering agency may establish eligibility conditions or priority rules in addition to those specified in this section and §98.46, which shall be described in the Plan pursuant to §98.16(i)(5), so long as they do not:
 - (1) Discriminate against children on the basis of race, national origin, ethnic background, sex, religious affiliation, or disability;
 - (2) Limit parental rights provided under Subpart D; or
 - (3) Violate the provisions of this section, § 98.44, or the Plan. In particular, such conditions or priority rules may not be based on a parent's preference for a category of care or type of provider. In addition, such additional conditions or rules may not be based on a parent's choice of a child care certificate.

Title 45 Code of Federal Regulations, section 98.50 - Child care services, states in part:

- (a) Of the funds remaining after applying the provisions of paragraphs (c), (d) and (e) of this section the Lead Agency shall spend a substantial portion to provide child care services to low-income working families.
- (b) Child care services shall be provided:
 - (1) To eligible children, as described in § 98.20;
 - (2) Using a sliding fee scale, as described in § 98.42;
 - (3) Using funding methods provided for in § 98.30; and

(4) Based on the priorities in § 98.44.

Title 45 Code of Federal Regulation, Section 98.54 - Restrictions on the use of funds, states in part:

(a) General.

- (1) Funds authorized under section 418 of the Social Security Act and section 658B of the Child Care and Development Block Grant Act, and all funds transferred to the Lead Agency pursuant to section 404(d) of the Social Security Act, shall be expended consistent with these regulations. Funds transferred pursuant to section 404(d) of the Social Security Act shall be treated as Discretionary Funds;
- (2) Funds shall be expended in accordance with applicable State and local laws, except as superseded by § 98.3.

Title 45 Code of Federal Regulations, Section 98.67 - Fiscal requirements, states:

- (a) Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.
- (b) Unless otherwise specified in this part, contracts that entail the expenditure of CCDF funds shall comply with the laws and procedures generally applicable to expenditures by the contracting agency of its own funds.
- (c) Fiscal control and accounting procedures shall be sufficient to permit:
 - (1) Preparation of reports required by the Secretary under this subpart and under subpart H; and
 - (2) The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.

WAC 170-290-0005 Eligibility, states:

- (1) Parents. To be eligible for WCCC, the person applying for benefits must:
 - (a) Have parental control of one or more eligible children;
 - (b) Live in the state of Washington;
 - (c) Be the child's:
 - (i) Parent, either biological or adopted;
 - (ii) Stepparent;
 - (iii) Legal guardian verified by a legal or court document;
 - (iv) Adult sibling or step-sibling;
 - (v) Nephew or niece;
 - (vi) Aunt;
 - (vii) Uncle;
 - (viii) Grandparent;
 - (ix) Any of the relatives in (c)(vi), (vii), or (viii) of this subsection with the prefix "great," such as great-aunt; or
 - (x) An approved in loco parentis custodian responsible for exercising day-to-day care and control of the child and who is not related to the child as described above;
 - (d) Participate in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050, or have been approved per WAC 170-290-0055;

- (e) Comply with any special circumstances that might affect WCCC eligibility under WAC 170-290-0020;
 - (f) Have countable income at or below two hundred percent of the federal poverty guidelines (FPG). The consumer's eligibility shall end if the consumer's countable income is greater than two hundred percent of the FPG;
 - (g) Not have a monthly copayment that is higher than the state will pay for all eligible children in care;
 - (h) Complete the WCCC application and DSHS verification process regardless of other program benefits or services received; and
 - (i) Meet eligibility requirements for WCCC described in Part II of this chapter.
- (2) Children. To be eligible for WCCC, the child must:
- (a) Belong to one of the following groups as defined in WAC 388-424-0001:
 - (i) A U.S. citizen;
 - (ii) A U.S. national;
 - (iii) A qualified alien; or
 - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;
 - (b) Live in Washington state, and be:
 - (i) Less than age thirteen; or
 - (ii) Less than age nineteen, and:
 - (A) Have a verified special need, according WAC 170-290-0220; or
 - (B) Be under court supervision.

WAC 170-290-0012 Verifying consumers' information, states:

- (1) A consumer must complete the DSHS application for WCCC benefits and provide all required information to DSHS to determine eligibility when:
 - (a) The consumer initially applies for benefits; or
 - (b) The consumer reapplies for benefits.
- (2) A consumer must provide verification to DSHS to determine if he or she continues to qualify for benefits during his or her eligibility period when there is a change of circumstances under WAC 170-290-0031.
- (3) All verification that is provided to DSHS must:
 - (a) Clearly relate to the information DSHS is requesting;
 - (b) Be from a reliable source; and
 - (c) Be accurate, complete, and consistent.
- (4) If DSHS has reasonable cause to believe that the information is inconsistent, conflicting or outdated, DSHS may:
 - (a) Ask the consumer to provide DSHS with more verification or provide a collateral contact (a "collateral contact" is a statement from someone outside of the consumer's residence that knows the consumer's situation); or
 - (b) Send an investigator from the DSHS office of fraud and accountability (OFA) to make an unannounced visit to the consumer's home to verify the consumer's circumstances. See WAC 170-290-0025(9).
- (5) The verification that the consumer gives to DSHS includes, but is not limited to, the following:

- (a) A current WorkFirst IRP for consumers receiving TANF;
 - (b) Employer name, address, and phone number;
 - (c) State business registration and license, if self-employed;
 - (d) Work, school, or training schedule (when requesting child care for non-TANF activities);
 - (e) Hourly wage or salary;
 - (f) Either the:
 - (i) Gross income for the last three months;
 - (ii) Federal income tax return for the preceding calendar year; or
 - (iii) DSHS employment verification form;
 - (g) Monthly unearned income the consumer receives, such as child support or supplemental security income (SSI) benefits;
 - (h) If the other parent is in the household, the same information for them;
 - (i) Proof that the child belongs to one of the following groups as defined in WAC 388-424-0001:
 - (i) A U.S. citizen;
 - (ii) A U.S. national;
 - (iii) A qualified alien; or
 - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;
 - (j) Name and phone number of the licensed child care provider; and
 - (k) For the in-home/relative child care provider, a:
 - (i) Completed and signed criminal background check form;
 - (ii) Legible copy of the proposed provider's photo identification, such as a driver's license, Washington state identification, or passport;
 - (iii) Legible copy of the proposed providers' valid Social Security card; and
 - (iv) All other information required by WAC 170-290-0135.
- (6) If DSHS requires verification from a consumer that costs money, DSHS must pay for the consumer's reasonable costs.
- (7) DSHS does not pay for a self-employed consumer's state business registration or license, which is a cost of doing business.
- (8) If a consumer does not provide all of the verification requested, DSHS will determine if a consumer is eligible based information already available to DSHS.

WAC 170-290-0020 Eligibility—Special circumstances, states:

- (1) Child care provided at the consumer's place of work. A consumer is not eligible for WCCC benefits for his or her children when child care is provided at the same location where the consumer works.
- (2) Consumer's child care employment.
 - (a) A consumer may be eligible for WCCC benefits during the time she or he works in a child care center but does not provide direct care in the same classroom to his or her children during work hours.
 - (b) A consumer is not eligible for WCCC benefits during the time she or he works in a family home child care where his or her children are also receiving subsidized child care.

- (c) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits may not receive those benefits for their own children during the hours in which they provide subsidized child care.
 - (d) A child care provider who receives TANF benefits on behalf of a dependent child may not bill the state for subsidized child care for that same child.
- (3) Two-parent family.
- (a) A consumer may be eligible for WCCC if he or she is a parent in a two-parent family and one parent is not able or available as defined in WAC 170-290-0003 to provide care for the children while the other parent is working or participating in approved activities.
 - (b) If a consumer claims one parent is not able to care for the children the consumer must provide written documentation from a licensed professional (see WAC 388-448-0020) that states the:
 - (i) Reason the parent is not able to care for the children;
 - (ii) Expected duration and severity of the condition that keeps the parent from caring for the children; and
 - (iii) Treatment plan if the parent is expected to improve enough to be able to care for the children. The parent must provide evidence from a medical professional showing he or she is cooperating with treatment and is still not able to care for the children.
- (4) Single-parent family. A consumer is not eligible for WCCC benefits when he or she is the only parent in the family and will be away from the home for more than thirty days in a row.
- (5) Legal guardians.
- (a) A legal guardian under WAC 170-290-0005 may receive WCCC benefits for his or her work or approved activities without his or her spouse or live-in partner's availability to provide care being considered unless his or her spouse or live-in partner is also named on the permanent custody order.
 - (b) Eligibility for WCCC benefits is based on the consumer's work or approved activities schedule, the child's need for care, and the child's income eligibility and family size of one.
 - (c) The consumer's spouse or live-in partner is not eligible to receive subsidized child care payments as a child care provider for the child.
- (6) In loco parentis custodians.
- (a) An in loco parentis custodian may be eligible for WCCC benefits when he or she cares for an eligible child in the absence of the child's legal guardian or biological, adoptive or step-parents.
 - (b) An in loco parentis custodian who is not related to the child as described in WAC 170-290-0005(1) may be eligible for WCCC benefits if he or she has:
 - (i) A written, signed agreement between the parent and the caregiver assuming custodial responsibility; or
 - (ii) Receives a TANF grant on behalf of the eligible child.
 - (c) Eligibility for WCCC benefits is based on his or her work schedule, the child's need for care, and the child's income eligibility and family size of one.
 - (d) The consumer's spouse or live-in partner is not eligible to receive subsidized child care payments as a child care provider for the child.

- (7) WorkFirst sanction.
 - (a) A consumer may be eligible for WCCC if he or she is a sanctioned WorkFirst participant and participating in an activity needed to remove a sanction penalty or to reopen his or her WorkFirst case.
 - (b) A WorkFirst participant who loses his or her TANF grant due to exceeding the federal time limit for receiving TANF may still be eligible for WCCC benefits under WAC 170-290-0055.

WAC 170-290-0031 Notification of changes, states:

When a consumer applies for or receives WCCC benefits, he or she must:

- (1) Notify DSHS, within five days, of any change in providers;
- (2) Notify the consumer's provider within ten days when DSHS changes his or her child care authorization;
- (3) Notify DSHS within ten days of any significant change related to the consumer's copayment or eligibility, including:
 - (a) The number of child care hours the consumer needs (more or less hours);
 - (b) The consumer's countable income, including any TANF grant or child support increases or decreases, only if the change would cause the consumer's countable income to exceed the maximum eligibility limit as provided in WAC 170-290-0005. A consumer may notify DSHS at any time of a decrease in the consumer's household income, which may lower the consumer's copayment under WAC 170-290-0085;
 - (c) The consumer's household size such as any family member moving in or out of his or her home;
 - (d) Employment, school or approved TANF activity (starting, stopping or changing);
 - (e) The address and telephone number of the consumer's in-home/relative provider;
 - (f) The consumer's home address and telephone number; and
 - (g) The consumer's legal obligation to pay child support;
- (4) Report to DSHS, within twenty-four hours, any pending charges or conviction information the consumer learns about his or her in-home/relative provider; and
- (5) Report to DSHS, within twenty-four hours, any pending charges or conviction information the consumer learns about anyone sixteen years of age and older who lives with the provider when care occurs outside of the child's home.

WAC 170-290-0095, When WCCC benefits start, states:

- (1) WCCC benefits for an eligible consumer may begin when the following conditions are met:
 - (a) The consumer has completed the required WCCC application and verification process as described under WAC 170-290-0012 within thirty days of the date DSHS received the consumer's application or reapplication for WCCC benefits;
 - (b) The consumer is working or participating in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050 or 170-290-0055;
 - (c) The consumer needs child care for work or approved activities within at least thirty days of the date of application for WCCC benefits; and
 - (d) The consumer's eligible provider (under WAC 170-290-0125) is caring for his or her children.

- (2) If a consumer fails to turn in all information within thirty days from his or her application date, the consumer must restart the application process.
- (3) The consumer's application date is whichever is earlier:
 - (a) The date the consumer's application is entered into DSHS's automated system; or
 - (b) The date the consumer's application is date stamped as received.

WAC 170-290-0268, Payment discrepancies—Provider overpayments, states:

- (1) An overpayment occurs when a provider receives payment that is more than the provider is eligible to receive. Provider overpayments are established when that provider:
 - (a) Bills and receives payment for services not provided;
 - (b) Bills without attendance records that support their billing;
 - (c) Bills and receives payment for more than they are eligible to bill;
 - (d) With respect to license-exempt providers, bills the state for more than six children at one time during the same hours of care; or
 - (e) With respect to licensed or certified providers:
 - (i) Bills the state for more than the number of children they have in their licensed capacity; or
 - (ii) Is caring for a WCCC child outside their licensed allowable age range without a DEL-approved exception; or
 - (f) With respect to certified providers caring for children in a state bordering Washington:
 - (i) Is determined not to be in compliance with their state's licensing regulations; or
 - (ii) Fails to notify DSHS within ten days of any suspension, revocation, or change to their license.
- (2) DEL or DSHS may request documentation from a provider when preparing to establish an overpayment. The provider has fourteen consecutive calendar days to supply any requested documentation.
- (3) Providers are required to repay any payments that they were not eligible to receive.
- (4) If an overpayment was made through departmental error, the provider is still required to repay that amount.

WAC 170-290-0271, Payment discrepancies—Consumer overpayments, states:

- (1) DSHS establishes overpayments for past or current consumers when the consumer:
 - (a) Received benefits when he or she was not eligible;
 - (b) Used care for an unapproved activity or for children not in his or her WCCC household;
 - (c) Failed to report information to DSHS resulting in an error in determining eligibility, amount of care authorized, or copayment;
 - (d) Used a provider that was not eligible per WAC 170-290-0125; or
 - (e) Received benefits for a child who was not eligible per WAC 170-290-0015 or 170-290-0020.
- (2) DEL or DSHS may request documentation from a consumer when preparing to establish an overpayment. The consumer has fourteen consecutive calendar days to supply any requested documentation.
- (3) Consumers are required to repay any benefits paid by DSHS that they were not eligible to receive.

- (4) If an overpayment was made through departmental error, the consumer is still required to repay that amount.
- (5) If a consumer is not eligible under WAC 170-290-0032 and the provider has billed correctly, the consumer is responsible for the entire overpayment, including any absent days.

WAC 170-290-0275, Payment discrepancies—Providers covered under collective bargaining, states:

- (1) This section applies to any provider covered under the collective bargaining agreement.
- (2) For in-home/relative and licensed family home child care providers, disputes regarding underpayments shall be grievable.
- (3) Beginning July 1, 2007, there are different time frames for how far back a payment discrepancy may be corrected. The time frames, as provided in this subsection are based on:
 - (a) When services were provided;
 - (b) When the request for the underpayment was made; and
 - (c) The type of provider: Family home or in-home/relative provider.
- (4) Family home and in-home/relative providers must submit a claim for payment no later than twelve months after the date of service. "Submitting a claim for payment" means turning the original invoice in to DSHS for services no later than twelve months after the date of service. If the claim for payment is made within the twelve-month period, the time limits for correcting payment errors are:
 - (a) Two years back if the error is on rates paid by age and/or region, unless discovered by a federal audit. This means the provider has up to two years after the date of service to ask for a corrected payment; or
 - (b) Three years back if the error was for any other reason, including those discovered by a federal audit. This means the provider has up to three years after the date of service to ask for a corrected payment.

WAC 388-410-0001, What is a cash assistance overpayment?, states:

- (1) An overpayment is any cash assistance paid that is more than the assistance unit was eligible to receive.
- (2) There are two types of cash overpayments:
 - (a) Intentional overpayments, presumed to exist if you willfully or knowingly:
 - (i) Fail to report a change you must tell us about under WAC 388-418-0005 within the time frames under WAC 388-418-0007; or
 - (ii) Misstate or fail to reveal a fact affecting eligibility as specified in WAC 388-446-0001.
 - (b) Unintentional overpayments, which includes all other client-caused and all department-caused overpayments.
- (3) If you request a fair hearing and the fair hearing decision is in favor of the department, then:
 - (a) Some or all of the continued assistance you get before the fair hearing decision must be paid back to the department (see WAC 388-418-0020); and

- (b) The amount of assistance you must pay back will be limited to sixty days of assistance, starting with the day after the department receives your hearing request.
- (4) If you receive child support payments directly from the noncustodial parent, you must turn these payments over to the division of child support (DCS). These payments are not cash assistance overpayments.

2016-022

The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number: G1601WACCDF; G1501WACCDF; G1401WACCDF
Applicable Compliance Component: Special Tests and Provisions – Health and Safety Requirements
Known Questioned Cost Amount: \$1,882
Likely Questioned Costs Amount \$278,164

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development grant to assist eligible working families in paying for child care. In fiscal year 2016, the Department paid about \$184 million in federal funding to child care providers. Department is the lead agency responsible for ensuring providers meet licensing standards, which includes ensuring background checks are performed for all staff with direct access to children.

The Department conducts unannounced, annual onsite inspections of licensed providers to verify if required safety and health standards are being met and require providers to address any identified issues. Department licensors document inspections using a checklist. If a provider has no recent complaints or identified noncompliance, and has received a full checklist review in the past three years, an abbreviated checklist may be used. Otherwise, the licensor must use a full review checklist. When safety and health infractions are identified, licensors document them on a Facility Licensing Compliance Agreement (FLCA). The FLCA identifies the areas of provider non-compliance and establishes deadlines for correcting them. Providers must submit to their licensor a corrective action plan or resolution activity to the Department.

If an inspection was attempted but the provider was not present, the licensor must follow up and conduct the inspection within 30 days of the due date. If a follow-up inspection cannot be conducted, the licensor consults with their supervisor for a decision on conducting any further inspection attempts.

Common examples of noncompliance identified by licensors are:

- Providers that exceed the required staff-to-child ratios
- Providers that did not maintain accurate or complete attendance logs
- Provider supervision was not sufficient to ensure children’s safety
- Health and safety hazards

When serious safety and health violations are identified, licensors must conduct an unannounced re-check of the facility within 10 business days. Less serious non-compliance issues must be addressed within 30 days. If the provider does not resolve a noncompliance issue, the Department may impose sanctions, issue fines, or suspend or revoke the provider's license.

The Department conducts additional unannounced inspections for other reasons, including but not limited to:

- Complaints regarding health or safety
- Complaints of verbal, physical or sexual abuse (the Department refers these cases to DSHS Children's Administration)
- Complaints regarding non-reporting of accidents resulting in physical harm to a child
- Complaints regarding improper documentation of child care records

The Department is also required to ensure that license exempt childcare providers pass background checks upon becoming a provider, and at least every two years or when there is a 60-day gap in providing care.

Child care providers are required to self-report to the Department within 24 hours if they are convicted of a disqualifying crime.

In our fiscal year 2015 audit, we reported the Department did not have adequate internal controls over and did not comply with health and safety requirements. This was reported as finding number 2015-024.

Description of Condition

In state fiscal year 2016, the Department regulated 4,850 licensed providers. Department staff informed us that 842 (18 percent) of all licensed providers were overdue on their yearly inspections (licensors had attempted visits on 151 of those providers).

We used a statistical sampling method and randomly selected and reviewed records for 90 licensed providers to determine if monitoring inspections were conducted as required. We found:

- Twelve (13 percent) monitoring inspections were performed late by up to 22 months
- Six (7 percent) monitoring inspections were overdue and not conducted by June 30, 2016

We reviewed the provider's prior visit history to determine if the licensor used the appropriate monitoring checklist. We found 21 instances (23 percent) when licensors did not use the full inspection checklist as required. We also found that 10 providers did not have complete background check documentation for one or more staff members.

We examined the Department's response to serious violations documented during inspections and found 35 (39 percent) instances when violations of health, safety, and well-being of children were not followed up on within 10 days as required. Some examples of these serious violations were:

- Lack of background check documentation
- Inadequate supervision of children
- Use of inappropriate disciplinary methods
- Exceeding the maximum licensed capacity
- Exceeding the staff-to-child ratio
- General health and safety hazards to the children

We used a statistical sampling method and randomly selected 59 license-exempt providers and examined if background checks were performed as required. We found all background checks were performed properly. However, we identified one Friend, Family and Neighbor, a non-licensed provider, who committed a disqualifying crime and did not self-report. The Department detected this during a renewal background check, which was six months after the conviction occurred, and the individual was promptly disqualified.

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

Cause of Condition

The Statewide Licensing Administrator said the Department was unable to complete all licensing visits timely for the following reasons:

- Turnover of licensing staff
- Inconsistent application and enforcement of policies
- Some providers were inactive and not watching children at the time of the monitoring visit so no inspection could be done
- Some providers refused the licensor access

He also said the Department's statutes were not in alignment with active and inactive licensing status that would ensure licensors were able to conduct their inspections. Specifically, when a provider was repeatedly not available, was inactive or refused access to the licensor, the allowable sanctions were not sufficient to ensure timely compliance.

Management did not actively monitor to ensure licensors completed required monitoring and follow-up visits in a timely manner. Additionally, we found there were circumstances that required a follow-up visit; however, licensors accepted and relied on provider attestations in place of the onsite inspections to resolve issues.

After receiving the fiscal year 2015 finding, Department managers began to provide increased training for licensing supervisors to consistently apply and enforce internal policies. The Department has also begun to pursue additional methods to compel providers to allow licensors timely access.

Effect of Condition and Questioned Costs

The Department's activities resulted in inconsistent monitoring and enforcement actions for providers. When inspections are not conducted, or are conducted late, it increases the likelihood that the Department would not detect health and safety violations in a timely manner.

Further, we found that 15 inspection records (17 percent) we reviewed identified noncompliance with a health or safety issue that had also been identified as noncompliant in the prior inspection. By not following up on violations in a timely manner, the Department cannot be sure these issues have been corrected. Health and safety, supervision, background check, discipline, and over-capacity/over-ratio violations may put children in jeopardy for harm, neglect, and unhealthy emotional and cognitive development environments.

The provider who was not eligible to receive payment because of a disqualifying crime continued to receive payments because they did not self-report their own conviction. The provider received \$1,882 in improper payments with federal funds. Because a statistical sampling method was used to select the providers examined, we estimate the amount of likely questioned costs to be \$278,164.

Recommendations

We recommend the Department ensure staff follow policies related to health and safety requirements. This includes ensuring management oversight is sufficient to ensure compliance with state rules and policies and procedures and that childcare providers are meeting all applicable health and safety requirements.

We also recommend the Department attempt to recover the improper payments issued to the disqualified provider and to consult its grantor to determine which costs, if any, need to be repaid.

Agency's Response

The Department of Early Learning (DEL) concurs with this finding, and is strongly committed to ensuring the health, safety and well-being of all children in licensed care.

As to the Auditor's specific recommendations, DEL concurs and offers the following detail:

- *In response to last years audit, and effective June 2016, DEL has implemented new monitoring and compliance agreement policies and procedures to clarify language for the use of a full checklist every three years and to clarify when a site visit is needed and what methods of compliance can be used. The Department will continue to train Licensing staff on these new policies and procedures. In addition, DEL is working to rewrite all licensing policies and procedures to ensure that they align with current state and federal rules and regulations.*
- *In January 2017, DEL revised the boundaries of our four state licensing regions to be more efficient and effective at managing licensing staff requirements/workload.*
- *In April 2017, DEL will replace the current paper driven monitoring system with a new electronic system (WA COMPASS, built on the Salesforce platform) that will allow Licensing staff to make timely updates, improve data integrity, streamline staff work processes, and*

provide electronic reminders to licensing staff and supervisors. The new system will result in time savings we will reinvest in the higher caseload and additional state and federal licensing requirements.

- *WA COMPASS will provide electronic tools for tracking the 10 day health and safety rechecks currently required by policy and for automatically converting from an abbreviated checklist to a full checklist when criteria is met.*
- *Currently DEL is aligning Family Home and Child Care Center licensing rules in Washington Administrative Code (WAC). This alignment process is in response to the demands of the legislature and to the needs of the provider community.*
- *DEL will also be weighting all licensing standards. This will create an objective enforcement system that connects licensing infractions with the level of risk to children. DEL will ensure that enforcement of these rules is both timely and consistent. DEL will also provide more information and clarity about the risk level of each standard and the consequences for violations. This process is currently taking place and should be completed by end of March 2017.*
- *DEL will provide training to staff on both the new IT system and new weighted rules. Additionally, DEL will work to create a continuous training plan for licensing staff.*
- *DEL has created 5 new positions to address the new federal regulations requiring the Department to monitor non-relative family, friend and neighbor caregivers (FFN). DEL will meet these new requirements by the effective date of October 1, 2017.*
- *DEL's portable background unit will start processing FFN portable background checks effective July 1, 2017, pending approval from the FBI. We are in the process of transferring this responsibility from the Department of Social and Health Services.*
- *DEL will work with DSHS to process and collect the overpayment identified above.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance

requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

45 CFR section 98.40 Compliance with applicable State and local regulatory requirements, states:

(a) Lead Agencies shall:

- (1) Certify that they have in effect licensing requirements applicable to child care services provided within the area served by the Lead Agency;
- (2) Provide a detailed description of the requirements under paragraph (a)(1) of this section and of how they are effectively enforced.

(b) (1) This section does not prohibit a Lead Agency from imposing more stringent standards and licensing or regulatory requirements on child care providers of services for which assistance is provided under the CCDF than the standards or requirements imposed on other child care providers.

- (2) Any such additional requirements shall be consistent with the safeguards for parental choice in § 98.30(f).

45 CFR section 98.41 Health and safety requirements, states:

- (a) Although the Act specifically states it does not require the establishment of any new or additional requirements if existing requirements comply with the requirements of the statute, each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part. Such requirements shall include:
 - (1) The prevention and control of infectious diseases (including immunizations). With respect to immunizations, the following provisions apply:
 - (i) As part of their health and safety provisions in this area, States and Territories shall assure that children receiving services under the CCDF are age-appropriately immunized. Those health and safety provisions shall incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the respective State or territorial public health agency.
 - (ii) Notwithstanding paragraph (a)(1)(i) of this section, Lead Agencies may exempt:
 - (A) Children who are cared for by relatives (defined as grandparents, great grandparents, siblings (if living in a separate residence), aunts, and uncles);
 - (B) Children who receive care in their own homes;
 - (C) Children whose parents object to immunization on religious grounds; and
 - (D) Children whose medical condition contraindicates immunization;
 - (iii) Lead Agencies shall establish a grace period in which children can receive services while families are taking the necessary actions to comply with the immunization requirements;
 - (2) Building and physical premises safety; and
 - (3) Minimum health and safety training appropriate to the provider setting.
- (b) Lead Agencies may not set health and safety standards and requirements under paragraph (a) of this section that are inconsistent with the parental choice safeguards in § 98.30(f).
- (c) The requirements in paragraph (a) of this section shall apply to all providers of child care services for which assistance is provided under this part, within the area served by the Lead Agency, except the relatives specified in paragraph (e) of this section.
- (d) Each Lead Agency shall certify that procedures are in effect to ensure that child care providers of services for which assistance is provided under this part, within the area served by the Lead Agency, comply with all applicable State, local, or tribal health and safety requirements described in paragraph (a) of this section.
- (e) For the purposes of this section, the term “child care providers” does not include grandparents, great grandparents, siblings (if such providers live in a separate residence), aunts, or uncles, pursuant to § 98.2.

WAC 170-296A-0001, Authority, states:

The department of early learning was established under chapter 265, Laws of 2006. Chapter 43.215 RCW establishes the department's responsibility and authority to set and enforce licensing requirements and standards for licensed child care agencies in Washington state, including the authority to adopt rules to implement chapter 43.215 RCW.

WAC 170-296A-1410, Department inspection, states:

- (1) Prior to the department issuing a license, a department licensor must inspect the proposed indoor and outdoor spaces to be used for child care to verify compliance with the requirements of this chapter.
- (2) The licensee must grant reasonable access to the department licensor during the licensee's hours of operation for the purpose of announced or unannounced monitoring visits to inspect the indoor or outdoor licensed space to verify compliance with the requirements of this chapter.

WAC 170-296A-8000, Facility licensing compliance agreements, states:

At the department's discretion, when a licensee is in violation of this chapter or chapter 43.215 RCW, a facility licensing compliance agreement may be issued in lieu of the department taking enforcement action.

- (1) The facility licensing compliance agreement contains:
 - (a) A description of the violation and the rule or law that was violated;
 - (b) A statement from the licensee regarding the proposed plan to comply with the rule or law;
 - (c) The date the violation must be corrected;
 - (d) Information regarding other licensing action that may be imposed if compliance does not occur by the required date; and
 - (e) Signature of the licensor and licensee.
- (2) The licensee must return a copy of the completed facility license compliance agreement to the department by the date indicated when corrective action has been completed.
- (3) The licensee may request a supervisory review regarding the violation of rules or laws identified on the facility license compliance agreement.
- (4) A facility license compliance agreement is not subject to appeal under chapter 170-03 WAC.

WAC 170-296A-8025, Time period for correcting a violation, states:

The length of time the licensee has to make the corrections depends on:

- (1) The seriousness of the violation;
- (2) The potential threat to the health, safety and well-being of the children in care; and
- (3) The number of times the licensee has violated rules in this chapter or requirements under chapter 43.215 RCW.

WAC 170-296A-8175, Violations—Enforcement action, states:

The department may deny, suspend, revoke, or not continue a license when:

- (1) The licensee is unable to provide the required care for the children in a way that promotes their health, safety and well-being;
- (2) The licensee is disqualified under chapter 170-06 WAC (DEL background check rules);
- (3) The licensee or household member has been found to have committed child abuse or child neglect;

- (4) The licensee has been found to allow staff or household members to commit child abuse or child neglect;
- (5) The licensee has a current charge or conviction for a disqualifying crime under WAC 170-06-0120;
- (6) There is an allegation of child abuse or neglect against the licensee, staff, or household member;
- (7) The licensee fails to report to DSHS children's administration intake or law enforcement any instances of alleged child abuse or child neglect;
- (8) The licensee tries to obtain or keep a license by deceitful means, such as making false statements or leaving out important information on the application;
- (9) The licensee commits, permits or assists in an illegal act at the child care premises;
- (10) The licensee uses illegal drugs or alcohol in excess, or abuses prescription drugs;
- (11) The licensee knowingly allowed a staff or household member to make false statements on employment or background check application related to their suitability or competence to provide care;
- (12) The licensee fails to provide the required level of supervision for the children in care;
- (13) The licensee cares for more children than the maximum number stated on the license;
- (14) The licensee refuses to allow department authorized staff access during child care operating hours to:
 - (a) Requested information;
 - (b) The licensed space;
 - (c) Child, staff, or program files; or
 - (d) Staff or children in care.
- (15) The licensee is unable to manage the property, fiscal responsibilities or staff in the facility;
- (16) The licensee cares for children outside the ages stated on the license;
- (17) A staff person or a household member residing in the licensed home is disqualified under chapter 170-06 WAC (DEL background check rules);
- (18) The licensee, staff person, or household member residing in the licensed home has a current charge or conviction for a crime described in WAC 170-06-0120;
- (19) A household member residing in the licensed home had a license to care for children or vulnerable adults denied or revoked;
- (20) The licensee does not provide the required number of qualified staff to care for the children in attendance; or
- (21) The department is in receipt of information that the licensee has failed to comply with any requirement described in WAC 170-296A-1420.

WAC 170-297-1410, Department inspection, states:

- (1) Prior to the department issuing a license, a department licensor must inspect the proposed indoor and outdoor spaces to be used for child care to verify compliance with the requirements of this chapter.
- (2) Access must be granted to the department licensor during the child care hours of operation for the purpose of announced or unannounced monitoring visits to inspect the indoor or outdoor licensed space to verify compliance with the requirements of this chapter.

WAC 170-297-8000, Facility licensing compliance agreements, states:

At the department's discretion, when a licensee is in violation of this chapter or chapter 43.215 RCW, a facility licensing compliance agreement may be issued in lieu of the department taking enforcement action.

- (1) The facility licensing compliance agreement contains:
 - (a) A description of the violation and the rule or law that was violated;
 - (b) A statement from the licensee regarding the proposed plan to comply with the rule or law;
 - (c) The date the violation must be corrected;
 - (d) Information regarding other licensing action that may be imposed if compliance does not occur by the required date; and
 - (e) Signature of the licensor and licensee.
- (2) The licensee must return a copy of the completed facility license compliance agreement to the department by the date indicated when corrective action has been completed.
- (3) The licensee may request a supervisory review regarding the violation of rules or laws identified on the facility license compliance agreement.
- (4) A facility license compliance agreement is not subject to appeal under chapter 170-03 WAC.

WAC 170-297-8025, Time period for correcting a violation, states:

The length of time the program has to make the corrections depends on:

- (1) The seriousness of the violation;
- (2) The potential threat to the health, safety and well-being of the children in care; and
- (3) The number of times the program has violated rules in this chapter or requirements under chapter 43.215 RCW.

WAC 170-297-8175, Violations—Enforcement action, states:

The department may deny, suspend, revoke, or not continue a license when:

- (1) The licensee or program staff are unable to provide the required care for the children in a way that promotes their health, safety and well-being;
- (2) The licensee or program staff person is disqualified under chapter 170-06 WAC (DEL background check rules);
- (3) The licensee or program staff person has been found to have committed child abuse or child neglect;
- (4) The licensee has been found to allow program staff or volunteers to commit child abuse or child neglect;
- (5) The licensee or program staff person has a current charge or conviction for a disqualifying crime under WAC 170-06-0120;
- (6) There is an allegation of child abuse or neglect against the licensee, staff, or volunteer;
- (7) The licensee or program staff person fails to report to DSHS children's administration intake or law enforcement any instances of alleged child abuse or child neglect;
- (8) The licensee tries to obtain or keep a license by deceitful means, such as making false statements or leaving out important information on the application;

- (9) The licensee or a program staff person commits, permits or assists in an illegal act at the child care premises;
- (10) The licensee or a program staff person uses illegal drugs or alcohol in excess, or abuses prescription drugs;
- (11) The licensee knowingly allowed a program staff person or volunteer to make false statements on employment or background check application related to their suitability or competence to provide care;
- (12) The licensee does not provide the required number of qualified program staff to care for the children in attendance;
- (13) The licensee or program staff fails to provide the required level of supervision for the children in care;
- (14) When there are more children than the maximum number stated on the license at any one time;
- (15) The licensee or program staff refuses to allow department authorized staff access during child care operating hours to:
 - (a) Requested information;
 - (b) The licensed space;
 - (c) Child, staff, or program files; or
 - (d) Staff or children in care;
- (16) The licensee is unable to manage the property, fiscal responsibilities or staff in the facility; or
- (17) The licensee or program staff cares for children outside the ages stated on the license.

The Department of Early Learning Child Care Licensing Policies and Procedures, 10.1.3 Compliance Agreement Procedure state in part:

Completing the Compliance Agreement

1. The licensor must use 10.9.1.1 Compliance Agreement in ELF to record noncompliance issues. If the technology equipment is not working, then the licensor will use the hardcopy 10.9.1.1 Compliance Agreement form.
7. If there is an immediate health and safety issue, the issue will be corrected immediately or as soon as possible to ensure child safety but no later than 10 business days to ensure child health and safety.

Monitoring the Compliance Agreement

10. The licensor must monitor the compliance agreement based on the nature and severity of WAC violations.
11. The licensor must make a site visit within 10 business days to verify correction of licensing non-compliance that could immediately impact the health, safety and well-being of children in care. The site visit must be documented in FamLink using the health and safety re-check code. The licensor must request supervisor approval if unable to meet this time frame and this must be documented in FamLink provider notes. Examples may include but are not limited to:
 - a. Health and safety hazards
 - b. Behavior management
 - c. Supervision

- d. Staff/child interaction
 - e. Group size/capacity
 - f. Medication management
 - g. Nap and sleep equipment to include SIDS prevention
 - h. Window blind cords that form a loop
12. If the noncompliance issues do not immediately impact the health, safety and well-being of children in care, written verification in lieu of a site visit may be used to verify compliance. Examples may include but are not limited to:
- a. Menu posting
 - b. Documentation of activity program
 - c. Supplies verified with receipt
 - d. Changes to parent communication
 - e. Staff development and training records
 - f. Health Care Plan
 - g. Fire Drill record

2016-023

The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Number: G1601WACCDF, G1501WACCDF, G1401WACCDF
Applicable Compliance Component: Eligibility
Known Questioned Cost Amount: \$18,882
Likely Questioned Cost Amount: \$102,972,489

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development grant (CCDF) to assist eligible working families in paying for child care. The Department of Social and Health Services (DSHS) determines client eligibility and pays child care providers under an agreement with DEL. In fiscal year 2016, the Departments paid child-care providers about \$184 million in federal grant funds.

For a family to be eligible for child care assistance, state and federal rules require that children:

- Be under age 13 (with some exceptions)
- Reside with a family whose income does not exceed 85 percent of state, territorial or tribal median income for a family of the same size; and
- Reside with a parent, or parents, who work or attend a job-training or education program; or are in need of, or are receiving, protective services.

State rules also describe the information that clients (consumers) must provide to DSHS to verify their eligibility. Within 30 days, DSHS must complete the eligibility determinations, or the application process must be restarted. The information must be from a reliable source, accurate, complete and consistent. This includes, but is not limited to, employer and hourly wage information, family household size and composition, and the parents' work schedules. DSHS also has direct access to systems that contain wage and household benefit and composition data for some, but not all child care recipients.

If an ineligible client receives assistance, the payment made to the child-care provider is not allowable by federal regulations.

In the past four annual statewide single audits for Washington, we reported in findings that DSHS did not have adequate internal controls over the eligibility process for child care subsidy recipients. These were reported as finding numbers 2015-026, 2014-026, 2013-017 and 12-30. The federal grantor had agreed with our 2012, 2013 and 2014 findings. The grantor has not issued its decision on the 2015

finding. In the 2015 state fiscal year audit, we identified \$12,967 in known questioned costs and \$22,680,872 in likely questioned costs related to eligibility determinations — DSHS responded that it does not agree with the identified conditions.

Description of Condition

DSHS has not established adequate internal controls to ensure it correctly determines and documents client eligibility before payments are made to child-care providers.

We found:

- In most cases, a DSHS caseworker processes client eligibility information and authorizes services without a secondary review or approval.
- Caseworkers can authorize services in DSHS’s eligibility system without verifying client household income or employment activity.
- Caseworkers who establish authorizations for child care can also make changes to increase these authorizations to exceed full-time care without supervisory review.

DSHS reviewed about 4 percent of open authorizations for child care eligibility determinations. It also performed a post payment review of about 2.5 percent of payments. These reviews did not provide adequate coverage to compensate for the internal control weaknesses and prevent improper payments. As part of these reviews, DSHS identified incorrect eligibility determinations regarding parent income, authorizations, co-payments, and missing or incomplete documentation.

For authorizations requiring more than standard full-time care, DSHS policy requires staff to use a special authorization code. The code does not become active until a supervisor has reviewed and approved the request. The system, however, allows a worker to authorize additional care without using the special code, thereby avoiding supervisory approval.

We randomly selected and examined the eligibility determinations of 86 clients, for whom 86 payments totaling \$33,712 in CCDF federal funds were made to child care providers. In 50 instances (58 percent), we found eligibility determinations were made improperly, required documentation was not obtained or information was not verified by DSHS before services were authorized.

Specifically, we found:

- 11 clients were determined eligible, but either did not participate in an approved activity or DSHS did not verify their participation
- 33 clients were determined eligible when work schedules were not verified, or when schedules were accepted but not supported by adequate information
- 14 clients were determined eligible when employment information was not verified, or information was accepted but not supported by adequate documentation
- 19 clients were determined eligible when wage information was not verified, or information was accepted but not supported by adequate information. Seven of these clients exceeded the maximum income limit
- 3 self-employed clients’ cases received improper self-employment eligibility determinations

- 12 instances when DSHS did not establish the client’s complete household composition. Eight of these cases resulted in improper head of household eligibility determinations and client ineligibility.

For some clients, more than one issue occurred, which is why the total numbers described in the bullets do not reconcile to 50 client files we determined to have exceptions.

During our examination of client case files, we also found:

- An incorrect calculation of monthly client co-pay, resulting in an overpayment
- Eligibility staff did not always review three months of gross income when determining or re-determining continued eligibility on cases with existing employment
- Instances when staff noted they compared wage earnings to other systems, but when we independently reviewed the earnings, we found the client was ineligible

For state fiscal years 2015 and 2016, DSHS reported to DEL the common errors identified during DSHS audits and reviews of client cases. The common errors related to eligibility were incorrect income budgeting, incorrect authorizations for clients, improper co-payment calculation, and missing or incomplete documentation — many of the same issues identified in our audit. Reports for both years identified significant overpayments and high error rates.

To address the trends, DSHS identified changes it was making to help improve accuracy in the future. The 2016 summary identified the same four error trends and proposed the same changes as the 2015 report.

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

Cause of Condition

DSHS staff made eligibility determinations that conflicted with state regulations and the federally approved state plan for the program. When we discussed staff not fully verifying eligibility within the 30-day limit, DSHS referenced DEL’s policy manual stating that income verification could be performed after the 30-day period. State regulations and the approved state plan require these verifications to be performed within 30 days, and state regulations require the client to reapply for the program if eligibility verification is not complete after 30 days.

Other incorrect eligibility determinations resulted from required documents, such as three months of wage information or work schedule, not being collected before approving and authorizing child care. In some instances, documents were never collected. In many instances, DSHS accepted client self-attestations of critical information, such as working schedules and actual earnings, instead of collecting and verifying required documentation.

DSHS’s eligibility system is designed with an alert function that reminds staff when an issue is outstanding and needs to be addressed. The alerts can be dismissed without confirming outstanding issues were addressed. Alerts in the eligibility system were dismissed and confirmed as completed by staff when our testing found that required documents were not documented in the client’s case file.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, DSHS is at a higher risk of paying providers for child-care services when clients are ineligible.

For the 50 client eligibility determinations with errors, we found improper client eligibility determinations resulted in \$18,882 of federal overpayments to providers. Of this amount, \$10,248 was paid to clients we determined were ineligible while the remaining \$8,634 was paid to clients that DSHS did not collect the required documentation to determine whether they were eligible or not. We used a statistical sampling method to randomly select the payments examined in the audit. We estimate the amount of likely federal questioned costs to be \$102,972,489.

Further, many of the improper payments were partially funded by state dollars. Specifically, we found \$6,643 of improper state payments, which projects to a likely improper payment amount of \$35,833,962. This amount is not included in the federal questioned costs.

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

Recommendations

We recommend DSHS improve its internal controls over determining eligibility to ensure:

- Authorizations for child care are adequately supported with verified documentation
- Eligibility determinations are reviewed sufficiently to detect improper eligibility determinations
- Segregation of duties between staff that determine eligibility and authorize payments
- Employees review client eligibility documents and compare those documents with source data available to DSHS staff

We also recommend that DSHS and DEL improve the current review process to cover a larger population of authorized payments to ensure eligibility is properly determined before making payments.

Agency's Response

Both DSHS and DEL have provided responses to this finding.

DSHS Response

The Department of Social and Health Services appreciates, acknowledges and supports the State Auditor's Office's (SAO) mission, which is to hold state and local governments accountable for the use of public resources.

The Department partially concurs with the overall findings of the State Auditor's Office. To that end, the Department will enact major changes to improve our internal controls over determining eligibility. To appropriately and effectively initiate and implement these substantial changes, while minimizing

impact to our clients, the Department will seek 25 additional full-time employees and necessary resources to staff the business-process redesign and support the information technology initiatives necessary to improve our internal controls.

The Department also notes that even if we immediately implement changes that fully resolve the audit findings, given that we are currently about three quarters of the way through the SFY17 audit period (which spans July 1, 2016 – June 30, 2017), we won't see the full benefit of our corrective actions until the State Fiscal Year 2018 audit (which will span the period of July 1, 2017 – June 30, 2018). It is likely that we will see similar findings in the SFY17 audit.

The Department would also like to share our concerns regarding the SAO's sampling methodology and the associated extrapolation of questioned costs. The SAO elected to employ a non-statistical sampling methodology to estimate noncompliance and total questionable costs sampling only 86 payments from the universe of 569,633 payment records. The method of sample size estimation selected would be appropriate for audit purposes of identifying at least one instance of questionable costs in a target population, but the method is inadequate to support extrapolation of questionable costs. The inappropriately small sample size does not provide precise estimates of the actual amount of questionable costs in the larger population. The Department requests, for future large-scale projections, that the SAO utilize a larger, statistically valid sample size, therefore lending better credibility to the associated results.

Exception Reviews

*Of the 50 exceptions cited, the Department **concur**s that we did not comply with eligibility requirements for 26 exceptions. Within these 26 exceptions, however, our further review indicates that minor procedural errors had no effect on seven of these exceptions - we accurately determined eligibility resulting in no overpayments for the clients. The Department **does not** concur that we did not comply with eligibility requirements for 24 exceptions. The Department of Early Learning (DEL) supports DSHS in this assertion. Of the 24 exceptions for which DSHS does not concur, the disagreement centers on two primary policy interpretations:*

- (1) **Accepting client's self-attestation of work schedule.** The SAO states that an employer must always verify work schedules, but state rule (WAC 170-290-0012) requires third-party schedule verification only if questionable. Furthermore, SAO states client self-attestation is always questionable, while DEL policy and DSHS procedures assert that client attestation is questionable only when wage, employment or other available information contradicts it under WAC 170-290-0012.*
- (2) **Allowing a client 60 days to verify wages on new/changed employment.** The SAO states this verification must be done within the first 30 days of application, and before payment is authorized to providers. However, DEL rules support the 60-day verification practice, and WAC 170-290-0095 was recently updated to specifically provide clients with new or changed employment a 60-day window to supply employment verification.*

The U.S. Department of Health and Human Services, Administration for Children and Families (HHS/ACF) encourages states to adopt family-friendly policies (see 45 CFR Part 98) in determining

child care subsidy eligibility. DEL has embraced this philosophy and highlighted two examples in the FY2016-18 CCDF Washington State Plan to illustrate how they are meeting the federal requirements:

- (1) Allowing self-attestation of work schedules (pg. 89); and*
- (2) Allowing 60 days for verification of new employment (pg. 73).*

The federal government approved this plan. HHS/ACF, DSHS, and DEL are moving forward with these family-friendly policies. The SAO indicated verbally during a meeting that this shift in philosophy, policy, and procedure is not in accord with federal regulations regarding allowable costs.

For the 26 exceptions for which we agree with, we are thoroughly reviewing the cases to determine if an overpayment is appropriate. As of February 28, 2017, the Department's review of the exceptions indicate one situation of likely fraud (client's failure to accurately report household composition), 18 cases where an overpayment occurred and seven where it did not (we agree we were not in compliance due to minor procedural errors, however, we correctly determined eligibility and the client did not incur an overpayment). The Department referred the fraud case for prosecution and the overpayment to the Office of Financial Recovery for collection.

SAO Description of Weakness – *In most cases, a DSHS caseworker processes client eligibility information and authorizes services without a secondary review or approval.*

Child care program policy, as established and maintained by DEL, does not require secondary review or approval when determining eligibility and authorizing benefits and payment. However, DSHS continues to employ the following controls to ensure child care subsidy payment authorizations are made correctly:

- A supervisory review is required for payment requests that exceed certain parameters. The supervisor reviews the need for the additional payment and either approves the payment by submitting the authorization to SSPS or denies the payment if the consumer is not eligible. All special authorizations require supervisor review for approval.*
- New employees have 100 percent of their work audited by lead workers until they achieve proficiency; these reviews may be conducted either pre or post-authorization.*

The Department agrees that a procedural separation of duties between eligibility determination and authorization could increase the integrity of the program. To that end, the Department is initiating the IT requirements gathering process to support changes that will separate eligibility determination from the authorization process. This will require changes to procedures, staffing levels, staff training, and IT systems that will require some time to implement.

The Department's IT systems span multiple agencies, and system changes, even critical ones, must be reviewed, approved, and scheduled in a manner that minimizes delays and disruption to other previously scheduled, mission-critical changes.

SAO Description of Weakness: *DSHS reviews about four percent of open authorizations for child care eligibility determinations, which does not provide adequate coverage to compensate for the internal control weaknesses to prevent improper payments.*

Following last year's audit recommendation, the Department increased the percentage reviewed of open authorizations that were prior to payment from one to four percent. In addition, the Department reviewed 5.4 percent of open authorizations that were post-payment, and CSD Supervisors reviewed 0.9 percent of all open child care cases in SFY16.

SAO Description of Weakness – *Caseworkers can authorize services in the Department's eligibility system without verifying client household income or employment activity.*

Washington Administrative Code, established and maintained by DEL, requires workers to request verification if not provided by the consumer. Eligibility workers must verify a consumer's activity and income prior to making eligibility determinations. Staff training curricula reinforce these requirements. DEL WAC 170-290-0012 requires a consumer to provide verification of employment or employment activity including income, hours of work and work schedule to receive childcare subsidy payments, however, if a consumer does not provide all of the verification requested, DEL WAC (WAC 170-290-0012(7)) directs DSHS to determine eligibility based on the information provided to DSHS.

SAO Description of Weakness – *Caseworkers who establish authorizations for child care can also make changes to increase these authorizations to exceed full time care without supervisory review.*

It is true that caseworkers have access to create authorizations, including those that exceed full time care, without supervisory review. This is consistent with child care program policy, established and maintained by DEL, which allows staff to approve benefits, authorize payment and make changes to authorizations without supervisory approval. The Department has consistent monitoring protocols to maintain payment integrity including:

- A separation of duties protocol that does not allow a staff member who activates a license-exempt provider to make any authorizations for that provider.*
- Staff activating or reactivating a provider's SSPS number are electronically linked to that provider number and are not able to create or alter authorizations on behalf of that provider number. The activation of a license-exempt provider's file occurs when the provider's SSPS number is created, and reactivation occurs when the provider has had no payment authorizations for the previous 90 days. Staff must manually activate, or reactivate, a license-exempt provider's SSPS number prior to authorizations/payments being submitted through SSPS.*

SAO Cause of Weakness – *DSHS staff made eligibility determinations that conflicted with state regulations and the federally approved state plan for the program. When we discussed staff not fully verifying eligibility within the 30-day limit, the Department asserted that income verification could be performed after the 30-day period. State regulations and the approved state plan require these verifications to be performed within 30 days and state regulations require the client to reapply for the program if eligibility verification is not complete after 30 days.*

Other incorrect eligibility determinations were a result of required documents, such as current wage stubs or work schedule, not being collected before approving and authorizing child care. In some instances, documents were never collected. In many instances, the Department accepted client self-attestations of critical information, such as working schedules and actual earnings, instead of collecting and verifying required documentation.

The SAO notes that the SFY 2014-2015 Washington State CCDF Plan did not specifically authorize self-attestation and 60-day verification. However, because the federal funder specifically provides flexibility for States to make changes to their state plans (as described below), DSHS and DEL disagree with the SAO position that the lack of specific mention of these policies is evidence of federal disapproval. DEL made policy changes within their authority during the period, and the subsequent state plan documented them.

The approved Washington State CCDF Plan states that child care “eligibility rules and policies are set by the State”. Both DEL and DSHS interpret this to mean that DEL has the authority to set the rules and policies for child care subsidy programs. This interpretation is supported by Public Law 113-186 (19 Nov 2014), the reauthorization of the Child Care and Development Block Grant, which states as its purpose: “To allow each state maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within that state.”

The Code of Federal Regulations, 45 CFR 98.18 (b) advises that states may make changes to their state plans during the period they are in effect and that an amendment to an approved state plan needs federal review and approval only if it is a “substantial change.” This flexibility is reiterated in a June 27, 2016 letter from Rachel Schumacher, Director, Office of Child Care, to Ross Hunter, Director DEL approving the FY 2016-2018 Washington State Plan.

To address SAO findings from SWSA 2015, DEL clarified policy around verification. These policies were ratified by federal approval of the CCDF state plan. The Federal Office of Child Care approved the plan on June 27, 2016, but made it effective as of March 1, 2016. The revised state plan addresses schedules and new employment as follows:

- *Schedules*
On April 15, 2016, DEL revised WAC 170-290-0012 removing section (d) which referenced obtaining “work, school, or training schedule.” To further support these changes, DEL created WAC 170-290-0014 to outline information that must be verified before making a payment to a provider. The rule specifically allows for self-attestation of work schedule.
- *New Employment*
On July 1, 2016, DEL revised WAC 170-290-0095 and included language in section (a) to allow 60 days for verification of new employment. DEL made this revision specifically to address SWSA15/CCDF finding. Prior to that time, the WAC was silent on this issue.

SAO Cause of Weakness – *The Department’s eligibility system is designed with an alert function that reminds staff when an issue is outstanding and needs to be addressed. The alerts can be dismissed without confirming outstanding issues were addressed. Alerts in the Department’s eligibility system were dismissed and confirmed as completed by staff when our testing found that required documents were not documented in the client’s case file.*

DSHS concurs that alerts can be dismissed without confirming outstanding issues have been addressed. All financial service specialist staff, whether they work in child care or for the other CSD programs, are trained to process electronic alerts and to take appropriate action to address the outstanding issues. The system is programmed to show the date/time alerts are completed and by whom. CSD identifies and reviews error trends and addresses these through system changes or

additional staff training. The Department acknowledges this weakness and will evaluate and implement appropriate, effective ways to mitigate the weakness.

DSHS Initiatives in Response to Finding

DSHS acknowledges there is a potential for fraud when eligibility determination and payment authorization are both completed by the same worker, due to a lack of checks and balances. DSHS will move forward with IT and staffing changes needed for complete segregation of duties between eligibility determinations and authorization of payments. In addition, beginning October 1, 2017 DEL staff will approve and maintain Family Friends or Neighbor (FFN) provider information, segregating a part of the approval process for these licensed-exempt providers where the potential of fraud and errors has historically been above average.

The Department will increase internal controls and implement pre-authorization reviews and a secondary review process by:

- Pursuing changes in child care subsidy procedures that would require pre-authorization review of high cost and high-risk cases. Doing this will require changes to procedures, staffing levels, staff training, and IT systems that may require some time to implement.*
- Implementing a secondary review by the DSHS/ESA Division of Program Integrity (DPI). DPI will model this review process after the process used for SNAP, in which we have an exceptionally high accuracy rate.*
- Taking the findings from these and other child care reviews, and identify and recommend new areas for improvement.*

The Department will also pursue system enhancements to the Working Connections Automated Program (WCAP) that will actively alert a worker when the household composition in WCAP is different from the household composition for other DSHS-administered programs. This will ensure workers are reviewing and assessing all available information prior to making an eligibility determination.

DEL Response

DEL concurs with this finding and recommendations, with significant concerns outlined below, and in collaboration with DSHS, will prioritize improving internal controls on eligibility determinations. DEL will adopt rules and policy changes simplifying and clarifying eligibility determination and authorization to prevent error. DEL supports the commitment by DSHS to increase the frequency of eligibility determination management reviews, segregate eligibility determination and payment authorization duties, implement pre-authorization reviews and a secondary review process, and implement system enhancements to automatically alert workers when source data available to staff contradicts client attested household composition information.

While concurring with the finding and recommendations, DEL has significant concerns with the sample the Auditor used, the extrapolation of exceptions found in the sample to the larger population served by the program, and the Auditor's application of relevant legal authority regarding client self-attestation to determine exceptions in specific cases.

DEL acknowledges there is a potential for fraud when eligibility determination and payment authorization are both completed by the same worker. DEL supports the commitment by DSHS to move forward with IT and staffing changes needed for complete segregation of duties between eligibility determinations and authorization of payments. Finally, DEL supports DSHS' commitment to continue existing monitoring protocols to maintain payment integrity.

By October 1, 2017, DEL will amend sections of Chapter 170-290 WAC and align supporting guidance and documentation to simplify and clarify eligibility determination and payment authorization within the bounds of federal and state law and regulations. DSHS will implement these changes to ensure eligibility determinations and authorizations are adequately supported.

Specific rules and policy changes will include the following:

- 1. Model household composition determination requirements after those for the Supplemental Nutrition Assistance Program (SNAP). Specify that questionable client statements of household composition must be supported with additional third party verification, and specify acceptable forms of documentation and timelines for receipt.*
- 2. Clearly define "new employment" so that client attestation of income for the first 60 days of new employment is unambiguous.*
- 3. Eliminate the requirement to use three months of wages for income determination. Provide flexibility in income counting rules and income verification requirements to allow use of income documentation that most accurately reflects the consumer's economic situation and allows income eligibility determination to be completed.*
- 4. Standardize authorization amounts for all families, including those with parents participating in approved activities full time (110 or more hours per month) and part time (less than 110 hours per month), for traditional, non-traditional, and variable working schedules, and for school-age and non-school-age children, across all provider types. Clarify and simplify rules and policy as to how parent and child schedules may impact the authorization.*
- 5. Clarify rules and policy regarding working schedules to specify circumstances where schedule information and third party verification as to specific days and hours worked may be required. Specify acceptable forms of documentation and timelines for receipt.*
- 6. Create rules and policy describing consequences for client and provider intentional program violations, including potential ineligibility for client benefits and provider payment. Intentional program violations in this context will be defined in rule and will likely include intentional acts that knowingly result in an unallowable payment but that do not involve misrepresentation (fraud).*

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. We are pleased that DEL, the administrator of the grant, concurred with this finding and that DSHS committed to enacting major changes over internal controls.

We would, however, like to address some of the Departments' concerns, starting with our sampling methodology and extrapolation of costs. DSHS states we chose to employ a non-statistical sampling method. This is not correct. A statistical sample for audit purposes is defined by AU-C 530.05 as "An

approach to sampling that has the following characteristics: (a) random selection of the sample items; (b) the use of an appropriate statistical technique to evaluate sample results, including measurement of sampling risk.” Our sampling methodology meets these criteria.

It is important to note that the sampling technique we used is intended to match our audit opinion by determining whether or not expenditures were in compliance with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide 99% confidence of whether exceptions were above our materiality threshold. This conclusion is reflected in our audit report and finding. However, the likely questioned costs projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3).

To ensure a representative sample, we stratified the population by dollar amount and extrapolated the results by strata. Once we completed testing, we evaluated our results compared to other audit evidence and found it to be consistent. For example, we compared our results to the results of the audit last year and also to other work performed on this program this year and found them to be consistent. We also compared results to DSHS’s own internal audit results and found them to be consistent and that many of the recurring errors they identified internally were the same as our audit identified.

Upon receiving the Departments’ audit finding responses we requested any evidence DSHS had that our estimate of likely questioned costs was incorrect. DSHS provided documentation showing their research and rationale supporting an alternate type of statistical sampling, but did not provide any evidence that our projections were inaccurate. It has not disputed the nature of the identified exceptions or the audit work itself but only the reliability of the projected likely questioned costs. While our sample was appropriately representative and provided statistically valid evidence at 99 percent confidence of our conclusion regarding material noncompliance, we can agree with DSHS that the sample was only designed to determine that likely questioned costs were material to the program. A much larger sample size would be needed to achieve a similar confidence level about the precise amount of likely questioned costs. For this reason, it may not be sufficient to conclude on the precise amount of questioned costs for purposes of determining a repayment amount to the grantor. We encourage DSHS to work with the granting agency to address their concerns in this regard.

DSHS states it disagrees with 24 of the 50 exceptions cited due to two primary policy interpretations, accepting client’s self-attestation of work schedule and allowing a client 60 days to verify wages on new/changed employment. It is important to note that all payments tested for the audit period were issued no later than June 2016, and were for services rendered in May 2016 or earlier. This is important because DEL requested an extension to operate under the 2013-2015 approved state plan until May of 2016. The 2016 state plan was approved by the Health and Human Services Administration for Children and Families to be in effect as of June 1, 2016, not March 1, 2016 as DSHS has asserted. None of the eligibility determinations we tested were made after the new state plan was in effect. Additionally, the new approved state plan still does not allow for 60 day verification of new employment (page 74 of the new plan). We did confirm the language allowing self-attestation of work schedules but since the new state plan was not in effect when any of the tested claimants were determined to be eligible for the program, it was not relevant to this audit, but will be considered next year.

It is also important to note that of the 24 exceptions DSHS does not concur about, only eight were exceptions solely because of a lack of work schedule being confirmed and DSHS concurred with two of those during the audit. Additionally, there were no questioned costs identified solely for exceeding the 30 day requirement in this finding.

DSHS also asserts that DEL is allowed to make changes to the plan without approval, unless they are substantial changes. We believe that the decision to go from requiring documentation supporting a client's work schedule to a system of self-attestation is a substantial change. Not collecting documentation to support a client's eligibility is not in line with standard federal expectations for establishing eligibility and we therefore believe the federal grantor would have to specifically approve such a policy.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

45 CFR 98.20 A child's eligibility for child care services, states:

- (a) In order to be eligible for services under § 98.50, a child shall:
 - (1) (i) Be under 13 years of age; or,
 - (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;
 - (2) Reside with a family whose income does not exceed 85 percent of the State's median income for a family of the same size; and
 - (3) (i) Reside with a parent or parents (as defined in § 98.2) who are working or attending a job training or educational program; or
 - (ii) Receive, or need to receive, protective services and reside with a parent or parents (as defined in § 98.2) other than the parent(s) described in paragraph (a)(3)(i) of this section.
 - (A) At grantee option, the requirements in paragraph (a)(2) of this section and in § 98.42 may be waived for families eligible for child care pursuant to this paragraph, if determined to be necessary on a case-by-case basis by, or in consultation with, an appropriate protective services worker.
 - (B) At grantee option, the provisions in (A) apply to children in foster care when defined in the Plan, pursuant to § 98.16(f)(7).
- (b) Pursuant to § 98.16(g)(5), a grantee or other administering agency may establish eligibility conditions or priority rules in addition to those specified in this section and §98.44 so long as they do not:
 - (1) Discriminate against children on the basis of race, national origin, ethnic background, sex, religious affiliation, or disability;
 - (2) Limit parental rights provided under Subpart D; or
 - (3) Violate the provisions of this section, § 98.44, or the Plan. In particular, such conditions or priority rules may not be based on a parent's preference for a category of care or type of provider. In addition, such additional conditions or rules may not be based on a parent's choice of a child care certificate.

WAC 170-290-0005 Eligibility, states:

- (1) Parents. To be eligible for WCCC, the person applying for benefits must:
 - (a) Have parental control of one or more eligible children;
 - (b) Live in the state of Washington;
 - (c) Be the child's:
 - (i) Parent, either biological or adopted;
 - (ii) Stepparent;
 - (iii) Legal guardian verified by a legal or court document;
 - (iv) Adult sibling or step-sibling;
 - (v) Nephew or niece;
 - (vi) Aunt;
 - (vii) Uncle;
 - (viii) Grandparent;
 - (ix) Any of the relatives in (c)(vi), (vii), or (viii) of this subsection with the prefix "great," such as great-aunt; or
 - (x) An approved in loco parentis custodian responsible for exercising day-to-day care and control of the child and who is not related to the child as described above;
 - (d) Participate in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050, or have been approved per WAC 170-290-0055;
 - (e) Comply with any special circumstances that might affect WCCC eligibility under WAC 170-290-0020;
 - (f) Have countable income at or below two hundred percent of the federal poverty guidelines (FPG). The consumer's eligibility shall end if the consumer's countable income is greater than two hundred percent of the FPG;
 - (g) Not have a monthly copayment that is higher than the state will pay for all eligible children in care;
 - (h) Complete the WCCC application and DSHS verification process regardless of other program benefits or services received; and
 - (i) Meet eligibility requirements for WCCC described in Part II of this chapter.
- (2) Children. To be eligible for WCCC, the child must:
 - (a) Belong to one of the following groups as defined in WAC 388-424-0001:
 - (i) A U.S. citizen;
 - (ii) A U.S. national;
 - (iii) A qualified alien; or
 - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;
 - (b) Live in Washington state, and be:
 - (i) Less than age thirteen; or
 - (ii) Less than age nineteen, and:
 - (A) Have a verified special need, according WAC 170-290-0220; or
 - (B) Be under court supervision.

WAC 170-290-0012 Verifying consumers' information, states:

- (1) A consumer must complete the DSHS application for WCCC benefits and provide all required information to DSHS to determine eligibility when:
 - (a) The consumer initially applies for benefits; or
 - (b) The consumer reapplies for benefits.
- (2) A consumer must provide verification to DSHS to determine if he or she continues to qualify for benefits during his or her eligibility period when there is a change of circumstances under WAC 170-290-0031.
- (3) All verification that is provided to DSHS must:
 - (a) Clearly relate to the information DSHS is requesting;
 - (b) Be from a reliable source; and
 - (c) Be accurate, complete, and consistent.
- (4) If DSHS has reasonable cause to believe that the information is inconsistent, conflicting or outdated, DSHS may:
 - (a) Ask the consumer to provide DSHS with more verification or provide a collateral contact (a "collateral contact" is a statement from someone outside of the consumer's residence that knows the consumer's situation); or
 - (b) Send an investigator from the DSHS office of fraud and accountability (OFA) to make an unannounced visit to the consumer's home to verify the consumer's circumstances. See WAC 170-290-0025(9).
- (5) The verification that the consumer gives to DSHS includes, but is not limited to, the following:
 - (a) A current WorkFirst IRP for consumers receiving TANF;
 - (b) Employer name, address, and phone number;
 - (c) State business registration and license, if self-employed;
 - (d) Work, school, or training schedule (when requesting child care for non-TANF activities);
 - (e) Hourly wage or salary;
 - (f) Either the:
 - (i) Gross income for the last three months;
 - (ii) Federal income tax return for the preceding calendar year; or
 - (iii) DSHS employment verification form;
 - (g) Monthly unearned income the consumer receives, such as child support or supplemental security income (SSI) benefits;
 - (h) If the other parent is in the household, the same information for them;
 - (i) Proof that the child belongs to one of the following groups as defined in WAC 388-424-0001:
 - (i) A U.S. citizen;
 - (ii) A U.S. national;
 - (iii) A qualified alien; or
 - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005;
 - (j) Name and phone number of the licensed child care provider; and
 - (k) For the in-home/relative child care provider, a:
 - (i) Completed and signed criminal background check form;

- (ii) Legible copy of the proposed provider's photo identification, such as a driver's license, Washington state identification, or passport;
 - (iii) Legible copy of the proposed providers' valid Social Security card; and
 - (iv) All other information required by WAC 170-290-0135.
- (6) If DSHS requires verification from a consumer that costs money, DSHS must pay for the consumer's reasonable costs.
 - (7) DSHS does not pay for a self-employed consumer's state business registration or license, which is a cost of doing business.
 - (8) If a consumer does not provide all of the verification requested, DSHS will determine if a consumer is eligible based information already available to DSHS.

WAC 170-290-0020 Eligibility—Special circumstances, states:

- (1) Child care provided at the consumer's place of work. A consumer is not eligible for WCCC benefits for his or her children when child care is provided at the same location where the consumer works.
- (2) Consumer's child care employment.
 - (a) A consumer may be eligible for WCCC benefits during the time she or he works in a child care center but does not provide direct care in the same classroom to his or her children during work hours.
 - (b) A consumer is not eligible for WCCC benefits during the time she or he works in a family home child care where his or her children are also receiving subsidized child care.
 - (c) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits may not receive those benefits for their own children during the hours in which they provide subsidized child care.
 - (d) A child care provider who receives TANF benefits on behalf of a dependent child may not bill the state for subsidized child care for that same child.
- (3) Two-parent family.
 - (a) A consumer may be eligible for WCCC if he or she is a parent in a two-parent family and one parent is not able or available as defined in WAC 170-290-0003 to provide care for the children while the other parent is working or participating in approved activities.
 - (b) If a consumer claims one parent is not able to care for the children the consumer must provide written documentation from a licensed professional (see WAC 388-448-0020) that states the:
 - (i) Reason the parent is not able to care for the children;
 - (ii) Expected duration and severity of the condition that keeps the parent from caring for the children; and
 - (iii) Treatment plan if the parent is expected to improve enough to be able to care for the children. The parent must provide evidence from a medical professional showing he or she is cooperating with treatment and is still not able to care for the children.
- (4) Single-parent family. A consumer is not eligible for WCCC benefits when he or she is the only parent in the family and will be away from the home for more than thirty days in a row.

- (5) Legal guardians.
 - (a) A legal guardian under WAC 170-290-0005 may receive WCCC benefits for his or her work or approved activities without his or her spouse or live-in partner's availability to provide care being considered unless his or her spouse or live-in partner is also named on the permanent custody order.
 - (b) Eligibility for WCCC benefits is based on the consumer's work or approved activities schedule, the child's need for care, and the child's income eligibility and family size of one.
 - (c) The consumer's spouse or live-in partner is not eligible to receive subsidized child care payments as a child care provider for the child.
- (6) In loco parentis custodians.
 - (a) An in loco parentis custodian may be eligible for WCCC benefits when he or she cares for an eligible child in the absence of the child's legal guardian or biological, adoptive or step-parents.
 - (b) An in loco parentis custodian who is not related to the child as described in WAC 170-290-0005(1) may be eligible for WCCC benefits if he or she has:
 - (i) A written, signed agreement between the parent and the caregiver assuming custodial responsibility; or
 - (ii) Receives a TANF grant on behalf of the eligible child.
 - (c) Eligibility for WCCC benefits is based on his or her work schedule, the child's need for care, and the child's income eligibility and family size of one.
 - (d) The consumer's spouse or live-in partner is not eligible to receive subsidized child care payments as a child care provider for the child.
- (7) WorkFirst sanction.
 - (a) A consumer may be eligible for WCCC if he or she is a sanctioned WorkFirst participant and participating in an activity needed to remove a sanction penalty or to reopen his or her WorkFirst case.
 - (b) A WorkFirst participant who loses his or her TANF grant due to exceeding the federal time limit for receiving TANF may still be eligible for WCCC benefits under WAC 170-290-0055.

WAC 170-290-0031 Notification of changes, states:

When a consumer applies for or receives WCCC benefits, he or she must:

- (1) Notify DSHS, within five days, of any change in providers;
- (2) Notify the consumer's provider within ten days when DSHS changes his or her child care authorization;
- (3) Notify DSHS within ten days of any significant change related to the consumer's copayment or eligibility, including:
 - (a) The number of child care hours the consumer needs (more or less hours);
 - (b) The consumer's countable income, including any TANF grant or child support increases or decreases, only if the change would cause the consumer's countable income to exceed the maximum eligibility limit as provided in WAC 170-290-0005. A consumer may notify DSHS at any time of a decrease in the consumer's household income, which may lower the consumer's copayment under WAC 170-290-0085;

- (c) The consumer's household size such as any family member moving in or out of his or her home;
- (d) Employment, school or approved TANF activity (starting, stopping or changing);
- (e) The address and telephone number of the consumer's in-home/relative provider;
- (f) The consumer's home address and telephone number; and
- (g) The consumer's legal obligation to pay child support;
- (4) Report to DSHS, within twenty-four hours, any pending charges or conviction information the consumer learns about his or her in-home/relative provider; and
- (5) Report to DSHS, within twenty-four hours, any pending charges or conviction information the consumer learns about anyone sixteen years of age and older who lives with the provider when care occurs outside of the child's home.

WAC 170-290-0082, Eligibility period, states:

- (1) A consumer who meets all of the requirements of part II of this chapter is eligible to receive WCCC subsidies for twelve months before having to redetermine his or her income eligibility. The twelve-month eligibility period in this subsection applies only if enrollments in the WCCC program are capped as provided in WAC 170-290-0001(1). Regardless of the length of eligibility, consumers are still required to report changes of circumstances to DSHS as provided in WAC 170-290-0031.
- (2) A consumer's eligibility may be for less than twelve months if:
 - (a) Requested by the consumer; or
 - (b) A TANF consumer's individual responsibility plan indicates child care is needed for less than twelve months.
- (3) A consumer's eligibility may end sooner than twelve months if:
 - (a) The consumer no longer wishes to participate in WCCC; or
 - (b) DSHS terminates the consumer's eligibility as stated in WAC 170-290-0110.
- (4) All children in the consumer's household under WAC 170-290-0015 are eligible for the twelve-month eligibility period.
- (5) The twelve-month eligibility period begins:
 - (a) When benefits begin under WAC 170-290-0095; or
 - (b) Upon reapplication under WAC 170-290-0109(4).

WAC 170-290-0095, When WCCC benefits start, states:

- (1) WCCC benefits for an eligible consumer may begin when the following conditions are met:
 - (a) The consumer has completed the required WCCC application and verification process as described under WAC 170-290-0012 within thirty days of the date DSHS received the consumer's application or reapplication for WCCC benefits;
 - (b) The consumer is working or participating in an approved activity under WAC 170-290-0040, 170-290-0045, 170-290-0050 or 170-290-0055;
 - (c) The consumer needs child care for work or approved activities within at least thirty days of the date of application for WCCC benefits; and
 - (d) The consumer's eligible provider (under WAC 170-290-0125) is caring for his or her children.

- (2) If a consumer fails to turn in all information within thirty days from his or her application date, the consumer must restart the application process.
- (3) The consumer's application date is whichever is earlier:
 - (a) The date the consumer's application is entered into DSHS's automated system; or
 - (b) The date the consumer's application is date stamped as received.

WAC 170-290-0109, New eligibility period, states:

- (1) If a consumer wants to receive child care benefits for another eligibility period, he or she must reapply for WCCC benefits before the end of the current eligibility period. To determine if a consumer is eligible, DSHS:
 - (a) Requests reapplication information before the end date of the consumer's current WCCC eligibility period; and
 - (b) Verifies the requested information for completeness and accuracy.
- (2) A consumer may be eligible for WCCC benefits for a new eligibility period if:
 - (a) DSHS receives the consumer's reapplication information no later than the last day of the current eligibility period;
 - (b) The consumer's provider is eligible for payment under WAC 170-290-0125; and
 - (c) The consumer meets all WCCC eligibility requirements.
- (3) If DSHS determines that a consumer is eligible for WCCC benefits based on his or her reapplication information, DSHS notifies the consumer of the new eligibility period and copayment.
- (4) When a consumer submits a reapplication after the last day of his or her current eligibility period, the consumer's benefits begin:
 - (a) On the date that the consumer's reapplication is date-stamped as received in DSHS's community service office or entered into the DSHS automated system, whichever date is earlier;
 - (b) When the consumer is working or participating in an approved WorkFirst activity; and
 - (c) The consumer's child is being cared for by his or her eligible WCCC provider.

2016-024

The Department of Social and Health Services did not have adequate internal controls over and did not comply with foster care payment rate setting and application requirements for the Foster Care program.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.658 Foster Care – Title IV-E
Federal Award Number: 1501WAFOST; 1601WAFOST
Applicable Compliance Component: Special Tests and Provisions – Payment Rate Setting and Application
Known Questioned Cost Amount: None

Background

The Title IV-E Foster Care program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state child welfare agency until the children are returned home safely, placed with adoptive families or placed in other planned arrangements for permanency. The program provides funds to states to assist with the costs of foster care maintenance for eligible children, administrative costs to manage the program and training for state agency staff, foster parents and certain private agency staff. Funds may not be used for costs of social services, such as those that provide counseling or treatment to improve or remedy personal problems, behaviors or home conditions for a child, the child's family, or the child's foster family.

In Washington, the Department of Social and Health Services Children's Administration is responsible for the oversight and administration of the Foster Care program. State Foster Care agencies establish basic payment rates for maintenance payments to foster parents or child care institutions, or directly to children. As a result, the Department must submit a Title IV-E plan to the grantor that must include a periodic review of the payment rates at reasonable, specific and time-limited periods. The Department is also responsible for reviewing Foster Care basic maintenance payment rates for continued appropriateness in accordance with its submitted plan and must establish payment rates that provide only for costs necessary for the proper and efficient administration of the Foster Care program.

During fiscal year 2016, the Department spent about \$98 million in federal grant funds, with more than \$29 million paid to eligible foster care recipients and their guardians.

For the previous two audits, we reported the Department lacked adequate controls to ensure it reviewed basic maintenance payment rates for their continued appropriateness in reasonable, specific, time-limited periods, as required by federal regulations. The Department did not comply with foster care payment rate setting and application requirements for the Foster Care program. The prior finding numbers were 2015-028 and 2014-027.

Description of Condition

During our audit, we tested to determine if basic maintenance rates established by the Department were reviewed for their continued appropriateness and if the review was conducted in accordance with the Department's Title IV-E approved state plan.

We found the Department's Title IV-E plan did not specifically address the methodology and frequency with which the Department will conduct its periodic reviews of payment rates.

However, we determined the Department conducted its most recent rate assessment in 2016, and increased the basic maintenance rates paid to foster care recipients effective July 1, 2015. We determined the Department adequately and accurately determined the payment rates currently in effect. The Department has agreed to conduct an economic analysis of current foster care rates every four years, as a result of a recent court settlement with the Foster Parents' Association of Washington State (FPAWS).

The Department was not able to provide any policies or procedures specifying the methodology and frequency for conducting its periodic review of payment rates. There are no provisions under Department rule or state law that clarify how or when the review(s) must be performed, and the Department did not include any such provisions in its current Title IV-E state plan.

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

Cause of Condition

The Department's most recent IV-E state plan was approved by the grantor in January 2015. As such, the Department believed the plan was sufficient to ensure it met federal program requirements. However, this plan did not provide for periodic review of payment rates at reasonable, specific time-limited periods as required.

Additionally, the Department did not update its policies and procedures in fiscal year 2016 because it anticipated additional guidance from Children's Bureau, which would further define the term "periodic." The Department believed that the creation of the Cures Act would establish specific criteria states must comply with in developing and reviewing basic maintenance payment rates.

The Department does not want to publish its own policy before the Act's implementation, because it is possible such policy would conflict with new federal requirements or guidance from Children's Bureau.

Effect of Condition

By not specifying, in the Title IV-E plan, the methodology and frequency with which the Department will conduct future reviews of foster care basic maintenance payment rates, the Department is not in compliance with the federal grant requirements. Additionally, the grant terms and conditions state failure to comply may result in the loss of federal funds and may be considered grounds for suspension or termination of the grant.

Recommendation

We recommend the Department specify the methodology and periodicity of when it will review basic maintenance payment rates for their continued appropriateness. We further recommend the Department include this process in its Title IV-E plan.

Department's Response

The Department partially concurs with the finding. In 2016 the Children's Administration (CA) did not have a policy that defined periodic to any specifically defined time period as the federal regulation states periodic and reasonable without outlining a specific time table in which to be in compliance. During SFY15 'The Family First Act' was introduced to Congress but failed to pass. 'The Family First Act' included set time parameters for a rate review to be done every three years. In SFY16 'The Family First Act' was incorporated into the 'CURES Act' and reintroduced to Congress. CA did not want to create policy that would potentially be in conflict with the new federal regulation, had it passed, and opted to wait for the final bill to be signed by the President to better understand what would need to be included in any newly written CA policy. While the 'CURES Act' did pass, 'The Family First Act' was subsequently dropped and with it, the three year rate review requirement.

The Department will review the maintenance payment rate again in 2019, based upon an economic analysis, to determine if the rate needs to be adjusted. If an increase is needed, the Department will submit a decision package for additional funding. Reviews after 2019 will occur every four years. CA will write a policy which identifies the economic analysis be completed every four years after 2019.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Grant Award; GENERAL TERMS AND CONDITIONS; MANDATORY FORMULA, BLOCK and ENTITLEMENT GRANT PROGRAMS

Except as noted otherwise, these Terms and Conditions apply to all mandatory grant programs administered by the Administration for Children and Families (see Appendix A).

Please also review the separate program-specific Addendum to these Terms and Conditions applicable to each program.

By acceptance of the individual awards, each grantee agrees to comply with these requirements. Failure to comply may result in the loss of Federal funds and may be considered grounds for the suspension or termination of the grant.

45 CFR section 1356.21 (m) – Requirements Applicable to Title IV-E, states in part:

Review of payments and licensing standards. - In meeting the requirements of section 471(a)(11) of the Act, the title IV-E agency must review at reasonable, specific, time-limited periods to be established by the agency:

- (1) The amount of the payments made for foster care maintenance and adoption assistance to assure their continued appropriateness.

42 USC 671(a)(11) - State Plan for foster care and adoption assistance – Requisite features of State Plan states, in part:

In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which –

- (11) Provides for periodic review of the standards referred to in the preceding paragraph and amounts paid as foster care maintenance payments and adoption assistance to assure their continuing appropriateness;

2016-025

The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Foster Care program.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.658 Foster Care – Title IV-E
Federal Award Number: 1501WAFOST; 1601WAFOST
Applicable Compliance Component: Eligibility
Known Questioned Cost Amount: None

Background

The Title IV-E Foster Care program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state child welfare agency until the children are returned home safely, placed with adoptive families or placed in other planned arrangements for permanency. The program provides funds to states to assist with the costs of foster care maintenance for eligible children, administrative costs to manage the program and training for state agency staff, foster parents and certain private agency staff. Funds may not be used for costs of social services, such as those that provide counseling or treatment to improve or remedy personal problems, behaviors, or home conditions for a child, the child's family, or the child's foster family.

In Washington, the Department of Social and Health Services Children's Administration is responsible for the oversight and administration of the Foster Care program. The Department establishes basic rates for maintenance payments to foster parents, child care institutions or directly to children. The purpose of the program is to assist the states with funding to offset the cost of providing stable out-of-home care for foster children, some of whom are categorized as having special needs. During fiscal year 2016, the Department paid approximately \$31 million for the support of over 5,600 children.

To qualify for federal funding under the Title IV-E Foster Care program, a child must first be determined eligible by the Department to receive IV-E federal assistance. The Department must document that the child is financially needy and deprived of parental support or care.

Foster care providers are also subject to eligibility requirements that are verified by the Department. Two of these requirements are that providers must pass a Washington State name and date of birth background check, as well as a FBI fingerprint background check.

Description of Condition

The Department did not have adequate internal controls in place to ensure that foster care recipients were eligible to receive federal assistance and providers were eligible to provide services.

We used a statistical sampling method and randomly selected 45 out of 5,631 children who received IV-E foster care services in fiscal year 2016. In eight cases, the Department either did not obtain or maintain documentation to support the children were financially needy.

We also found the Department's internal controls were not sufficient to ensure the required background checks are performed prior to authorizing a provider to care for a foster child.

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

Cause of Condition

As part of its IV-E eligibility determination process, Foster Care program staff relied on the Department's Division of Licensed Resources and Background Check Central Unit to perform background checks of current and prospective providers to ensure the providers were eligible to provide care for foster children. Program management did not sufficiently monitor, or perform its own review, to ensure the required background checks were performed before providing care to children.

Additionally, the Department did not believe that retaining primary source documents to show evidence of income verification was necessary to support its IV-E eligibility determinations for children entering foster care.

Effect of Condition and Questioned Costs

By not ensuring background checks are performed prior to determining providers eligible, the Department is at risk of approving ineligible individuals to provide care. Additionally, by not ensuring all documentation necessary to support a decision of eligibility was reviewed, the Department cannot be sure the client was eligible.

Recommendations

We recommend the Department:

- Strengthen internal controls to ensure background checks for providers are performed in accordance with federal requirements
- Strengthen internal controls to ensure that foster care income eligibility determinations are performed in accordance with federal requirements, and that the sources of information used to make such determinations are fully documented and adequately supported

Agency's Response

The Department does not concur with the finding.

All providers in the sample had background checks completed prior to payment for the period under review.

With regard to documentation for income eligibility; the Title IV-E Foster Care Eligibility Review Guide states,

“Unless otherwise specified, the method for substantiating financial need and deprivation is derived from the title IV-E agency’s policy and procedures.”

It is not a federal rule or requirement that documentation be printed and placed into a physical file.

The Department prints income source documentation when the information contains amounts over zero dollars and places the information in the title IV-E eligibility file. The Department makes note of the zero dollar resource information in FamLink which is the official case management system and source for title IV-E income verification information.

The printing of a piece of paper showing no information is counter to the RCW requirement for paper reduction. Per RCW 70.95.725, which was enacted as a result of Executive Order 02-03 signed by Governor Gary Locke on September 18, 2002, “...Each state agency shall endeavor to conserve paper by at least 30% of their current paper use.”

Auditor’s Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. The Department did not concur with the finding, stating all background checks were performed and there is no federal rule requiring documentation to be retained to support income eligibility determinations. We concur that all background checks were performed and did not report any identified exceptions. What we are reporting is that the internal controls in place are not sufficient to ensure all background checks are performed. It is the responsibility of the Children’s Administration to ensure background checks are performed before any payments are made. The Administration relies on another division to perform the checks and does not verify they were performed before authorizing payments. It is our opinion that there is reasonable possibility that this weakness in internal controls could lead to noncompliance in the future.

While the Department is correct that the methods of substantiating eligibility are to be derived from the agency’s policies and procedures, the Department must maintain evidence showing a client was truly eligible. If the Department chooses not to print and retain the documentation in order to conserve paper, it still must document that the required checks were performed. The Department states it makes note of the zero dollar resource information in FamLink and when we could substantiate this we did not identify an exception. For the eight cases referenced, we examined the Department provided case notes and notes in FamLink. While we did identify some notes stating the client was financially eligible, none of the notes documented what sources of income were checked and what the results were. Without this information, neither the Department or our Office had assurance the required income sources were checked prior to determining eligibility.

We reaffirm our finding and will follow-up with the Department during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

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

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

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

42 U.S. Code § 671– State Plan for foster care and adoption assistance, (a) Requisite Features of State Plan states in part:

In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which –

- (20) (A) provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534(e)(3)(A) of title 28), for any prospective foster or adoptive parent before the foster or adoptive parent may be finally approved for placement of a child regardless of whether foster care maintenance payments or adoption assistance payments are to be made on behalf of the child under the State plan under this part, Including procedures requiring that-
 - (i) in any case involving a child on whose behalf such payments are to be so made in which a record check reveals a felony conviction for child abuse or neglect, for spousal abuse, for a crime against children (including child pornography), or for a crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery, if a State finds that a court of competent jurisdiction has determined that the felony was committed at any time, such final approval shall not be granted; and
 - (ii) in any case involving a child on whose behalf such payments are to be so made in which a record check reveals a felony conviction for physical assault, battery, or a drug-related offense, if a State finds that a court of competent jurisdiction has determined that the felony was committed within the past 5 years, such final approval shall not be granted; and [3]
- (C) provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534(e)(3)(A) of title 28), on any relative guardian, and for checks described in subparagraph (B) of this paragraph on any relative guardian and any other adult living in the home of any relative guardian, before the relative guardian may receive kinship guardianship assistance payments on behalf of the child under the State plan under this part;

42 U.S. Code 672 – Foster Care maintenance payments program, states in part:

(a) (3) AFDC eligibility requirement

(A) In general

A child in the home referred to in paragraph (1) would have met the AFDC eligibility requirement of this paragraph if the child—

- (i) would have received aid under the State plan approved under section 602 of this title (as in effect on July 16, 1996) in the home, in or for the month in which the agreement was entered into or court proceedings leading to the determination referred to in paragraph (2)(A)(ii) of this subsection were initiated; or
- (ii) (I) would have received the aid in the home, in or for the month referred to in clause (i), if application had been made therefor; or
- (II) had been living in the home within 6 months before the month in which the agreement was entered into or the proceedings were initiated, and would

have received the aid in or for such month, if, in such month, the child had been living in the home with the relative referred to in paragraph (1) and application for the aid had been made.

Revised Code of Washington RCW 74.15.030 Power and Duties of Secretary, 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 to be licensed.

The minimum requirements shall be limited to:

- (C) Conducting background checks for those who will or may have unsupervised access to children, expectant mothers, or individuals with a developmental disability; however a background check is not required if a caregiver approves an activity pursuant to the prudent parent standard contained in RCW 74.13.710.
- (E) Submitting a fingerprint-based background check through the Washington State Patrol under chapter 10.97 RCW and through the federal bureau of investigation for:
 - (i) Agencies and their staff, volunteers, students, and interns when the agency is seeking license or relicense;
 - (ii) Foster care and adoption placements; and
 - (iii) Any adult living in a home where a child may be placed;

Washington Administrative Code Chapter 388-06A-0110 Who must have background checks?, states in part:

- (1) Per RCW 74.15.030, the department requires background checks on all providers who may have unsupervised access to children. This includes licensed, certified or contracted providers, their current or prospective employees and prospective adoptive parents as defined in RCW 26.33.020.

WAC 388-06A-0130 "Does the background check process apply to new and renewal licenses, certification, contracts and authorizations to have unsupervised access to children?" states:

For children's administration, these regulations apply to all applications for new and renewal licenses, contracts, certifications, and authorizations to have unsupervised access to children that are processed by the children's administration.

The Children's Administration Practices and Procedures Guide Section 5511: *Definition of Required Criminal History and Child Abuse/Neglect Checks*, states in part:

3. For all adults living in the home, age 18 and above, criminal history and CA/N history must include the following:
 - a. A FamLink records check,
 - b. A background check conducted by BCCU,

- c. An FBI/WSP fingerprint based criminal history check processed by BCCU; unless the check is for renewal of a foster home license, and
- d. For persons who have lived outside of Washington State in the preceding 5 years, an out of state child abuse and neglect history check from all other states where the individual has lived during that time.

The Children's Administration Practices and Procedures Guide Section 5512: *Persons Subject to Criminal History and Child Abuse/Neglect History Check Requirements*, states in part:

1. Children's Administration staff must complete the required background check, as defined in this section, of out-of-home caregivers and other adults who will have unsupervised access to a child in their home, including:
 - a. Relative caregivers as defined in RCW 74.15
 - b. Other suitable persons as defined in RCW 13.34.130
 - c. Foster parents
 - d. Adoptive parents approved by Children's Administration
 - e. All adults living in the home, age 18 and above
 - f. All adults who move into the out of home placement after the child is placed or license approved
 - g. All youth living in the home, ages 16 and 17 (excluding youth in foster care)
 - h. Former foster youth who return to live with a caregiver upon exiting care
 - i. Caregivers licensed by Washington State on behalf of child placing agencies and Tribes
 - j. Caregivers who reapply for a license after their license has lapsed
 - k. Licensed respite providers
 - l. Unlicensed relative respite providers
 - m. Individuals providing in-home child care for children being served by Children's Administration.
2. Children's Administration is responsible for conducting the background check for children under the custody of another state who are placed with a foster or unlicensed relative caregiver in Washington State through the Interstate Compact on the Placement of Children (ICPC).
3. Caregivers of children under the custody of Washington State who are placed in another state through ICPC will have their background check completed by the receiving state according to the receiving state's policy.
4. Prior to a dependent child being returned to their parent's home, the social worker must conduct a criminal background check on all adults residing in the home.

The Children's Administration Practices and Procedures Guide Section 5514: *FBI Fingerprint Based Check*, states in part:

1. An FBI fingerprint based criminal history check is required for all adults, age 18 and above.

The Administration for Children and Families, Children's Bureau, *Title IV-E Foster Care Eligibility Review Guide* states in part:

“Documenting AFDC Eligibility.

During the IV-E review, the Title IV-E agency must document for the most recent foster care episode that the child is financially needy and deprived of parental support or care during the month of the child's removal from home in accordance with a judicial order or voluntary placement agreement. For the determination of the child's financial need and deprivation, the documentation must verify that financial need is evaluated and specify the reason that the child is deprived of parental support or care.

Unless otherwise specified, the method for substantiating financial need and deprivation is derived from the title IV-E agency's policy and procedures. The documentation should include enough information so that the reviewer can be assured that the title IV-E agency correctly followed its process in making the eligibility determination. There should be a specification of how the child is determined to be in need and deprived of parental support or care. The eligibility determination should provide a clear, evidence-based path to the eligibility decision.”

2016-026

The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.659 Adoption Assistance – Title IV-E
Federal Award Number: 1501WAADPT; 1601WAADPT
Applicable Compliance Component: Level of Effort
Known Questioned Cost Amount: None

Background

The Department of Social and Health Services' Children's Administration administers the Adoption Assistance program to provide funding for parents who adopt eligible children with special needs. The program provides financial and medical benefits to qualified children. Adoptive parents can receive a monthly assistance payment from the Department to care for their adopted children, in addition to expenses related to the initial placement of the child in the home such as court fees, payments for medical visits and transportation costs.

The Department spent more than \$48 million in Adoption Assistance in fiscal year 2016, with more than \$40 million paid to the adoptive parents of eligible children for adoption services.

Federal regulations require the Department to maintain state spending at certain levels to meet federal grant requirements. This is referred to as maintenance of effort (MOE).

The Department must spend an amount equal to any savings in State expenditures as a result of implementing the "applicable child" provision in determining Adoption Assistance eligibility of recipients. The Department is also required to spend no less than 30 percent of any such savings on post-adoption services, post-guardianship services, and services to support and sustain positive permanent outcomes for children who might otherwise enter into the state foster care program. At least two-thirds of that amount must be spent on post-adoption and post-guardianship services. The Department must accurately report these amounts to the federal grantor.

The recipient of the grant funds acknowledges acceptance of the award terms and conditions when it draws funds through the grant payment system. If the recipient does not agree with the terms of the award, it must notify the Grants Management Officer.

Description of Condition

The Department did not have adequate internal controls in place to ensure it complied with the maintenance of effort requirements. The Department did not have a policy or procedure to establish a method for identifying the eligible expenditures to be reported. The calculated MOE was \$699,388 during the audit period and the Department reported spending \$601,301. Of this amount, \$420,910

was not supported at all and \$180,391 was not supported by sufficient documentation to determine if it was accurately calculated and was for allowable purposes.

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

Cause of Condition

The maintenance of effort requirements were implemented for this program in September 2014. However, the Chief of the administration's Finance Division said he did not have the details of the implementation of the requirement until May 2015. He also stated in order to track these expenditures accurately and completely they needed to make changes to how they are entered into their electronic systems. Because they did not have details of the requirement until the reporting period was almost over, they were unable to do so for our audit period.

Additionally, program staff misunderstood the overall requirement, believing it was to spend 25 percent of the savings, not 100 percent.

Effect of Condition

Because the Department could not provide adequate support for the \$180,391, we were unable to determine whether the amounts the Department reported were incorrect by \$518,997 or the entire \$699,388.

The grant agreement allows the grantor to take action for noncompliance that can include temporarily withholding funds, wholly or partly suspending or terminating the award, and withholding further awards from the program.

Recommendations

We recommend the Department:

- Establish internal controls to track state-funded spending
- Establish written policies and procedures specifying how the Department will determine the amount of adoption assistance savings and subsequent expenditures of those savings to be reported to the grantor
- Review maintenance of effort reports to ensure the amount of expenditures reported to the grantor has been accurately determined and is adequately supported

Agency's Response

The Department partially concurs with the finding.

Given this is a new program requirement along with the delay in federal guidance, the program was at a disadvantage in setting up the structure to track expenditures within this audit period. While the Department could account for and identify the savings expenditures, the Department will develop a structure which will accurately track and report expenditures specifically related to Adoption Savings.

Additionally, the Department will establish written procedures as to how the Adoption Savings expenditures are to be reported.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Grant Award; General Terms and Conditions; Mandatory Formula, Block and Entitlement Grant Programs:

Except as noted otherwise, these Terms and Conditions apply to all mandatory grant programs administered by the Administration for Children and Families (see Appendix A). Please also review the separate program-specific Addendum to these Terms and Conditions applicable to each program.

By acceptance of the individual awards, each grantee agrees to comply with these requirements. Failure to comply may result in the loss of Federal funds and may be considered grounds for the suspension or termination of the grant.

42 U.S. Code § 673 – Adoption and guardianship assistance program states, in part:

(a) Agreements with Adoptive Parents of Children with Special Needs; State Payments; Qualifying Children; Mount of Payments; Changes in Circumstances; Placement Period Prior to Adoption; Nonrecurring Adoption Expenses

(8)

(A) A State shall calculate the savings (if any) resulting from the application of paragraph (2)(A)(ii) to all applicable children for a fiscal year, using a methodology

specified by the Secretary or an alternate methodology proposed by the State and approved by the Secretary.

- (B) A State shall annually report to the Secretary—
 - (i) the methodology used to make the calculation described in subparagraph (A), without regard to whether any savings are found;
 - (ii) the amount of any savings referred to in subparagraph (A); and
 - (iii) how any such savings are spent, accounting for and reporting the spending separately from any other spending reported to the Secretary under part B or this part.
- (C) The Secretary shall make all information reported pursuant to subparagraph (B) available on the website of the Department of Health and Human Services in a location easily accessible to the public.
- (D)
 - (i) A State shall spend an amount equal to the amount of the savings (if any) in State expenditures under this part resulting from the application of paragraph (2)(A)(ii) to all applicable children for a fiscal year, to provide to children of families any service that may be provided under part B or this part. A State shall spend not less than 30 percent of any such savings on post-adoption services, post-guardianship services, and services to support and sustain positive permanent outcomes for children who otherwise might enter into foster care under the responsibility of the State, with at least $\frac{2}{3}$ of the spending by the State to comply with such 30 percent requirement being spent on post-adoption and post-guardianship services.
 - (ii) Any State spending required under clause (i) shall be used to supplement, and not supplant, any Federal or non-Federal funds used to provide any service under part B or this part.

2016-027

The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Adoption Assistance program.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.659 Adoption Assistance – Title IV-E
Federal Award Number:	1501WAADPT; 1601WAADPT
Applicable Compliance Component:	Eligibility
Known Questioned Cost Amount:	\$ 3,069
Likely Questioned Cost Amount:	\$997,425

Background

The Department of Social and Health Services administers the Adoption Assistance program to provide funding for parents who adopt eligible children with special needs. The program provides financial and medical benefits to qualified children. Adoptive parents can receive a monthly assistance payment from the Department to care for their adopted children, in addition to other expenses related to the initial placement of the child in the home such as court fees, payments for medical visits and transportation costs.

The Department spent about \$48 million in Adoption Assistance in fiscal year 2016, with about \$40 million paid to the adoptive parents of eligible children for adoption services.

Adoptive parents are also subject to eligibility requirements that the Department verifies. Two of these requirements are that providers must pass a Washington name and date of birth background check, as well as an FBI fingerprint background check when required.

Description of Condition

The Department did not have adequate internal controls in place to ensure adoption assistance recipients were eligible to receive federal assistance under the program.

We used a statistical sampling method and randomly sampled 45 out of 14,625 children receiving IV-E Adoption Assistance services. We found the Department did not ensure background checks were completed for the providers of one (2 percent) child as state law and Department rule require. In this case, no Washington name and date of birth background check result was documented for one of the adoptive parents.

We consider these control deficiencies to be a material weakness.

Cause of Condition

As part of the IV-E eligibility determination process, Adoption Support program staff at Children's Administration relied on the Division of Licensed Resources as well as the Background Check Central Unit to perform background checks of current and prospective providers to ensure the providers were eligible to provide care for adopted children. Program management did not sufficiently monitor or perform its own review to ensure the required background checks were performed before placing the child for adoption.

Effect of Condition and Questioned Costs

We identified \$6,138 in known questioned costs associated with the cases described above. We are questioning \$3,069, which is the federal share of the unallowable payments. When we project the results to the entire population of adoption assistance recipients, we estimate the Department made \$1,994,850 in unallowable payments for adoption services. The federal portion of the estimated unallowable payments is \$997,425.

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

Recommendations

We recommend the Department:

- Strengthen internal controls to ensure background checks of providers and prospective providers are performed in accordance with state regulations and program rule
- Follow up on adoptive parents with no background check result to ensure that ineligible providers do not have unsupervised access to children
- Consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest

Agency's Response

The Department partially concurs with the finding.

While we cannot produce the physical document showing a cleared background check from 22 years ago, there is notation by the worker in the case management system that a background check did occur in 1995 which was prior to the adoption that then occurred in early 1997.

With regard to the second recommendation to follow up with adoptive parents with no background check. The Department had necessary documentation for the adoption support cases in the sample as evidenced by the finding for only one case that is over 20 years old. However, in the event a background check was not conducted prior to adoption, the Department has no legal authority to run a background check on the adoptive parent after the fact.

CA will consult with the U.S. Department of Health and Human Services to discuss any necessary repayment of the questioned costs.

Auditor’s Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. The Department states there were notations by the worker in the case management system that the background check was performed. Our auditors requested and reviewed all notes provided by the Department from the case management system and no such notation was present. After initial review our auditors communicated exceptions to the Department and received additional documentation and the referenced notations were not provided at that time either. The primary purpose of this finding, however, is reporting the lack of internal controls over background checks, not the single identified missing background check.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

42 U.S Code § 671– State Plan for foster care and adoption assistance, states in part:

(a) Requisite Features of State Plan states in part:

In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which –

(20) (A) provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534(e)(3)(A) of title 28), for any prospective foster or adoptive parent before the foster or adoptive parent may be finally approved for placement of a child regardless of whether foster care maintenance payments or adoption assistance payments are to be made on behalf of the child under the State plan under this part, Including procedures requiring that-

(i) in any case involving a child on whose behalf such payments are to be so made in which a record check reveals a felony conviction for child abuse or neglect, for spousal abuse, for a crime against children (including child pornography), or for a crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery, if a State finds that a court of competent jurisdiction has determined that the felony was committed at any time, such final approval shall not be granted; and

(ii) in any case involving a child on whose behalf such payments are to be so made in which a record check reveals a felony conviction for physical assault, battery, or a drug-related offense, if a State finds that a court of competent jurisdiction has determined that the felony was committed within the past 5 years, such final approval shall not be granted; and [3]

(C) provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534(e)(3)(A) of title 28), on any relative guardian, and for checks described in subparagraph (B) of this paragraph on any relative guardian and any other adult living in the home of any relative guardian, before the relative guardian may receive kinship guardianship assistance payments on behalf of the child under the State plan under this part;

Revised Code of Washington RCW 74.15.030 “Power and Duties of Secretary,” 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 to be licensed.

The minimum requirements shall be limited to:

(c) Conducting background checks for those who will or may have unsupervised access to children, expectant mothers, or individuals with a developmental disability; however a background check is not required if a caregiver approves an activity pursuant to the prudent parent standard contained in RCW 74.13.710.

- (e) Submitting a fingerprint-based background check through the Washington State Patrol under chapter 10.97 RCW and through the federal bureau of investigation for:
 - (i) Agencies and their staff, volunteers, students, and interns when the agency is seeking license or relicensure;
 - (ii) Foster care and adoption placements; and
 - (iii) Any adult living in a home where a child may be placed;

Washington Administrative Code Chapter 388-06A-0110 “Who must have background checks?” states in part:

- (2) Per RCW 74.15.030, the department requires background checks on all providers who may have unsupervised access to children. This includes licensed, certified or contracted providers, their current or prospective employees and prospective adoptive parents as defined in RCW 26.33.020.

WAC 388-06A-0130 “Does the background check process apply to new and renewal licenses, certification, contracts and authorizations to have unsupervised access to children?” states:

For children’s administration, these regulations apply to all applications for new and renewal licenses, contracts, certifications, and authorizations to have unsupervised access to children that are processed by the children’s administration.

The Children’s Administration Practices and Procedures Guide Section 5511: *Definition of Required Criminal History and Child Abuse/Neglect Checks*, states in part:

- 3. For all adults living in the home, age 18 and above, criminal history and CA/N history must include the following:
 - a. A FamLink records check,
 - b. A background check conducted by CCU,
 - c. An FBI/WSP fingerprint based criminal history check processed by BCCU; unless the check is for renewal of a foster home license, and
 - d. For persons who have lived outside of Washington State in the preceding 5 years, an out of state child abuse and neglect history check from all other states where the individual has lived during that time.

The Children’s Administration Practices and Procedures Guide Section 5512: *Persons Subject to Criminal History and Child Abuse/Neglect History Check Requirements*, states in part:

- 5. Children’s Administration staff must complete the required background check, as defined in this section, of out-of-home caregivers and other adults who will have unsupervised access to a child in their home, including:
 - a. Relative caregivers as defined in RCW 74.15
 - b. Other suitable persons as defined in RCW 13.34.130
 - c. Foster parents
 - d. Adoptive parents approved by Children’s Administration

- e. All adults living in the home, age 18 and above
 - f. All adults who move into the out of home placement after the child is placed or license approved
 - g. All youth living in the home, ages 16 and 17 (excluding youth in foster care)
 - h. Former foster youth who return to live with a caregiver upon exiting care
 - i. Caregivers licensed by Washington State on behalf of child placing agencies and Tribes
 - j. Caregivers who reapply for a license after their license has lapsed
 - k. Licensed respite providers
 - l. Unlicensed relative respite providers
 - m. Individuals providing in-home child care for children being served by Children's Administration.
6. Children's Administration is responsible for conducting the background check for children under the custody of another state who are placed with a foster or unlicensed relative caregiver in Washington State through the Interstate Compact on the Placement of Children (ICPC).
 7. Caregivers of children under the custody of Washington State who are placed in another state through ICPC will have their background check completed by the receiving state according to the receiving state's policy.
 8. Prior to a dependent child being returned to their parent's home, the social worker must conduct a criminal background check on all adults residing in the home.

The Children's Administration Operations Manual Section 5514: *FBI Fingerprint Based Check*, states in part:

2. An FBI fingerprint based criminal history check is required for all adults, age 18 and above.

2016-028

The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

It is common for Medicaid beneficiaries to have one or more additional sources of coverage for health care services. Third party liability refers to the legal obligation of third parties, such as insurance companies, to pay part or all of the expenditures for medical assistance furnished under a Medicaid state plan. By law, Medicaid is the “payor of last resort”, meaning all other available third party resources must meet their legal obligation to pay claims before the Medicaid program pays for the care of an individual eligible for Medicaid.

The federal Deficit Reduction Act of 2005 requires health insurers to provide states with eligibility and coverage information that will enable Medicaid agencies to determine whether clients have third-party coverage. As a condition of receiving federal Medicaid funding, the Act directed states to enact laws requiring health insurers doing business in their state to provide the eligibility and coverage information necessary to determine whether Medicaid clients have third party coverage.

To comply with this requirement, the Legislature passed RCW 74.09A in 2007 that requires the Health Care Authority to provide Medicaid client eligibility and coverage information to health insurers. As a condition of doing business with the state, the insurers are required to use that information to identify Medicaid clients with third-party coverage and provide those results to the Authority. The law requires the exchange of data to occur not less than twice per year. The Authority was required to focus its implementation of the law on those health insurers with the highest probability of joint beneficiaries.

Since 2008, we have reported findings regarding lack of internal controls over and noncompliance with the federal Deficit Reduction Act of 2005 and the state law. Prior audit finding numbers were 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.

Description of Condition

The Authority did not perform semi-annual data sharing with health insurers as required by state law.

The Centers for Medicare and Medicaid Services developed the Payer Initiated Eligibility/Benefits (PIE) Transaction, the national standard format for data sharing prescribed by the federal government. The Authority implemented this transaction format in July 2013. In October 2013, the Authority sent letters to ten major insurance carriers with the most Medicaid clients, inviting them to begin data sharing.

During fiscal year 2015, the Authority received 24 client data files from private health insurers and attempted to upload three that contained over 10,000 client policy records into its Medicaid Management Information System, ProviderOne. The Authority was forced to stop because the system was unable to manage the large influx of data and all future data exchanges with health insurers were ceased. The Authority resolved this capacity issue in October 2015. In the current audit period, client files were received from private insurers, but the Authority did not upload them to identify liable third parties because of system uploading issues.

RCW 74.09A.020 states that the Authority is to provide client data to health insurers and the insurers are to identify joint beneficiaries and transmit the information to the Authority. The law and the Authority's current practice do not align. In practice, the data exchange is initiated by the Authority, and the Authority has attempted to identify joint beneficiaries.

The U.S. Government Accountability Office (GAO) published an audit report in January 2015 that stated additional federal action is needed to improve third-party liability efforts for the Medicaid program. The GAO also found states commonly face challenges with their third-party liability efforts, such as health insurers refusing the provider coverage information or denying liability for procedural reasons.

We consider the condition described above to be material noncompliance with federal grant requirements and a material weakness in internal controls.

Cause of Condition

In response to prior year findings, the Authority met with the Office of the Insurance Commissioner and the Office of Financial Management to enhance direct insurer participation. The Authority asserts the Offices concluded the Authority has no legal influence to enforce or compel private insurance carriers to participate in the data exchange requirement.

The Authority was unable to upload client files due to system upload issues.

Effect of Condition

Without performing the data exchange and cross-matching insurance claims, the Authority is not able to timely identify Medicaid clients that have third party coverage. This puts the Authority at a higher risk of paying claims that are not allowable. Additionally, the Authority is not in compliance with the federal Deficit Reduction Act of 2005 and state law (RCW 74.09A.020).

Recommendations

We recommend the Authority:

- Work with the Legislature to bring Washington into compliance with state law
- Continue efforts to perform data-matches with private insurers

Authority's Response

RCW 74.09A.020 requires Health Care Authority (HCA) to provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information, and requires health insurers to use this information to identify joint beneficiaries. The Authority meets the intent of the law by performing data matching with insurance carriers in the State of Washington on a regular basis. Data exchanges occur in real time using information and electronic data available to the State Medicaid program.

In addition, HCA implemented the national Payor Initiated Eligibility/Benefit (PIE) transaction standard in July 2013, which meets the intent of RCW 74.09A.005 by instituting "a transfer of information between the authority and health insurers."

HCA is continuing to refine the logic for loading PIE data from insurance carriers into the MMIS. Some changes were made to the transaction logic in August 2016 and HCA is continuing to work through the logic to ensure accurate automated loading of the files to the MMIS. The Authority will complete those refinements and will continue to work with carriers currently engaged in PIE transaction submissions. The Authority will continue to encourage health insurers to develop systems capable of participating in the PIE data exchange.

While the Authority does not have legal authority to compel insurers to comply with this law, we will consider options for working with the Legislature to align state law with current practice.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200 Section 200.303 Internal controls.

The non-Federal entity must:

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

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

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

2 Code of Federal Regulations 200.516 Audit Reporting, states in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 42, United States Code, Part 1396a(a)(25) State plan for medical assistance, states in part:

- (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties (including health insurers, self-insured plans, group health plans (as defined in section 1167(1) of U.S.C. Title 29), service benefit plans, managed care organizations, pharmacy benefit managers, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service) to pay for care and services available under the plan, including--
 - (i) the collection of sufficient information (as specified by the Secretary in regulations) to enable the State to pursue claims against such third parties, with such information being collected at the time of any determination or redetermination of eligibility for medical assistance, and
 - (ii) the submission to the Secretary of a plan (subject to approval by the Secretary) for pursuing claims against such third parties, which plan shall be integrated with, and be monitored as a part of the Secretary's review of, the State's mechanized claims processing and information retrieval systems required under section 1396b(r) of this title;
- (H) that to the extent that payment has been made under the State plan for medical assistance in any case where a third party has a legal liability to make payment for such assistance, the State has in effect laws under which, to the extent that payment has been made under the State plan for medical assistance for health care items or services furnished to an individual, the State is considered to have acquired the rights of such individual to payment by any other party for such health care items or services; and

Revised Code of Washington 74.09A.005 states:

The legislature finds that:

- (1) Simplification in the administration of payment of health benefits is important for the state, providers, and health insurers;
- (2) The state, providers, and health insurers should take advantage of all opportunities to streamline operations through automation and the use of common computer standards;
- (3) It is in the best interests of the state, providers, and health insurers to identify all third parties that are obligated to cover the cost of health care coverage of joint beneficiaries; and

- (4) Health insurers, as a condition of doing business in Washington, must increase their effort to share information with the authority and accept the authority's timely claims consistent with 42 U.S.C. 1396a (a)(25).

Therefore, the legislature declares that to improve the coordination of benefits between the health care authority and health insurers to ensure that medical insurance benefits are properly utilized, a transfer of information between the authority and health insurers should be instituted, and the process for submitting requests for information and claims should be simplified.

Revised Code of Washington 74.09A.020 Computerized information — Provision to health insurers.

1. The authority shall provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information. Health insurers shall use this information to identify joint beneficiaries. Identification of joint beneficiaries shall be transmitted to the authority. The authority shall use this information to improve accuracy and currency of health insurance coverage and promote improved coordination of benefits.
2. To the maximum extent possible, necessary data elements and a compatible database shall be developed by affected health insurers and the authority. The authority shall establish a representative group of health insurers and state agency representatives to develop necessary technical and file specifications to promote a standardized database. The database shall include elements essential to the authority and its population's health insurance coverage information.
3. If the state and health insurers enter into other agreements regarding the use of common computer standards, the database identified in this section shall be replaced by the new common computer standards.
4. The information provided will be of sufficient detail to promote reliable and accurate benefit coordination and identification of individuals who are also eligible for authority programs.
5. The frequency of updates will be mutually agreed to by each health insurer and the authority based on frequency of change and operational limitations. In no event shall the computerized data be provided less than semiannually.
6. The health insurers and the authority shall safeguard and properly use the information to protect records as provided by law, including but not limited to chapters 42.48, 74.09, 74.04, 70.02, and 42.56 RCW, and 42 U.S.C. Sec. 1396a and 42 C.F.R. Sec. 43 et seq. The purpose of this exchange of information is to improve coordination and administration of benefits and ensure that medical insurance benefits are properly utilized.
7. The authority shall target implementation of this section to those health insurers with the highest probability of joint beneficiaries.

2016-029

The Health Care Authority and the Department of Social and Health Services did not have adequate internal controls and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Special Test and Provisions – Utilization Control and Program Integrity
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing health coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program is administered by the Health Care Authority (Authority), the state's Medicaid agency, and the Department of Social and Health Services (Department). The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

For states such as Washington that use a mechanized claims processing system (ProviderOne), federal regulations require a specific method be in place to verify with Medicaid clients if they received services billed by providers. The intent is to improve program integrity and identify potential fraud and abuse in the Medicaid program.

The specific verification method involves sending individual written notices, within 45 days of the payment, to all or a sample group of Medicaid clients whose claims were processed through ProviderOne. Both medical and social services claims are subject to the Medicaid service verification survey process.

If credible suspicions of fraud or abuse are identified, agencies must forward the information to the Attorney General's Office, Medicaid Fraud Control Unit for investigation.

Health Care Authority

The Authority mails Medicaid medical service verification surveys monthly to a randomly selected number of clients. The random selections are made based on payments out of ProviderOne. Authority

policy requires staff to review returned surveys and follow up if questions about the legitimacy of payments exist. If the Authority identifies a credible suspicion of fraud or abuse, it refers the case to the Medicaid Fraud Control Unit for investigation.

As the Medicaid State Agency, the Authority is responsible for monitoring and ensuring all eligible claims are included in the Medicaid service verification survey process.

Department of Social and Health Services

The Department also pays providers who serve Medicaid clients. All Medicaid claims, except self-employed individual provider claims, were processed through ProviderOne until March 1, 2016. As of March 1, 2016, self-employed individual provider claims were processed through a new sub system of ProviderOne, Individual ProviderOne.

Prior audits

In prior audits, we reported findings regarding the Authority ensuring all eligible claims were included in the Medicaid service verification survey process. The prior finding numbers were 2015-032, 2014-039, and 13-031. We reviewed the Authority's corrective action plan to determine the status of the prior findings. The corrective action was listed as completed in February 2016.

Description of Condition

Health Care Authority

The Authority has established a process in which medical claims processed through ProviderOne are included in the random, monthly service verification survey process; however, social service claims were not included in the monthly random sample. The Authority is responsible for having a monitoring process in place to ensure that social service claims are included in the service verification survey process.

The Authority did not begin to send out service verification surveys to clients whose language was other than English until January 2016.

Department of Social and Health Services

Social service claims processed through the Department's former Social Service Payment System were moved to Individual ProviderOne. Once Individual ProviderOne began processing the social service claims, they became subject to the requirement to be included in the monthly Medicaid service verification survey process. The Department did not ensure these claims were included in the random sample.

We consider these control deficiencies to be a material weakness.

Cause of Condition

A written agreement between the Authority and the Department was not established that described the responsibilities of each agency to ensure the state complied with federal regulations.

Health Care Authority

The Authority excluded social service claims from its monthly random sample survey process with the understanding that the Department would include the claims in its own survey process.

The Authority submitted a change request to its ProviderOne vendor to have the non-English speaking client population included in the sample. The system change was not in place until January 2016.

Department of Social and Health Services

Department staff were not aware the regulation requires an automated sample selection process through ProviderOne and had the understanding a manual process would be sufficient in the interim.

Effect of Condition

Not monitoring to ensure all eligible claims are included in the Medicaid service verification survey process increases the risk that Medicaid fraud may go undetected and cause the Authority to be out of compliance with federal requirements.

Recommendations

We recommend the Authority and the Department establish adequate internal controls to ensure all eligible claims are included in the universe from which samples are selected in the Medicaid service verification survey process. We also recommend the agencies establish a written agreement detailing each of their roles and responsibilities regarding the Medicaid service verification survey process.

Agencies' Response

The Authority agrees that verifying that beneficiaries received the services billed by providers is beneficial. The Department completes an annual Client Service Verification survey that includes a statistically significant sample of clients. Because this method satisfies the verification requirement in 42 CFR 455.20, "The agency must have a method for verifying with beneficiaries whether services billed by providers were received," the Authority questions the auditor's interpretation that federal regulations require additional verifications be done through ProviderOne. Nonetheless, the Authority will expand the ProviderOne verification process to include social service payments.

Effective January 2018, an automated verification process through ProviderOne will be implemented. This will include establishing a written agreement between the Authority and the Department detailing each of their roles and responsibilities regarding the Medicaid service verification survey process. Until this written agreement is created, the Department's manual survey process will continue.

Auditor’s Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 42, Code of Federal Regulations, Section 455.1 Basis and scope, states in part:

This part sets forth requirements for a State fraud detection and investigation program, and for disclosure of information on ownership and control.

- (a) Under the authority of sections 1902(a)(4), 1903(i)(2), and 1909 of the Social Security Act, Subpart A provides State plan requirements for the identification, investigation, and referral of suspected fraud and abuse cases. In addition, the subpart requires that the State—
 - (1) Report fraud and abuse information to the Department; and
 - (2) Have a method to verify whether services reimbursed by Medicaid were actually furnished to beneficiaries.

Title 42, Code of Federal Regulations, Section 455.14 Preliminary investigation states:

If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

Title 42, Code of Federal Regulations, Section 455.20, Beneficiary verification procedure, states:

- (a) The agency must have a method for verifying with beneficiaries whether services billed by providers were received.
- (b) In States receiving Federal matching funds for a mechanized claims processing and information retrieval system under part 433, subpart C, of this subchapter, the agency must provide prompt written notice as required by §433.116 (e) and (f).

Title 42 Code of Federal Regulations, Section 433.116, FFP for operation of mechanized claims processing and information retrieval systems, states in part:

- (e) The system must provide individual notices, within 45 days of the payment of claims, to all or a sample group of the persons who received services under the plan.
- (f) The notice required by paragraph (e) of this section—

- (1) Must specify—
 - (i) The service furnished;
 - (ii) The name of the provider furnishing the service;
 - (iii) The date on which the service was furnished; and
 - (iv) The amount of the payment made under the plan for the service; and
- (2) Must not specify confidential services (as defined by the State) and must not be sent if the only service furnished was confidential.
- (g) The system must provide both patient and provider profiles for program management and utilization review purposes.
- (h) If the State has a Medicaid fraud control unit certified under section 1903(q) of the Act and §455.300 of this chapter, the Medicaid agency must have procedures to assure that information on probable fraud or abuse that is obtained from, or developed by, the system is made available to that unit. (See §455.21 of this chapter for State plan requirements.)

2016-030 The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers and Rural Health Clinics.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$122,539

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals in Washington who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Health Care Authority paid nearly \$7.4 billion in Medicaid funds in fiscal year 2016. The Authority paid more than \$254 million to Federally Qualified Health Centers and \$9.8 million to Rural Health Clinics.

Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) are “safety net” providers that serve a range of populations, including the uninsured, publicly insured and underinsured low-income populations, as well as special populations such as migrant seasonal farm workers and homeless people. Both FQHCs and RHCs are certified by Centers for Medicare and Medicaid Services and designed to provide medical help for people in medically challenged areas.

RHCs are considered the essential source of outpatient care, emergency care and basic lab services in many rural areas. RHCs provide care in rural areas and places that are categorized as Health Professional Shortage Areas or Medically Underserved Areas.

FQHCs provide care for people in rural and urban areas that are classified as Medically Underserved Areas or Medically Underserved Populations. FQHCs offer similar services as RHCs in addition to more comprehensive services that must be accessed through formal arrangements. Services include diagnostic and lab, pharmaceutical, behavioral and oral, hospital and specialty, after-hours care, case management, transportation and interpretative services.

With few exceptions, FQHCs and RHCs are paid based on client encounters. An encounter is defined as a face-to-face visit between a client and a qualified FQHC/RHC that exercises independent judgment when providing services that qualify for an encounter rate. The Authority pays a fixed rate regardless of the number or type of procedures provided during the encounter.

Incidental services are factored into the encounter rate established for each FQHC/RHC. Those services must not be billed separately as a fee for service. Services not factored into the encounter rate are paid at the appropriate fee schedule amount as a fee for service.

Encounters are limited to one per client, per day except in the following circumstances:

- The client needs to be seen on the same day by different practitioners with different specialties; or
- The client needs to be seen multiple times on the same day due to unrelated diagnoses.

In prior audits, we found that the Authority made improper payments to FQHCs and RHCs due to lack of sufficient system edits within its ProviderOne system. The prior finding number for FQHCs and RHCs together is 2015-033, and the prior finding numbers for FQHCs alone are 2014-036 and 2013-026.

Description of Condition

We found the Authority had adequate internal controls to materially ensure FQHC and RHC providers are correctly billed for services provided.

Using computer assisted auditing techniques, we examined all \$263.8 million in payments made to FQHCs and RHCs and found the Authority made improper payments to FQHC and RHC providers totaling \$182,504.

The following tables summarize the specific results by provider type:

FQHCs

Description	Total unallowable payments
Fee-for-service claims were paid in addition to encounter payments.	\$114,939
Encounter payments were made when services did not qualify as an encounter.	\$ 43,386
More than one encounter payment was made for the same client.	\$ 9,077
Total	\$167,402

RHCs

Description	Total unallowable payments
Fee-for-service claims were paid in addition to encounter payments.	\$10,878
Encounter payments were made when services did not qualify as an encounter.	\$ 4,099
More than one encounter payment was made for the same client.	\$ 125
Total	\$15,102

Cause of Condition

The Medicaid claim adjudication and payment process is highly automated. The Authority relies mostly on the internal controls of its ProviderOne system, Washington's Medicaid Management Information System, to identify and deny charges that are unallowable or billed improperly.

In response to our prior findings, the FQHC Program Manager said the new system edits were implemented in October 2015, which would better prevent overpayments and improper billings by providers. However, the new system edits did not prevent all improper payments.

Effect of Condition and Questioned Costs

The Authority improperly claimed reimbursement for unallowable payments of \$182,504. We are questioning \$122,539, which is the federal portion of the unallowable costs. The federal share is calculated using the state's 2016 Federal Medical Assistance Percentages (FMAP) rate assigned per expenditure type. We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

Recommendations

We recommend the Authority:

- Recoup the overpayments made to FQHCs and RHCs
- Consult with the U.S. Department of Health and Human Services to discuss repayment of the questioned costs

Agency's Response

The Authority will recoup the duplicate payments, with an estimated completion date of December 31, 2017.

The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Washington Administrative Code 182-548-1400, Federally qualified health centers – Reimbursement and limitations, states in part:

- (8) The agency limits encounters to one per client, per day except in the following circumstances:
 - (a) The visits occur with different health care professionals with different specialties; or
 - (b) There are separate visits with unrelated diagnoses.
- (9) FQHC services and supplies incidental to the provider's services are included in the encounter rate payment.

Washington Administrative Code 182-549-1400, Rural health clinics—Reimbursement and limitations, states in part:

- (8) The agency pays for one encounter, per client, per day except in the following circumstances:
 - (a) The visits occur with different health care professionals with different specialties; or
 - (b) There are separate visits with unrelated diagnoses.
- (9) RHC services and supplies incidental to the provider's services are included in the encounter rate payment.

2016-031 The Health Care Authority did not repay the federal government for improper payments made to Medicaid Managed Care Organizations.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$130,598

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016, almost \$7.4 billion of which was spent by the Health Care Authority (Authority).

The Authority administers the Managed Care program for Washington. Managed Care is a prepaid, comprehensive system of medical and health care delivery, including preventive, primary, specialty and ancillary health care services. The program is designed to reduce the cost of providing health benefits, improve the quality of care and deliver health care to clients. The state contracts with health insurance plans, known as Managed Care Organizations (MCO), to cover the costs of Medicaid client claims.

The Authority pays MCOs a uniform, pre-determined per-enrollee monthly premium to cover the cost of medical care for the client the selected month. Clients may choose an MCO based on availability of coverage in their location, and can be enrolled in only one managed care program at a time. Therefore, the Authority may not pay more than one monthly premium for each client.

During fiscal year 2016, the Authority paid more than \$4.7 billion in managed care premiums on behalf of more than 1.5 million Medicaid clients.

Description of Condition

We performed tests to determine if the Department had adequate internal controls to prevent duplicate payments from being made to MCOs.

We found the Authority had adequate internal controls to materially prevent duplicate premium payments from being made for managed care clients. The Authority identified improper premium payments, totaling \$209,553, paid during 2016 to MCOs that had already received a premium payment from the Authority for the same month. We found an additional \$13,027 in duplicate payments during our examination that occurred during the audit period.

Federal regulations require unallowable payments to be refunded to the federal government. Regulations further require agencies to take prompt action when instances of noncompliance are identified. We are reporting this as a finding because, as of June 30, 2016, the Authority had not repaid the grantor for unallowable costs it had identified that were charged to the Medicaid grant.

Cause of Condition

The Authority had system edits in place in its ProviderOne system designed to materially detect and prevent duplicate premium payments for the same recipient, for the same month. However, the system edits were not effective to prevent or detect all unallowable duplicate payments.

The Authority employee who identified the duplicate payments was promoted to a different position before he was able to initiate the recoupment process. The subsequent delay in filling the vacancy caused an additional delay in collecting the unallowable costs.

Effect of Condition and Questioned Costs

Payments that are duplicative in nature, or made to an ineligible recipient, are unallowable and cannot be claimed for federal reimbursement. The federal share of the unallowable duplicate payments identified by the Authority for fiscal year 2016 totaled \$123,210. The federal share of the additional duplicate payments identified by the audit totaled \$7,387.

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

During the audit, we also became aware that the Department identified an additional \$130,261 in federal funds paid in fiscal years 2014 and 2015 that had not been repaid to the federal government. We are not questioning these costs because they occurred outside the audit period. However, the information is being included in the finding to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The Authority stated it is in the process of recovering the improper payments.

Recommendations

We recommend the Authority:

- Recover the unallowable payments for duplicate managed care premiums
- Consult with the U.S. Department of Health and Human Services about repayment of the questioned costs, including interest

Agency's Response

As noted by the State Auditor's Office, the Authority identified the duplicate premium payments reported in this finding. The Authority is currently recouping the duplicate payments, with an estimated completion date of June 30, 2017.

The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are

unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

Section 200.516 Audit reporting, states in part:

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

- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2016, *Part 3 – Compliance Requirements*, states in part:

Improper Payments

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, Federal agencies are required to take actions to prevent improper payments, review Federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

- 1 Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, such as overpayments or underpayments made to eligible recipients resulting from inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments.
2. Any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments where authorized by statute).
3. Any payment that an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation.

2 Code of Federal Regulations CFR 200.53 *Improper Payment* states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

The Apple Health Managed Care Contract, Section 5.6 – “Recoupments” states in part:

5.6.1 Unless mutually agreed by the parties in writing, HCA shall only recoup premium payments and retroactively terminate enrollment for an individual enrollee:

5.6.1.1 With duplicate coverage.

2016-032

The Health Care Authority did not establish adequate internal controls and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$ 273,598
Likely Questioned Cost Amount: \$11,564,057

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Medicaid drug program, which began in 1991, is set forth in Title 42 United States Code Section § 1396r-8. For federal payments to be available for covered outpatient prescription drugs provided under Medicaid, drug manufacturers are required to enter into a rebate agreement with the Secretary of the U.S. Health and Human Services and pay quarterly rebates to states. Under these rebate agreements, manufacturers must give the average manufacturer price by national drug code for each of their covered drugs to the Centers for Medicare and Medicaid Services. The average manufacturer price and best price data are used to calculate the unit rebate amount for each national drug code included in the Medicaid drug rebate program, and this price and rebate information is transmitted to the states so that drug rebate amounts can be accurately calculated.

States calculate the total quarterly rebates that participating manufacturers owe by multiplying the unit rebate amount for a specific drug by the number of units of that drug for which the state reimbursed providers in that quarter. Within 60 days of the quarter's end, states must invoice the manufacturers for the reimbursed units and indicate the total rebate due for each national drug code.

The manufacturers process the invoices and pay the rebates to states within 30 days. Invoices must reflect only those drugs reimbursed in the reporting period (quarter) and must not include national drug codes paid under:

- Public Health Service drug pricing agreements
- State-funded-only general assistance programs or other state-funded-only programs; or
- Other federal non-Medicaid funded drug programs

In fiscal year 2016, the Authority invoiced drug manufacturers for drug rebates totaling more than \$527 million, of which \$410 million was for managed care claims and \$117 million was for fee-for-service claims.

In previous audits, we reported the Authority did not have adequate internal controls to ensure it sought reimbursement for all eligible fee-for-service Medicaid drug rebate claims. The prior finding numbers were 2015-034 and 2014-031.

Description of Condition

Although the Authority corrected its deficiencies in internal controls over fee-for-service claims identified in the previous audit, we found the Authority's internal controls were not adequate to ensure it sought reimbursement for managed care Medicaid outpatient prescription drug rebate claims.

The Authority's drug rebate invoicing system was not adequately configured to identify all rebate eligible prescription drugs for the managed care program. The Authority's drug rebate invoicing system automatically identifies rebate eligible prescription drug claims based on its system configuration. However, new managed care plan codes and eligibility groups are added to the system periodically. Some functions of these processes are manual, which allowed for errors in necessary system updates. As a result, the drug rebate system did not systematically identify all prescription drug claims eligible for the rebates.

The Authority also did not process rebates for some outpatient drugs because it was not able to obtain correct number of units which was needed for rebate calculation.

We consider this control deficiency to be a significant deficiency.

Cause of Condition

The Authority's Drug Rebate Program manager said a Medicaid eligibility code and two managed care plan codes were not properly updated in the drug rebate system because errors were made in the manual portions of the configuration processes.

The Authority identified and corrected the Medicaid eligibility code issue in September 2016 and the managed care plan code issue in February 2017 and is in the process of retroactively invoicing the transactions.

The Authority failed to identify correct number of units due to complexity of drug unit conversions for rebate. The rebate system automatically converts outpatient drug unit for rebate. However, there were some conversions that were complex enough that the system could not accurately calculate the units for rebate.

Effect of Condition and Questioned Costs

By not assigning the proper Medicaid eligibility codes and managed care plan codes in its drug rebate system configuration and not identifying correct number of units, the Authority is at a higher risk of not collecting all valid rebates.

Using a statistical sampling method, we randomly selected 45 fee-for-service drug rebate invoices from a population of 1,635 fee-for-service drug rebate invoices and a sample of 45 managed care drug rebate invoices from a population of 1,902 managed care drug rebate invoices, which were processed in fiscal year 2016, to determine if they were accurately prepared. The total rebate amount for the selected invoices was nearly \$1.8 million for fee-for-service and \$8.8 million for managed care drug rebates.

We did not find any issues for fee-for-service drug rebates.

For managed care drug rebates, we identified 18,189 claims, totaling \$781,862, that were eligible for a drug rebate but not included in the 45 managed care rebate invoices.

The following table summarizes the results of our review:

Drug rebate exception type	Number of claims	Paid amount	Rebate amount
Managed care plan code error	4,947	\$170,380	\$73,152
Medicaid eligibility code error	12,137	\$507,915	\$294,945
Not identifying correct number of units	1,105	\$103,567	*Not Applicable
Total	18,189	\$781,862	\$368,097

** We were not able to calculate rebate amounts for the 1,105 claims because the Authority did not have information of correct number of units which was needed for rebate calculation.*

As a result, the Authority failed to claim \$368,097 in owed rebates. We are questioning the federal share of \$273,598, which is calculated using the state’s Federal Medical Assistance Percentage. When we project the results to the entire population of managed care invoices, we estimate the Authority failed to collect \$15,558,218 in managed care drug rebates. The federal share of the estimated unclaimed rebates, or likely questioned costs, is \$11,564,057.

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

Recommendations

We recommend the Authority:

- Strengthen its review process to ensure all eligible drug rebate claims are included in the invoicing process
- Correct its drug rebate system configuration errors to ensure it seeks reimbursement for all eligible outpatient prescription drug rebate claims
- Ensure it obtains correct number of units which is needed for rebate calculation
- Review managed care drug claims to determine the amount of drug rebates that should be requested from manufacturers
- Consult with the U.S. Department of Health and Human Services about repaying the questioned costs, including interest

Agency's Response

The Authority corrected the system issue concerning the managed care plan coding errors in February 2017. The \$73,152 in unclaimed rebates will be invoiced by August 2017.

The Authority identified and corrected the system issue concerning the Medicaid eligibility code in September, 2016, prior to the State Auditor's Office beginning their work. The Authority disclosed the issue to the State Auditor's Office, and will invoice the unclaimed rebates by August 2017.

The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.

Auditor's Concluding Remarks

The Medicaid eligibility code issue was disclosed to SAO during the exception review process by the Authority. Since the issue was identified and corrected outside the audit period, we reaffirm our finding.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

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

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit reporting, state in part:

- (c) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs

when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

42 U.S. Code 1396r–8. Payment for covered outpatient drugs, states in part:

(b) Terms of rebate agreement

(1) Periodic rebates

(A) In general: A rebate agreement under this subsection shall require the manufacturer to provide, to each State plan approved under this subchapter, a rebate for a rebate period in an amount specified in subsection (c) of this section for covered outpatient drugs of the manufacturer dispensed after December 31, 1990, for which payment was made under the State plan for such period, including such drugs dispensed to individuals enrolled with a medicaid managed care organization if the organization is responsible for coverage of such drugs. Such rebate shall be paid by the manufacturer not later than 30 days after the date of receipt of the information described in paragraph (2) for the period involved.

(B) Offset against medical assistance: Amounts received by a State under this section (or under an agreement authorized by the Secretary under subsection (a)(1) of this section or an agreement described in subsection (a)(4) of this section) in any quarter shall be considered to be a reduction in the amount expended under the State plan in the quarter for medical assistance for purposes of section 1396b(a)(1) of this title.

Health Care Authority Medicaid Drug Rebate Policy

C. PREPARING MEDICAID DRUG REBATE INVOICES

1. No later than 60 days after the end of the calendar quarter, HCA will prepare and transmit an invoice using the CMS-R-144 State Invoice format to each labeler participating in the drug rebate program. HCA will also transmit a copy of form CMS-R-144 to CMS and to the Office of Financial Recovery (OFR).
3. Invoices must reflect only those drugs reimbursed in the reporting period (quarter). Invoices must not include any NDCs paid for under:
 - Public Health Service drug pricing agreements;
 - State-funded only General Assistance programs; Other state-funded only programs; or
 - Other federal non-Medicaid funded drug programs.

2016-033 The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$358,754

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for approximately one-third of the state's federal expenditures. The program, administered by the Health Care Authority (Authority), spent about \$11.6 billion in federal and state funds during fiscal year 2016.

Inpatient services are health care services provided during hospitalization to a client whose condition warrants formal admission and treatment in a hospital. The Authority primarily pays for inpatient hospital services using a Diagnosis Related Group (DRG) payment methodology. The DRG methodology simplifies the payment process, encourages administrative efficiency and bases payments on a patient's disease and hospital resources rather than length of stay. DRG-exempt inpatient services are paid through methods other than DRG, such as per diem rate, single case rate, ratio of costs-to-charges (RCC) and weighted cost to charge.

The Authority's Hospital Finance Unit establishes and adjusts the inpatient rate factors used to determine each hospital's payments in accordance with Washington's State Plan and state rules. The DRG Conversion Factor and Per Diem rates for hospitals are rebased every five to seven years.

State law requires the Authority to adjust the applied DRG Conversion Factor, per diem, and RCC rates at least annually. Several factors determine the final annual rates for each hospital, and the Authority is required by federal and state law to notify each provider of these rate changes before the rate is applied. According to the Medicaid State Plan, RCC rates are calculated annually using the most recently filed Medicare Cost Report data provided by the hospital. DRG Conversion Factor and Per Diem rates are adjusted utilizing various reports supplied by a third-party business management consultant.

In fiscal year 2016, the Authority spent \$392 million for inpatient hospital services. The Authority spent \$331 million for DRG payments and Certified Public Expenditure RCC payments for inpatient hospital services.

Description of Condition

The Authority did not have adequate controls to ensure rates were properly determined and communicated to providers in a timely manner. Hospital Finance did not follow internal procedures and state guidance regarding the inpatient hospital rate setting process. We identified three issues:

1. For rates that became effective in February 2016, the unit did not notify 23 hospitals of their updated rate changes. Hospital Finance did not have a formal process in place to review annual rate updates. In May 2016, the Authority notified the 23 hospitals that the correctly adjusted rates would be applied starting in June 2016. The Authority honored any hospitals' rates that were higher in the previous year, for the period from February through May 2016, because of its interpretation that federal and state code prohibited retroactive rate adjustments after submitting them to providers.
2. RCC rates were inaccurately calculated by using incorrect costs and charges from a non-Medicare Cost Report source. The Authority determined RCC rates using costs and charges listed on a hospital-provided RCC worksheet, because the current cost report was unavailable.
3. WAC 182-550-3830 specifies that the following adjustments are applied to the DRG Conversion Factor calculation on an annual basis at minimum: Direct Graduate Medical Expenditures, Indirect Medical Expenditures and the Wage Index Adjustment. The Authority last applied the rate factors in July 2014 for rebasing; however, has not since performed annual adjustments after rebasing, as required by WAC 182-550-3830.

We consider these control deficiencies to be a material weakness.

Cause of Condition

During the audit period, the rate-setting unit did not have adequate staffing to accommodate the unit's workload. In April 2016, it hired a new staff member to assist with inpatient hospital rate setting duties and to implement a review process.

The Hospital Finance Unit used RCC worksheets instead of Medicare cost reports to determine hospitals' RCCs, because they believed that the RCC workbook was an allowable alternate source document based on WAC 182-550-4500. However, the state rule does not align with the State Plan requiring the use of the most recently filed Medicare Cost Report. As of October, 2016, the Authority modified their processes to only consider Medicare cost reports in their hospital rate determinations.

There are two state rules that guide the application of the Direct Graduate Medical Expenditures, Indirect Medical Expenditures and the Wage Index adjustments. WAC 182-550-3800 requires adjustments to be performed during rebase. WAC 182-550-3830 requires the adjustments to be performed annually, between rebasing periods. The Unit believes that the adjustments should only be

made during rebase, rather than annually, because they feel the state rules conflict with each other and believe the rebase rule takes a higher priority.

Effect of Condition and Questioned Costs

We found 23 hospitals' RCC rates that became effective in February 2016 were not communicated to the hospitals in a timely manner. The Authority began applying the correct RCC rates to payments in June 2016, after proper notification was sent to the providers. By not communicating the rate adjustments to hospitals in a timely manner, the Authority made Medicaid overpayments to those 23 hospitals totaling \$333,045.

We found four cases where the Authority calculated rates using the RCC worksheet. For these, the amounts listed in the Medicare cost report did not agree to the worksheet and RCC rates were inaccurately calculated. The Authority's alternative method using the hospital-provided RCC worksheet rather than the Medicare cost report was not effective to ensure only allowable costs were reimbursed because the Authority was at risk of determining RCC rates incorrectly. We found an incorrect RCC rate was applied to one provider for 11 months, resulting in overpayments totaling \$47,203

We found the Authority made overpayments totaling \$380,248 to inpatient hospitals during fiscal year 2016. We are questioning \$358,754, which is the federal portion of the unallowable costs. The federal share is calculated using the state's 2016 Federal Medical Assistance Percentages rate assigned per expenditure type.

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

Recommendations

We recommend the Authority:

- Follow the Medicaid State Plan and state regulation over the inpatient hospital rate setting process
- Establish adequate internal controls to ensure inpatient hospital rates are accurately determined and providers are notified in a timely manner
- Ensure that current Washington Administrative Codes and Inpatient Rate Setting practices are in alignment
- Consult with the U.S. Department of Health and Human Services about repaying the questioned costs, including interest

Agency's Response

The Authority agrees that existing internal controls did not prevent an error from occurring in the annual rate setting process. Because of other controls in place at the time, staff did detect the calculation error and corrected the rates in June 2016, before the end of the fiscal year. Since this occurrence, staff have established additional controls in the rate setting process and the review

process and the review process to ensure hospital rates are accurately determined and providers are notified in a timely manner. The Authority considers this corrective action to be complete.

The Auditor's Office identified two WACs that give conflicting requirements about the rate setting process, and cite the Authority for not complying with both WACs. The Authority agrees that the two WACs conflict with each other, but respectfully disagrees with the Auditor's Office that this is a federal compliance issue. The Authority believes the Medicaid State Plan and federal regulations have priority over state regulations and that, in a situation where there appears to be a conflict, federal regulations should be followed. The Authority will amend the WAC to agree with federal regulations.

The Authority will consult with the U.S. Department of Health and Human Services about repaying the questioned costs.

Auditor's Concluding Remarks

We thank the Authority for its cooperation and assistance throughout the audit.

The federal regulations and Medicaid State Plan do not specify the detailed rate adjustment procedures including timeframe, but state regulations do. If the Authority does not follow the procedures specified in the state regulations, it is not in compliance with the federal regulations. We reaffirm our finding.

We will review the status of the Authority's corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

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

Section 200.516 Audit reporting, state in part:

- (b) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (4) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (5) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (6) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Washington Administrative Code 182-550-4500, Services—Exempt from DRG payment, states in part:

- (5) This section explains how the agency calculates each in-state and critical border hospital's RCC. For noncritical border city hospitals, see WAC 182-550-3900. The agency:
 - (a) Divides adjusted costs by adjusted patient charges. The agency determines the allowable costs and associated charges.
 - (b) Excludes agency nonallowed costs and nonallowed charges, such as costs and charges attributable to a change in ownership.
 - (c) Bases the RCC calculation on data from the hospital's annual medicare cost report (Form 2552) and applicable patient revenue reconciliation data provided by the hospital. The medicare cost report must cover a period of twelve consecutive months in its medicare cost report year.
 - (d) Updates a hospital's inpatient RCC annually after the hospital sends its hospital fiscal year medicare cost report to the centers for medicare and medicaid services (CMS) and the agency. If medicare grants a delay in submission of the CMS medicare cost report to the medicare fiscal intermediary, the agency may determine an alternate method to adjust the RCC.
 - (e) Limits a noncritical access hospital's RCC to one point zero (1.0).

Washington Administrative Code 182-550-5550, Public notice for changes in medicaid payments rates for hospital services, states in part:

- (3) The agency will notify stakeholders of proposed and final changes in individual medicaid hospital rates for hospital services, as follows:

- (a) Publish the proposed medicaid hospital rates, the methodologies underlying the establishment of the rates, and justifications for the rates;
 - (b) Give stakeholders a reasonable opportunity to review and provide written comments on the proposed medicaid hospital rates, the methodologies underlying the establishment of the rates, and justifications for the rates; and
 - (c) Publish the final medicaid hospital rates, the methodologies underlying the establishment of such rates, and justifications for such rates.
- (4) (a) Except as otherwise provided in this section, the agency will determine the manner of publication of proposed or final medicaid hospital rates.
- (b) Publication of proposed medicaid hospital rates will occur as follows:
 - (i) The agency will mail each provider's proposed rate to the affected provider via first-class mail at least fifteen calendar days before the proposed date for implementing the rates; and
 - (ii) For other stakeholders, the agency will post proposed rates on the agency's web site.
 - (c) Publication of final medicaid hospital rates will occur as follows:
 - (i) The agency will mail each provider's final rate to the affected provider via first-class mail at least one calendar day before implementing the rate; and
 - (ii) For other stakeholders, the agency will post final rates on the agency's web site.
 - (d) The publications required by subsections (4)(b) and (c) of this section will refer to the appropriate sections of chapter 182-550 WAC for information on the methodologies underlying the proposed and final rates.

Washington Administrative Code 182-550-3830, Adjustments to inpatient rates, states:

- (1) The medicaid agency updates all the following components of a hospital's specific diagnosis-related group (DRG) factor and per diem rates between rebasing periods:
 - (a) Effective July 1st of each year, the agency updates all of the following:
 - (i) Wage index adjustment;
 - (ii) Direct graduate medical education (DGME); and
 - (iii) Indirect medical education (IME).
 - (b) Effective January 1, 2015, the agency updates the sole community hospital adjustment.
- (2) The agency does not update the statewide average DRG factor between rebasing periods, except:
 - (a) To satisfy the budget neutrality conditions in WAC 182-550-3850; and
 - (b) When directed by the legislature.
- (3) The agency updates the wage index to reflect current labor costs in the core-based statistical area (CBSA) where a hospital is located. The agency:
 - (a) Determines the labor portion by multiplying the base factor or rate by the labor factor established by medicare; then
 - (b) Multiplies the amount in (a) of this subsection by the most recent wage index information published by the Centers for Medicare and Medicaid Services (CMS) when the rates are set; then
 - (c) Adds the nonlabor portion of the base rate to the amount in (b) of this subsection to produce a hospital-specific wage adjusted factor.

- (4) DGME. The agency obtains DGME information from the hospital's most recently filed medicare cost report that is available in the CMS health care cost report information system (HCRIS) dataset.
 - (a) The hospital's medicare cost report must cover a period of twelve consecutive months in its medicare cost report year.
 - (b) If a hospital's medicare cost report is not available on HCRIS, the agency may use the CMS Form 2552-10 to calculate DGME.
 - (c) If a hospital has not submitted a CMS medicare cost report in more than eighteen months from the end of the hospital's cost reporting period, the agency considers the current DGME costs to be zero.
 - (d) The agency calculates the hospital-specific DGME by dividing the DGME cost reported on worksheet B, part 1 of the CMS cost report by the adjusted total costs from the CMS cost report.
- (5) IME. The agency sets the IME adjustment equal to the "IME adjustment factor for Operating PPS" available in the most recent CMS final rule impact file on CMS's website as of May 1st of the rate-setting year.
- (6) (a) Effective January 1, 2015, the agency multiplies the hospital's specific conversion factor and per diem rates by 1.25 if the hospital meets the criteria in this subsection.
 - (b) The agency considers an in-state hospital to qualify for the rate enhancement if all of the following conditions apply. The hospital must:
 - (i) Be certified by CMS as a sole community hospital as of January 1, 2013;
 - (ii) Have a level III adult trauma service designation from the department of health as of January 1, 2014;
 - (iii) Have less than one hundred fifty acute care licensed beds in fiscal year 2011; and
 - (iv) Be owned and operated by the state or a political subdivision.
 - (v) Not participate in the certified public expenditures (CPE) payment program defined in WAC 182-550-4650.

Washington Administrative Code 182-550-3800, Rebasing, states in part:

The agency redesigns (rebases) the medicaid inpatient payment system as needed. The base inpatient conversion factor and per diem rates are only updated during a detailed rebasing process, or as directed by the state legislature. Inpatient payment system factors such as the ratio of costs-to-charges (RCC), weighted costs-to-charges (WCC), and administrative day rate are rebased on an annual basis...

- (5) Determines global adjustments.
 - (a) Claims paid under the DRG, rehab per diem, and detox per diem payment methods were reduced to support an estimated three million five hundred thousand dollar increase in psychiatric payments to acute hospitals.
 - (b) Claims for acute hospitals paid under the psychiatric per diem method were increased by a factor to inflate estimated system payments by three million five hundred thousand dollars.
- (6) Determines provider specific adjustments. The following adjustments are applied to the base factor or rate established in subsection (4) of this section:
 - (a) Wage index adjustments reflect labor costs in the cost-based statistical area (CBSA) where a hospital is located.

- (i) The agency determines the labor portion by multiplying the base factor or rate by the labor factor established by medicare; then
- (ii) The amount in (a)(i) of this subsection is multiplied by the most recent wage index information published by CMS at the time the rates are set; then
- (iii) The agency adds the nonlabor portion of the base rate to the amount in (a)(ii) of this subsection to produce a hospital-specific wage adjusted factor.
- (b) Indirect medical education factors are applied to the hospital-specific base factor or rate. The agency uses the indirect medical education factor established by medicare on the most currently available medicare cost report that exists at the time the rates are set; and
- (c) Direct medical education amounts are applied to the hospital-specific base factor or rate. The agency determines a percentage of direct medical education costs to overall costs using the most currently available medicare cost report that exists at the time the rates are set.

42 CFR Part 447, Subpart C, 253 - Payment for Inpatient Hospital and Long-Term Care Facility Services - Other requirements, states in part:

- (f) Uniform cost reporting. The Medicaid agency must provide for the filing of uniform cost reports by each participating provider.
- (g) Audit requirements. The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers.
- (h) Public notice. The Medicaid agency must provide that it has complied with the public notice requirements in § 447.205 of this part when it is proposing significant changes to its methods or standards for setting payment rates for inpatient hospital or LTC facility services.
- (i) Rates paid. The Medicaid agency must pay for inpatient hospital and long term care services using rates determined in accordance with methods and standards specified in an approved State plan.

42 U.S. Code § 1396a – State plans for medical assistance, states in part:

- (13) provide—
 - (A) for a public process for determination of rates of payment under the plan for hospital services, nursing facility services, and services of intermediate care facilities for the mentally retarded under which—
 - (i) proposed rates, the methodologies underlying the establishment of such rates, and justifications for the proposed rates are published,
 - (ii) providers, beneficiaries and their representatives, and other concerned State residents are given a reasonable opportunity for review and comment on the proposed rates, methodologies, and justifications,
 - (iii) final rates, the methodologies underlying the establishment of such rates, and justifications for such final rates are published, and
 - (iv) in the case of hospitals, such rates take into account (in a manner consistent with section 1396r–4 of this title) the situation of hospitals which serve a disproportionate number of low-income patients with special needs;

Washington State Plan, attachment 4 - Payment for Services, 4.19-A Part I: Methods and Standards for Establishing Payment Rates for Inpatient Hospital Services, states in part:

B. Definitions

RCC

RCC means a hospital ratio of costs-to-charges (RCC) calculated annually using the most recently filed CMS 2552 Medicare Cost Report data provided by the hospital. The RCC is calculated by dividing adjusted operating expense by adjusted patient charges. If a hospital's costs exceed charges, a hospital's RCC is limited to 100 percent.

D. DRG Cost-based Rate Method

b. Hospital-specific DRG conversion factors or DRG rate calculation:

The hospital-specific DRG conversion factors were based on the statewide-standardized average operating and capital costs per discharge amounts. Operating costs were adjusted for differences in wage index and indirect medical education costs. Capital costs were adjusted for differences in indirect medical education costs.

Effective for dates of admission on or after July 1, 2014, the Agency changed the inpatient prospective payment system from AP-DRG to APR-DRG. The base conversion factor for APR-DRG payments was calculated so that aggregate inpatient payments would remain constant between AP-DRG and APR-DRG payment methods. This calculation included a shift of \$3,500,000 from DRG to specialty psychiatric services.

Effective for dates of admission on or after July 1, 2014, the statewide-standardized average cost was recalculated using the same methods as described above, based on cost information for hospital fiscal years ending in 2013. The Agency applied a budget adjuster so that aggregate inpatient payments would remain constant after the rebased costs were determined.

2016-034 **The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Children’s Health Insurance Program funds were claimed for eligible Medicaid expenditures.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$130
Likely Questioned Cost Amount: \$4,184,455

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

In Washington, Medicaid and the Children’s Health Insurance Program (CHIP) provide medical assistance for children up to 19 years old who reside in low-income households. Both the Medicaid and CHIP programs are jointly funded by the state and federal funds. Federal funds reimburse the state for about 88 percent of CHIP expenditures and 50 percent of Medicaid expenditures.

Medicaid expenditures for children whose family income equals or exceeds 133 percent of the federal poverty level, but does not exceed the Medicaid applicable income level, are eligible for additional CHIP funding. If the Medicaid costs have already been claimed and reimbursed, the state submits a claim for the difference between the CHIP and Medicaid rates.

The Health Care Authority (Authority) identifies the Medicaid expenditures eligible for additional CHIP funding, using the Recipient Aid Category (RAC) code. The Authority’s Medicaid Management Information System, ProviderOne, automatically assigns a RAC code to the children who are eligible for additional CHIP funds based on income information in the Automated Client Eligibility System, Washington’s social service program client eligibility system. Medicaid eligibility is determined in the eligibility system based on income information submitted to the Health Plan Finder, the online application system.

In state fiscal year 2016, the Authority claimed more than \$68.7 million in additional CHIP federal funds based on the eligibility of children in the Medicaid program. In prior audits, we reported the Authority did not have adequate internal controls to ensure additional CHIP funds were properly claimed as eligible Medicaid expenditures. The prior finding numbers were 2015-039 and 2014-037.

Description of Condition

We found the Authority did not have adequate internal controls to ensure and monitor that additional CHIP federal funds were claimed only for eligible Medicaid expenditures.

The Authority performs a post-eligibility review to ensure Medicaid eligibility is adequately determined. The review, however, is generated only when household income obtained by the Authority is above the Medicaid applicable income level. The applicable income level for Medicaid children is 210 percent of the federal poverty level. Additional CHIP funds are allowable only for Medicaid children whose household income equals or exceeds 133 percent of the level, but does not exceed 210 percent. If the verified income is below 133 percent, a post-eligibility review is not generated. Due to this reason, the Authority did not identify errors made in the eligibility determination that resulted in it incorrectly claiming additional CHIP funds.

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

Cause of Condition

The Authority uses specific client eligibility criteria to determine which claims are eligible for claiming additional CHIP federal funding. Clients self-attest to household income at the time of application. The eligibility system determines client eligibility based on the first self-attested income that is entered, which is then coded to identify whether the claim is eligible for additional CHIP federal funds. However, the system does not systematically re-determine eligibility if changes to the household income are subsequently entered.

The CHIP/Foster Care Program Manager at the Authority's Office of Medicaid Eligibility Policy said the eligibility system is configured to accept changes to household income self-attested in Health Plan Finder during the certification period, but is not updated to adequately determine eligibility for additional CHIP federal funds.

The post-eligibility review is not designed to capture updates to household income when it falls below 133 percent, making them ineligible for additional CHIP funds.

Effect of Condition and Question Costs

Fee-for-Service Claims

Using a statistical sampling method, we randomly sampled 65 fee-for-service claims out of 964,572 fee-for-service claims that were submitted during fiscal year 2016 to determine if the Authority properly coded the clients as eligible for additional CHIP federal funds. We found three transactions,

with known questioned costs totaling \$26, when clients were not eligible for additional CHIP federal funds. When we project the results to the entire population of fee-for-service claims, we estimate the likely questioned costs to be \$391,005.

Managed Care Claims

Using a statistical sampling method, we randomly sampled 65 managed care premium payments out of 2,377,981 managed care premium payments that were made during fiscal year 2016 to determine if the Authority properly coded the clients as eligible for additional CHIP federal funds. We found two transactions, with known questioned costs totaling \$104, in which clients were not eligible for additional CHIP federal funds. When we project the results to the entire population of managed care premium payments, we estimate the likely questioned costs to be \$3,793,450.

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

Recommendations

We recommend the Authority:

- Implement an adequate monitoring procedure to ensure additional CHIP funds are only claimed for eligible expenditures.
- Consult with the U.S. Department of Health and Human Services about repaying the questioned costs, including interest.

Agency's Response

The Authority has expressed concern to the Auditor's Office about the nature and extent of the testing performed to validate compliance with Children's Health Insurance Program regulations, and about the conclusions reached based on the testing performed.

The Authority has also expressed concern that the Auditor's estimate of likely questioned costs does not provide proper perspective for judging the prevalence of questioned costs. Unallowable costs were 2.1% of the costs tested in the managed care sample, and 3.4% of the costs tested in the fee-for-service sample. SAO estimates likely questioned costs to be 6% of the total.

By September 2017 the Authority will update eligibility during the post eligibility review process to reflect the most appropriate eligibility category when it is determined self-attestation has placed the household in the incorrect eligibility category.

The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.

Auditor's Concluding Remarks

We thank the Authority for its cooperation and assistance throughout the audit.

The Authority states the auditor’s estimate of likely questioned costs does not provide proper perspective for judging the prevalence of questioned costs. We used a statistically valid sample for our audit. A statistically valid sample for audit purposes is defined by AU-C 530.05 as “An approach to sampling that has the following characteristics: (a) random selection of the sample items; (b) the use of an appropriate statistical technique to evaluate sample results, including measurement of sampling risk.” Our sampling methodology meets these criteria.

It is important to note that the sampling technique we used is intended to match our audit opinion by determining whether or not expenditures were in compliance with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide 95 percent confidence of whether exceptions were above our materiality threshold. This conclusion is reflected in our audit report and finding. However, the likely questioned costs projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must

include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

42 U.S. Code §1397ee. Payments to States, states in part:

(g) Authority for qualifying states to use certain funds for Medicaid expenditures. -

(1) State option.—

(A) In general.—Notwithstanding any other provision of law subject to paragraph (4), a qualifying State (as defined in paragraph (2)) may elect to use not more than 20 percent of any allotment under section 1397dd of this title for fiscal year 1998, 1999, 2000, 2001, 2004, 2005, 2006, 2007, or 2008 (insofar as it is available under subsections (e) and (g) of such section) for payments under subchapter XIX of this chapter in accordance with subparagraph (B), instead of for expenditures under this subchapter .

(B) Payments to states.—

(i) In In general.—In the case of a qualifying State that has elected the option described in subparagraph (A), subject to the availability of funds under such subparagraph with respect to the State, the Secretary shall pay the State an amount each quarter equal to the additional amount that would have been paid to the State under subchapter XIX of this chapter with respect to expenditures

described in clause (ii) if the enhanced FMAP (as determined under subsection (b) of this section) had been substituted for the Federal medical assistance percentage (as defined in section 1396d(b) of this title).

- (ii) Expenditures described.—For purposes of this subparagraph, the expenditures described in this clause are expenditures, made after August 15, 2003, and during the period in which funds are available to the qualifying State for use under subparagraph (A), for medical assistance under subchapter XIX of this chapter to individuals who have not attained age 19 and whose family income exceeds 150 percent of the poverty line.
 - (iii) No impact on determination of budget neutrality for waivers.—In the case of a qualifying State that uses amounts paid under this subsection for expenditures described in clause (ii) that are incurred under a waiver approved for the State, any budget neutrality determinations with respect to such waiver shall be determined without regard to such amounts paid.
- (2) Qualifying state.—In this subsection, the term “qualifying State” means a State that, on and after April 15, 1997, has an income eligibility standard that is at least 184 percent of the poverty line with respect to any 1 or more categories of children (other than infants) who are eligible for medical assistance under section 1396a(a)(10)(A) of this title or, in the case of a State that has a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on August 1, 1994, or July 1, 1995, has an income eligibility standard under such waiver for children that is at least 185 percent of the poverty line, or, in the case of a State that has a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on January 1, 1994, has an income eligibility standard under such waiver for children who lack health insurance that is at least 185 percent of the poverty line, or, in the case of a State that had a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on October 1, 1993, had an income eligibility standard under such waiver for children that was at least 185 percent of the poverty line and on and after July 1, 1998, has an income eligibility standard for children under section 1396a(a)(10)(A) of this title or a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that is at least 185 percent of the poverty line.
- (3) Construction.—Nothing in paragraphs (1) and (2) shall be construed as modifying the requirements applicable to States implementing State child health plans under this subchapter.
- (4) Option for allotments for fiscal years 2009 through 2015.—
- (A) Payment of enhanced portion of matching rate for certain expenditures.—In the case of expenditures described in subparagraph (B), a qualifying State (as defined in paragraph (2)) may elect to be paid from the State’s allotment made under section 1397dd of this title for any of fiscal years 2009 through 2015 (insofar as the allotment is available to the State under subsections (e) and (m) of such section) an amount each quarter equal to the additional amount that would have been paid to the State under subchapter XIX with respect to such expenditures if the enhanced FMAP (as determined under subsection (b)) had been substituted for the Federal medical assistance percentage (as defined in section 1396d(b) of this title).

(B) Expenditures described.—For purposes graph (A), the expenditures described in this subparagraph are expenditures made after February 4, 2009, and during the period in which funds are available to the qualifying State for use under subparagraph (A), for the provision of medical assistance to individuals residing in the State who are eligible for medical assistance under the State plan under subchapter XIX or under a waiver of such plan and who have not attained age 19 (or, if a State has so elected under the State plan under subchapter XIX, age 20 or 21), and whose family income equals or exceeds 133 percent of the poverty line but does not exceed the Medicaid applicable income level.

2016-035 **The Health Care Authority did not notify Medicaid providers of revalidation requirements as required by the Center for Medicare and Medicaid Services.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Special Tests and Provisions – Provider Eligibility - Provider Revalidation
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

In March 2011, a federal regulation became effective that required state Medicaid agencies to revalidate the enrollment of all Medicaid providers at least every five years. The Center for Medicare and Medicaid Services (CMS) notified states through an informational bulletin that the revalidation of all providers must be completed by March 24, 2016.

In January 2016, CMS issued updated guidance to states that extended the deadline for provider validation to September 25, 2016. As part of this updated guidance, CMS required states to notify all affected providers of the revalidation requirement by the original March 24, 2016, deadline.

Over 88,000 Medicaid providers were enrolled and active in Washington during fiscal year 2016.

Description of Condition

The Authority did not notify all affected providers of the revalidation requirement by the March 24, 2016 deadline set by CMS.

Cause of Condition

The Manager of the Authority’s Provider Enrollment group said providers were not notified by the March 24, 2016, deadline because of limited staff resources.

Effect of Condition

By not complying with federal requirements, the Authority is at risk of losing federal funding.

Recommendation

We recommend the Authority ensure it complies with future directives from CMS.

Agency's Response

The Health Care Authority will notify providers of the revalidation requirement and, by December 2017, will complete revalidations of all providers who enrolled with Medicaid prior to December 2012. The Authority will continue to revalidate providers every five years from their date of enrollment or last verification. These actions will bring the Authority into compliance with the federal regulations and guidance regarding provider revalidations.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

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

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

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

42 CFR § 455.414 Revalidation of enrollment

The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.

Centers for Medicare and Medicaid Services, Center for Medicaid and CHIP Services, CMCS Informational Bulletin, dated December 21, 2011, states in part:

The Federal regulation at 42 CFR 455.414 requires States, beginning March 25, 2011, to complete revalidation of enrollment for all providers, regardless of provider type, at least every five years. Based upon this requirement, States must complete the revalidation process of all provider types by March 24, 2016.

Center for Medicare and Medicaid Services (CMS) Sub Regulatory Guidance for State Medicaid Agencies (SMA): Revalidation (2016-001) states in part:

The federal regulation at 42 CFR 455.414 requires that state Medicaid agencies revalidate the enrollment of all providers, regardless of provider types, at least every 5 years. The regulation was effective March 25, 2011. Based on this requirement, in a December 23, 2011 CMCS Informational Bulletin, we directed states to complete the revalidation process of all provider types by March 24, 2016.

The purpose of this guidance is to revise previous guidance in order to align Medicare and Medicaid revalidation activities to the greatest extent possible. We are revising that previous guidance to now require a two-step deadline under which states must notify all affected providers of the revalidation requirement by the original March 24, 2016 deadline, and must have completed the revalidation process by a new deadline of September 25, 2016.

1. Deadline for SMA to revalidate providers enrolled on or before September 25, 2011. The Federal regulation at 42 CFR § 455.414 requires states, beginning March 25, 2011, to revalidate the enrollment of all Medicaid providers, regardless of provider type, at least every five years. Based upon this requirement, by March 24, 2016, states must notify providers that were enrolled on or before March 25, 2011 that they must revalidate their enrollment. On March 25, 2016, states that have notified all providers subject to the revalidation requirement will be considered compliant with the revalidation activities required as of that date.

2016-036

The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over requirements to ensure surveys for Medicaid nursing home facilities were completed in a timely manner.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Special Tests and Provisions – Provider Health and Safety Standards
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

In fiscal year 2016, the state Medicaid program spent about \$14.9 million for the survey and certification of health care providers. The Department of Social and Health Services spent about \$5.9 million during fiscal year 2016.

Residential Care Services, under the Department of Social and Health Services, Aging and Long-Term Support Administration, is the state nursing home survey agency for Washington.

In fiscal year 2016, the state had 222 nursing homes that were Medicare and/or Medicaid certified. The survey for certification of a nursing home is a resident-centered inspection that gathers information about the quality of service furnished in a facility to determine compliance with the requirements of participation. The survey focuses on the nursing home's administration and patient services. The survey also assesses compliance with federal health, safety and quality standards designed to ensure patients receive safe and quality care services.

States are required to complete a standard survey within 15.9 months following the previous survey and the state-wide average must not exceed 12.9 months for nursing homes as stated in the Mission and Priority Statement issued by Centers for Medicare and Medicaid Services (CMS). If deficiencies are found in the facility the Department is responsible for mailing a statement of deficiency to the facility within 10 working days of the survey date. The facility is then required to submit an acceptable

plan of correction to the Department within 10 calendar days of receipt. The Centers for Medicare and Medicaid Services measures state agencies using the federal fiscal year and our audit period looked at surveys during the state fiscal year.

In prior audits, we reported the Department did not have adequate internal controls to ensure surveys were conducted timely and that follow up on deficiencies were conducted in a timely manner. The prior finding numbers were 2015-044, and 2014-046.

Description of Condition

The Department did meet federal regulations, which requires them to survey nursing homes every 15.9 months and meeting a statewide average of 12.9 months. However, the Department did not comply with federal regulations by sending out Statement of Deficiencies timely or ensuring timely receipt of acceptable corrective action plans.

We used a statistical sampling method and randomly sampled 50 out of 181 total nursing home surveys completed during the audit period. We examined the 50 nursing home surveys to determine if the Department mailed Statements of Deficiencies within 10 working days as required. We found ten (20 percent) exceeded the required timeframe

We also examined the same nursing homes to determine if an acceptable Plan of Correction was received within 10 calendar days and found that 12 (24 percent) were submitted late.

We consider this control deficiency to be a material weakness.

Cause of Condition

The Department has procedures in place to ensure that standard surveys are completed timely, statement of deficiencies are mailed and plans of corrections are received according to federal standards in the State Operations Manual. It is up to regional field survey and investigative staff to ensure a provider has achieved compliance through follow-up reviews, phone calls and/or visits. The Department asserts the cause of delays for mailing of Statement of Deficiencies was due to regional administrative review of deficiencies to assure technical accuracy in the documents, achieving compliance with principles of documentation and allowing adequate time for comprehensive enforcement review and action and their interpretation of what is deemed an acceptable plan of correction.

Effect of Condition

When the Department does not mail Statements of Deficiencies according to the CMS State Operations Manual, the provider and/or facility is not able to begin the development and submission of an acceptable plan of correction preventing the Department from following up on deficiencies.

When the Department does not follow up on deficiencies timely, the state is paying the facilities for services provided to Medicaid clients without assurance they are in compliance with federal and state health standards and regulations.

Recommendation

We recommend the Department strengthen policies and procedures to ensure Statements of Deficiencies and acceptable Plans of Correction are submitted timely.

Agency's Response

The Department partially agrees with this finding.

The Department does not agree with the SAO findings that it does not follow up on deficiencies timely. The Department follows the Centers of Medicare and Medicaid (CMS) State Operational Manual (SOM) guidelines for following up on deficiencies timely through unannounced follow-up visits. The follow up of deficiencies was not tested in this SAO audit.

The Department recognizes the receipt of Plans of Correction (POCs) within 10 calendar days were not met per SAO's testing methodology, however the Department follows the State Operations Manual (SOM) guidelines for receiving POCs. The CMS SOM guidelines require the Department to receive the POCs within 10 calendar days of provider receipt of the SOD report.

The Department uses the POC receipt date returned to the department office as its metric whereas the SAO testing used the date POC found acceptable. During this SAO audit the department requested and received correspondence via email on 12/01/16 from Lisa Tripp, CMS Technical Director for Enforcement and Certification for the Division of Nursing Homes, supporting the departments interpretation of the CMS SOM. "The practice of the Washington Department of Social and Health Services described in this sentence: "WA State LTC has allowed a facility 10 days to return the POC per our interpretation of the SOM, and if we find any deficiencies or missing elements to the POC we do not accept the POC. Sometimes that may require more than 10 days to achieve an acceptable POC" is consistent with the correct interpretation of CMS policy and is consistent with how all states deal with situations where POCs are not acceptable"(Lisa Tripp CMS).

The Department agrees with the Statement of Deficiency (SOD) findings based on the SAO testing methodology. While the CMS SOM does not require formal tracking of the SOD/POCs, the Department did implement a statewide formal tracking system in January 2016. In March 2017, RCS will be working with Management Services Division to finalize a tracking website for SODs requiring enforcement review and action. This website allows for daily tracking of SOD processing between field managers and headquarters enforcement staff to ensure electronic SOD delivery within 10 working days of survey exit date.

In April 2017, the Department will continue to enhance its ability to distribute SODs in 10 working days and receive POCs in 10 calendar days by implementing an electronic distribution and receipt system called Aspen Electronic Plan of Correction (ePOC), per use of CMS' automated survey and processing environment. The ePOC system time stamps distribution of SODs and submission of POCs, provides notifications to the state agency when SODs and POCs are not mailed or submitted timely, and includes report functions.

Auditor’s Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

We came to our conclusion because the State Operations Manual 7304.4 states in part ... “an Acceptable Plan of Correction must be submitted within 10 calendar days from the date the facility receives its Form CMS-2567.”

We also contacted the CMS Division of Nursing Home’s Technical Director for Enforcement and Certification to seek clarification about the requirement. The Director said that although the Department may have interpreted the regulation to mean that a Plan of Correction (acceptable or not) must be submitted within 10 calendar days, she does not have authority to provide official guidance on the matter.

We reaffirm our finding and will review the status of the Department’s corrective action during our next audit. We will continue to seek clarification from CMS regarding the 10-day requirement in the State Operations Manual.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

Center for Medicare and Medicaid Services, State Operations Manual, Chapter 2 - The Certification Process, states in part:

2138G - Schedule for Recertification

(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

The SA completes a recertification survey an average of every 12 months and at least once every 15 months (see §2141).

2141 - Recertification - ICFs/IID

(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

- The regulation at §442.15 provides that provider agreements for ICF/IID's would remain in effect as long as the facility remains in compliance with the Conditions of Participation (COP's). Regulations at §442.109 through §442.111.
- Beginning on May 16, 2012, ICF/IID's are no longer subject to time-limited agreements. However, they are to be surveyed for re-certification an average of every 12 months and at least once every 15 months.
- If during a survey the survey agency finds a facility does not meet the standards for participation the facility may remain certified if the survey agency makes two determinations – The facility may maintain its certification if the survey agency finds Immediate Jeopardy doesn't exist, and if the facility provides an acceptable plan of correction.

Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 7 – Survey and Enforcement Process for Skilled Nursing Facilities and Nursing Facilities, states in part:

7205 – Survey Frequency: 15-Month Survey Interval and 12-Month State-wide Average

7205.2 – Scheduling and Conducting Surveys (Rev. 63, Issued: 09-10-10, Effective: 09-10-10, Implementation: 09-10-10)

The State must complete a standard survey of each skilled nursing facility and nursing facility not later than 15 months after the previous standard survey.

Facilities with excellent histories of compliance may be surveyed less frequently to determine compliance, but no less frequently than every 15 months and the State-wide standard survey average must not exceed 12 months.

7304.4 - Acceptable Plan of Correction - states in part:

Except in cases of past noncompliance, facilities having deficiencies (other than those at scope and severity level A) must submit an acceptable plan of correction. The requirement for a plan of correction is in 42 CFR 488.402(d), and §7400.2 and §7400.5.3. An acceptable plan of correction must:

...

The plan of correction serves as the facility's allegation of compliance and, without it, CMS and/or the State have no basis on which to verify compliance. A plan of correction must be submitted within 10 calendar days from the date the facility receives its Form CMS-2567. If an acceptable plan of correction is not received within this timeframe, the State notifies the facility that it is recommending to the RO and/or the State Medicaid Agency that remedies be imposed effective when notice requirements are met. The requirement for a plan of correction is in 42 CFR 488.402(d). Further, 42 CFR 488.456(b)(ii) requires CMS or the State to terminate the provider agreement of a facility that does not submit an acceptable plan of correction.

In most cases of immediate jeopardy, the facility submits an allegation of removal of the immediate jeopardy and defers submission of a plan of correction until the immediate jeopardy has been removed. The allegation of removal of the immediate jeopardy must include the date the immediate jeopardy was removed, and sufficient detail demonstrating that the immediate jeopardy has been addressed. Once the removal of the immediate jeopardy is verified, the surveying entity will provide a Form CMS-2567 to the facility, including the noncompliance which constituted immediate jeopardy, and request that a plan of correction be submitted within 10 calendar days.

A facility is not required to provide a plan of correction for a deficiency cited as past noncompliance because that deficiency is corrected at the time it is cited; however, the survey team must document the facility's corrective actions on Form CMS-2567.

7305.1.1 – When No Immediate Jeopardy Exists and an Opportunity to Correct Will be Provided Before Remedies Are Imposed – states in part:

- (f) Provides that an acceptable plan of correction is required in response to deficiencies listed on the Form CMS-2567 and must be received within 10 calendar days of the facility's receipt of the CMS-2567. The plan of correction will serve as the facility's allegation of compliance;
- (g) Informs the facility of the opportunity for informal dispute resolution;
- (h) Specifies that if an acceptable plan of correction is not received within 10 calendar days of the facility's receipt of the CMS-2567, the State will notify the facility that it is recommending to the regional office and/or the State Medicaid Agency that remedies other than category 1, and/or denial of payment for new admissions, be imposed effective as soon as notice requirements are met. As authorized by CMS and/or the State Medicaid Agency, formal notice of imposition of category 1 remedies may be officially provided in this initial notice, and notice of imposition of denial of payment for new admissions may be officially provided in this notice or in the first revisit letter;

7319.1 - Non-State Operated Skilled Nursing Facilities and Nursing Facilities or Dually Participating Facilities (Rev. 63, Issued: 09-10-10, Effective: 09-10-10, Implementation: 09-10-10) states in part:

1. The State conducts the survey and certifies compliance.
2. The State sends the facility Form CMS-2567 and if applicable, the “Notice of Isolated Deficiencies Which Cause No Actual Harm with the Potential for Minimal Harm” (Form A), within 10 working days of the last day of survey.
3. If the facility is in substantial compliance, but deficiencies constitute a pattern or widespread findings causing no actual harm and potential for only minimal harm, the State instructs the facility to submit a plan of correction to the State's office. (This must be submitted within 10 calendar days after the facility has received its Statement of Deficiencies.) There is no requirement for the State to conduct a revisit to verify correction, but the facility is expected to comply with its plan of correction.

Centers for Medicare and Medicaid Services, Quality Assurance for the Medicare and Medicaid Programs, FY2016 Mission and Priority Document (MPD), states in part:

15.9 Month Max Interval: No more than 15.9 months elapses between completed surveys for any particular nursing home.

12.9 Month Average: All nursing homes in the State are surveyed, on average, once per year. The Statewide average interval between consecutive standard surveys must be 12.9 months or less.

Title 42, Code of Federal Regulations, Section 488.402 General provisions. States in part:

- (d) Plan of correction requirement.
 - (1) Except as specified in paragraph (d)(2) of this section, regardless of which remedy is applied, each facility that has deficiencies with respect to program requirements must submit a plan of correction for approval by CMS or the survey agency.

- (2) Isolated deficiencies. A facility is not required to submit a plan of correction when it has deficiencies that are isolated and have a potential for minimal harm, but no actual harm has occurred.

2016-037

The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure surveys for Medicaid intermediate care facilities were completed in a timely manner.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Special Test and Provisions – Provider Health and Safety Standards
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

In fiscal year 2016, the state Medicaid program spent about \$14.9 million for the survey and certification of health care providers. The Department of Social and Health Services spent approximately \$604,000 of that amount for surveys to Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID).

The Residential Care Services, under the Department of Social and Health Services, Aging and Long-Term Support Administration, is the state Intermediate Care Facilities for Individuals with Intellectual Disabilities survey agency for Washington.

The state has 13 ICF/IID facilities. An ICF/IID is an institution whose primary purpose is for the provision of health or rehabilitation services to individuals with intellectual disabilities or related conditions that receive care and services under the Medicaid program.

The Department is required to perform an annual certification survey of each ICF/IID. The primary focus of the annual certification survey is on the “outcome” of the facility’s implementation of ICF/IID active treatment services.

In addition, states are required to complete a standard survey within 15.9 months following the previous survey and the statewide average must not exceed 12.9 months. If deficiencies are found in

a facility, the Department must mail a Statement of Deficiency to the facility within 10 working days of the survey date. The facility is then required to submit an acceptable plan of correction to the Department within 10 calendar days of receipt. The Centers for Medicare and Medicaid Services measures state agencies using the federal fiscal year and our audit period looked at surveys during the state fiscal year.

In prior audits, we reported the Department did not have adequate internal controls and was not in compliance with regulations to ensure surveys were conducted in a timely manner. The prior finding numbers were 2015-045 and 2014-046.

Description of Condition

The Department did not have adequate internal controls to ensure Statement of Deficiencies were sent out and acceptable Plans of Corrections were received within the required deadlines. Eleven of the 13 ICF/IID facilities had surveys completed during the audit period. In our examination of the 11 ICF/IID facilities, we found:

- One instance (9 percent) when the Department failed to mail the Statement of Deficiency within 10 working days of the survey date. The number of actual days was 11 days
- Four facilities (36 percent) submitted their acceptable Plan of Correction after 10 calendar days, ranging from 19 to 28 days

We examined all 13 ICF/IID facilities for the purpose of the statewide average and found the Department did not ensure surveys were performed in accordance with the frequency required by the state and federal laws. The statewide average of 14.2 months exceeds the 12.9-month requirement.

We consider these control deficiencies to be a material weakness.

Cause of Condition

The Department noted staffing challenges as the cause to ensuring the Statement of Deficiencies and Plan of Corrections were not done in a timely manner.

Effect of Condition

When the Department does not mail Statements of Deficiencies according to the CMS State Operations Manual, the provider and/or facility is not able to begin the development and submission of an acceptable plan of correction preventing the Department from following up on deficiencies.

When surveys are not conducted and follow up on deficiencies is not performed in a timely manner, the state is paying the facilities for services provided to Medicaid clients without assurance they are in compliance with federal and state health standards and regulations.

Recommendation

We recommend the Department establish internal controls to ensure Statement of Deficiencies and Plan of Corrections are completed in a timely manner. We also recommend the Department conduct ICF/IID surveys in accordance with the frequency required by federal and state laws.

Agency's Response

The Department partially agrees with these findings.

The Department does not agree with the SAO finding that it does not have internal controls to ensure Statement of Deficiencies (SODs) and Plans of Corrections (POCs) are completed timely. The Department has established internal controls to ensure SODs are mailed out to providers within 10 working days, to remind providers to submit POCs within 10 calendar days, and ensure that POCs are received within 10 calendar days.

The Department recognizes the receipt of POCs within 10 calendar days were not met per SAO's testing methodology, however the Department follows the Center of Medicare and Medicaid (CMS) State Operations Manual (SOM) guidelines for receiving POCs. The CMS SOM guidelines require the Department to receive the POCs within 10 calendar days from the date provider received the SOD report.

The Department does not agree with the SAO finding that 4 facilities submitted their acceptable POCs after 10 calendar days. The department received their POCs from the providers within 10 calendar days, however those POCs were deemed not acceptable by the department. The SAO tracked dates of receipt of the final acceptable POCs, which resulted in SAO findings.

During this SAO audit period the Department requested and received correspondence via email from CMS Technical Director for Enforcement and Certification for the Division of Nursing Homes, supporting the Department's interpretation of the CMS SOM. "The practice of the Washington Department of Social and Health Services described in this sentence: "WA State LTC has allowed a facility 10 days to return the POC per our interpretation of the SOM, and if we find any deficiencies or missing elements to the POC we do not accept the POC. Sometimes that may require more than 10 days to achieve and acceptable "POC" is consistent with the correct interpretation of CMS policy and is consistent with how all states deal with situations where POCs are not acceptable" (Lisa Tripp CMS)

The Department agrees with the Statement of Deficiency (SOD) findings using the SAO testing methodology. Procedures will be updated to direct staff to fax SODs to the provider and save the transmittal sheet in the working file if the SOD cannot be postmarked by USPS by the 10th working day.

The Department agrees the statewide average of 14.2 months exceeded the 12.9 requirement. A contributing factor to the statewide average was staffing shortages during the audit period. Effective July 2016, the ICF/IID Unit is fully staffed which should improve the department's ability to be in compliance with survey timeframes.

The Department recognizes the statewide average may not improve because subsequent surveys conducted in the last fiscal year resulted in findings of providers' non-compliance with the federal Conditions of Participation (CoPs). When providers/facilities are found non-compliant with any CoP, the department cannot conduct annual surveys unless the Department conducts credible allegation surveys to verify the facilities have met the CoPs. The credible surveys cause delay in conducting the annual recertification surveys. To support facilities' compliance with CoPs, the Department conducted informal presentations to the facilities to provide proper interpretation of the regulations and initiated amendments to the state plan to add alternative sanctions such as directed plan of correction, directed in-service training and state monitoring.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

We came to our conclusion because the State Operations Manual 7304.4 states in part, "an Acceptable Plan of Correction must be submitted within 10 calendar days from the date the facility receives its Form CMS-2567."

We also contacted the CMS Division of Nursing Home's Technical Director for Enforcement and Certification to seek clarification about the requirement. The Director said that although the Department may have interpreted the regulation to mean that a Plan of Correction (acceptable or not) must be submitted within 10 calendar days, she does not have authority to provide official guidance on the matter.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit. We will continue to seek clarification from CMS regarding the 10-day requirement in the State Operations Manual.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Center for Medicare and Medicaid Services, State Operations Manual, Chapter 2- The Certification Process, states in part:

2138G - Schedule for Recertification

(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

The SA completes a recertification survey an average of every 12 months and at least once every 15 months (see §2141).

2141 - Recertification - ICFs/IID

(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

- The regulation at §442.15 provides that provider agreements for ICF/IID's would remain in effect as long as the facility remains in compliance with the Conditions Of Participation (COP's). Regulations at §442.109 through §442.111.
- Beginning on May 16, 2012, ICF/IID's are no longer subject to time-limited agreements. However, they are to be surveyed for re-certification an average of every 12 months and at least once every 15 months.
- If during a survey the survey agency finds a facility does not meet the standards for participation the facility may remain certified if the survey agency makes two determinations – The facility may maintain its certification if the survey agency finds Immediate Jeopardy doesn't exist, and if the facility provides an acceptable plan of correction.

Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 7 – Survey and Enforcement Process for Skilled Nursing Facilities and Nursing Facilities, states in part:

7205 – Survey Frequency: 15-Month Survey Interval and 12-Month State-wide Average

7205.2 – Scheduling and Conducting Surveys (Rev. 63, Issued: 09-10-10, Effective: 09-10-10, Implementation: 09-10-10)

The State must complete a standard survey of each skilled nursing facility and nursing facility not later than 15 months after the previous standard survey.

Facilities with excellent histories of compliance may be surveyed less frequently to determine compliance, but no less frequently than every 15 months and the State-wide standard survey average must not exceed 12 months.

7304.4 - Acceptable Plan of Correction - states in part:

Except in cases of past noncompliance, facilities having deficiencies (other than those at scope and severity level A) must submit an acceptable plan of correction. The requirement for a plan of correction is in 42 CFR 488.402(d), and §7400.2 and §7400.5.3. An acceptable plan of correction must:

...

The plan of correction serves as the facility's allegation of compliance and, without it, CMS and/or the State have no basis on which to verify compliance. A plan of correction must be

submitted within 10 calendar days from the date the facility receives its Form CMS-2567. If an acceptable plan of correction is not received within this timeframe, the State notifies the facility that it is recommending to the RO and/or the State Medicaid Agency that remedies be imposed effective when notice requirements are met. The requirement for a plan of correction is in 42 CFR 488.402(d). Further, 42 CFR 488.456(b)(ii) requires CMS or the State to terminate the provider agreement of a facility that does not submit an acceptable plan of correction.

In most cases of immediate jeopardy, the facility submits an allegation of removal of the immediate jeopardy and defers submission of a plan of correction until the immediate jeopardy has been removed. The allegation of removal of the immediate jeopardy must include the date the immediate jeopardy was removed, and sufficient detail demonstrating that the immediate jeopardy has been addressed. Once the removal of the immediate jeopardy is verified, the surveying entity will provide a Form CMS-2567 to the facility, including the noncompliance which constituted immediate jeopardy, and request that a plan of correction be submitted within 10 calendar days.

A facility is not required to provide a plan of correction for a deficiency cited as past noncompliance because that deficiency is corrected at the time it is cited; however, the survey team must document the facility's corrective actions on Form CMS-2567.

7305.1.1 – When No Immediate Jeopardy Exists and an Opportunity to Correct Will be Provided Before Remedies Are Imposed – states in part:

- (f) Provides that an acceptable plan of correction is required in response to deficiencies listed on the Form CMS-2567 and must be received within 10 calendar days of the facilities receipt of the CMS-2567. The plan of correction will serve as the facility's allegation of compliance;
- (g) Informs the facility of the opportunity for informal dispute resolution;
- (h) Specifies that if an acceptable plan of correction is not received within 10 calendar days of the facility's receipt of the CMS-2567, the State will notify the facility that it is recommending to the regional office and/or the State Medicaid Agency that remedies other than category 1, and/or denial of payment for new admissions, be imposed effective as soon as notice requirements are met. As authorized by CMS and/or the State Medicaid Agency, formal notice of imposition of category 1 remedies may be officially provided in this initial notice, and notice of imposition of denial of payment for new admissions may be officially provided in this notice or in the first revisit letter;

7319.1 - Non-State Operated Skilled Nursing Facilities and Nursing Facilities or Dually Participating Facilities (Rev. 63, Issued: 09-10-10, Effective: 09-10-10, Implementation: 09-10-10) states in part:

1. The State conducts the survey and certifies compliance.
2. The State sends the facility Form CMS-2567 and if applicable, the “Notice of Isolated Deficiencies Which Cause No Actual Harm With the Potential for Minimal Harm” (Form A), within 10 working days of the last day of survey.
3. If the facility is in substantial compliance, but deficiencies constitute a pattern or widespread findings causing no actual harm and potential for only minimal harm, the

State instructs the facility to submit a plan of correction to the State's office. (This must be submitted within 10 calendar days after the facility has received its Statement of Deficiencies.) There is no requirement for the State to conduct a revisit to verify correction, but the facility is expected to comply with its plan of correction.

Centers for Medicare and Medicaid Services, Quality Assurance for the Medicare and Medicaid Programs, FY2016 Mission and Priority Document (MPD), states in part:

15.9 Month Max Interval: No more than 15.9 months elapses between completed surveys for any particular nursing home.

12.9 Month Average: All nursing homes in the State are surveyed, on average, once per year. The Statewide average interval between consecutive standard surveys must be 12.9 months or less.

Title 42, Code of Federal Regulations, Section 488.402 General provisions. States in part:

(d) Plan of correction requirement.

- (1) Except as specified in paragraph (d)(2) of this section, regardless of which remedy is applied, each facility that has deficiencies with respect to program requirements must submit a plan of correction for approval by CMS or the survey agency.
- (2) Isolated deficiencies. A facility is not required to submit a plan of correction when it has deficiencies that are isolated and have a potential for minimal harm, but no actual harm has occurred.

2016-038 **The Department of Social and Health Services did not have adequate internal controls over its examinations of Medicaid nursing home cost reports.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Special Tests and Provisions – Inpatient Hospital and Long-Term Care Facility Audits
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

In fiscal year 2016, the state Medicaid program paid about \$599 million to licensed nursing homes.

State rules require licensed nursing homes to submit annual cost reports that are needed to establish payment rates. Prior to rate setting, state rules require the Department of Social and Health Services to audit, or examine, the cost reports to ensure they are accurate. The Department’s Nursing Home Rate Section, which is responsible for examining cost reports, has established a manual and guidelines that section analysts must use when performing their examinations. The manual outlines 15 reason codes that section analysts must use to evaluate if cost reports were accurate and did not include unallowable costs. Cost report examinations begin April 1 of each year. The Department has three months to complete the examinations in order to establish the new payment rates by July 1.

Description of Condition

The Department did not have adequate internal controls over its examinations of nursing home cost reports.

We used a non-statistical sampling method and randomly sampled 23 of 238 total cost reports the Department examined during state fiscal year 2016.

We reviewed the cost report examination work papers to determine if analysts completed their review of all required 15 reason codes. According to the Department's guidelines, analysts should initial and date each reason code work paper once that examination is completed. We found three of the 23 cost report examinations (13 percent) lacked analyst initials for at least one reason code.

We further tested whether analysts performed adequate examinations of the following four reason codes:

- Allowable Therapy Expenses
- Census Reconciliation
- Unallowable Costs
- Account Code Reclassification

There was no supporting documentation that showed analysts evaluated the Unallowable Costs and Account Code Reclassification reason codes. We also found that management did not review any nursing home cost report examinations to ensure proper reviews were performed and that adequate documentation was retained.

We consider this control deficiency to be a material weakness.

Cause of Condition

The Department switched from reviewing paper copies of the cost reports to reviewing electronic copies. Previously, each examiner made notes on the paper copies and documented issues when they were found. Documentation was not required when reviewers found no issues. The Department did not officially establish a process for capturing examiner notes on electronic copies and did not have a policy in place that required staff to document the examination process used for the reason code reviews concerning unallowable costs and account codes.

The Department's Nursing Home Rate Section did not have a policy requiring a secondary review of the examination of nursing home cost reports.

Effect of Condition

By not requiring cost report examinations to be adequately documented and supervisory reviews to be performed, the Department has less assurance that only allowable costs are used to establish nursing home payment rates.

Recommendation

We recommend the Department establish clear criteria within their policies and procedures that define the necessary documentation of how the cost report examinations are performed. We also recommend a process and policy concerning properly performed secondary reviews of examinations is established.

Agency's Response

The Department partially concurs with the SAO Findings.

The Department partially agrees with the assertion there was no supporting documentation that showed analysts evaluated the Unallowable Costs (Reason Code 12) and Account Code Reclassification (Reason Code 99) reason codes. For the evaluation of reason codes 12 and 99, the Department feels there was adequate documentation when reviewers determined an adjustment was needed. However, the Department does agree that it did not have a process for examiners to document their reviews when no issues were found for Reason Code 12 and 99. By March 30th, 2017 we will add definition and clarity to the description of the minimum review of Unallowable Costs and Account Code Reclassifications within the exam guide and how to document when no adjustments are necessary.

The Department agrees with the assertion that three of the 23 cost report examinations (13 percent) lacked analyst initials for at least one of the fifteen various reason codes. By March 30th, 2017 we will establish training and communications for all analysts to ensure there are initials for all reason codes as a mechanism for documenting an exam.

The Department agrees with the assertion a secondary review was not conducted over nursing home cost report examinations, which has never been an official policy. By March 30th, 2017 a policy will be put in place to ensure a secondary review is done on each cost report going forward.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

42 CFR 447.253 - Other requirements, states in part:

- (b) (1) (iii) With respect to nursing facility services –
 - (A) Except for preadmission screening for individuals with mental illness and Intellectual Disability under § 483.20(f) of this Chapter, the methods and standards used to determine payment rates take into account the costs of complying with the requirements of part 483 subpart B of this chapter;
 - (B) The methods and standards used to determine payment rates provide for an appropriate reduction to take into account the lower costs (if any) of the facility for nursing care under a waiver of the requirement in § 483.35(e) of this Chapter to provide licensed nurses on a 24-hour basis;
 - (C) The State establishes procedures under which the data and methodology used in establishing payment rates are made available to the public.
- (f) Uniform cost reporting. The Medicaid agency must provide for the filing of uniform cost reports by each participating provider.
- (g) Audit requirements. The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers.

Revised Code of Washington RCW 74.46.022 Nursing facility medicaid payment system—Establishing procedures, principles, and conditions, states in part:

- (1) The department must receive complete, annual reporting of all costs and the financial condition of each contractor, prepared and presented in a standardized manner. The department shall establish, by rule, due dates, requirements for cost report completion, actions required for improperly completed or late cost reports, fines for any statutory or regulatory noncompliance, retention requirements, and public disclosure requirements.
- (2) The department shall examine all cost reports to determine whether the information is correct, complete, and reported in compliance with this chapter, department rules and instructions, and generally accepted accounting principles.

Washington Administrative Code WAC 388-96-205 Purposes of department audits—Examination—Incomplete or incorrect reports—Contractor's duties—Access to facility—Fines—Adverse rate actions, states in part:

- (1) The purposes of department audits and examinations under this chapter and chapter 74.46 RCW are to ascertain that:
 - (a) Allowable costs for each year for each medicaid nursing facility are accurately reported;
 - (b) Cost reports accurately reflect the true financial condition, revenues, expenditures, equity, beneficial ownership, related party status, and records of the contractor;
 - (c) The contractor's revenues, expenditures, and costs of the building, land, land improvements, building improvements, and movable and fixed equipment are recorded in compliance with department requirements, instructions, and generally accepted accounting principles;
 - (d) The responsibility of the contractor has been met in the maintenance and disbursement of patient trust funds; and
 - (e) The contractor has reported and maintained accounts receivable in compliance with this chapter and chapter 74.46 RCW.
- (2) The department shall examine the submitted cost report, or a portion thereof, of each contractor for each nursing facility for each report period to determine whether the information is correct, complete, reported in conformance with department instructions and generally accepted accounting principles, the requirements of this chapter, and chapter 74.46 RCW. The department shall determine the scope of the examination.
- (3) When the department finds that the cost report is incorrect or incomplete, the department may make adjustments to the reported information for purposes of establishing component rate allocations or in determining amounts to be recovered in direct care, therapy care, and support services under WAC 388-96-211 (3) and (4) or in any component rate resulting from undocumented or misreported costs. A schedule of the adjustments shall be provided to the contractor, including dollar amount and explanations for the adjustments. Adjustments shall be subject to review under WAC 388-96-901 and 388-96-904.

2016-039

The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure complaints of abuse and neglect of clients at Medicaid residential facilities were responded to properly.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Special Test and Provisions – Provider Health and Safety Standards
Known Questioned Cost Amount: None

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals in Washington who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Centers for Medicare and Medicaid Services (CMS), which administers the program at the federal level, allows states to provide long-term care services to Medicaid clients that require daily nursing services. Medicaid coverage for nursing homes and intermediate care facilities for intellectually disabled clients is only authorized when services are provided in a residential facility licensed and certified by the state survey agency. The state survey agency is also responsible for investigating complaints and allegations of abuse, neglect or misappropriation.

Residential Care Services, under the Department of Social and Health Services’ Aging and Long-Term Support Administration, is the Medicaid Long-Term Care facilities survey agency for Washington. Residential Care Services manages the Complaint Resolution Unit, which is the front-line response system for providing the intake and assignment functions for complaints from staff, residents, family members and the public.

The Complaint Resolution Unit receives two types of complaints, which are also known as reports, 1) complaints from the public or law enforcement and 2) reports from facilities per regulatory guidelines.

Complaints can be submitted to the Complaint Resolution Unit by mail, email, fax, online and by telephone. Live calls are taken during business hours, and voicemail messages can be left on the Unit’s hotline 24 hours a day, seven days a week. Messages received after hours, on holidays and on weekends are responded to the next business day. The Unit uses the Tracking Incidents of Vulnerable Adults (TIVA) case management system to input, prioritize and track complaints.

Review of all report types regardless of delivery method is conducted before being entered into the TIVA case management system. Initial review of a report is performed by a program specialist. Clinical triage nurses determine the final priority assignment of all nursing home and intermediate care facility reports.

The following table lists the five different priority levels for new complaints and the respective required response times.

Priority levels	Required response
Immediate Jeopardy	Initiate investigation within 2 working days of receipt
Non Immediate Jeopardy-High	Initiate investigation within 10 working days of prioritization
Non Immediate Jeopardy-Medium	Initiate investigation within 20 working days of prioritization
Non Immediate Jeopardy-Low	Initiate investigation within 45 working days of prioritization
Quality Review	Field Manager Review

Complaints may be prioritized as a quality review for two reasons. First, the matter has already been, or is in the process of being investigated. Second, the initial intake assessment indicates there is no threat to the resident, or appropriate steps have already been taken to safeguard the resident. Classifying complaints as a quality review allows field staff to assess the information, but an on-site investigation may not be required.

Complaints are prioritized to ensure the level of response corresponds to the severity of the allegation. All complaints are prioritized and assigned to the Department’s field unit offices within two working days of knowledge of the complaint.

The CMS State Operations Manual requires an assessment of each nursing home complaint to be made by an individual who is professionally qualified to evaluate the nature of the problem based on his or her knowledge and experience of current clinical standards of practice and federal requirements. The complaints are then assigned to the field staff.

The Complaint Resolution Unit intake staff review and research the complaints and a decision is made if the complaint or report will be assigned to field staff for investigation. In fiscal year 2016, the Department created 28,071 complaints. Of these, 18,886 were screened in as a valid complaint, were assigned a priority and sent to the Residential Care Services field units to be investigated. The other 9,185 were complaints and were prioritized as quality reviews.

The following table shows the number of complaints created for each provider type served by the Complaint Resolution Unit:

Provider type	Number of complaints created
Adult family home	3,792
Assisted living facility	6,705
DEL licensed	1
Intermediate care facility/ID	1,305
Nursing home	10,220
RCS intake only	334
Supported living	5,714
Total complaints	28,071

Of the 28,071 complaints created during fiscal year 2016, 13,333 required an initiation of a response within 24 hours of receipt as required by state law. The following table shows the number of complaints created for each allegation category that must meet this requirement:

Allegation Code	Number of Complaints Created
01 - Resident/Patient/Client Abuse	8,027
02 - Resident/Patient/Client Neglect	3,332
03 - Misappropriation of property	1,868
05 - Restraints/Seclusion - Death	2
06 - Restraints/Seclusion - General	104
Total	13,333

Field staff investigate the complaint and perform follow-up within the assigned priority time frame determined by the severity of the issues noted in the above table.

In prior audits, we reported the Department did not respond timely to complaints of abuse or neglect. The prior finding numbers were 2015-047, 2014-045 and 13-033. Our Office also published a performance audit in 2015 that reported a backlog in complaints that had not been processed timely; however, the Department's decision to hire transcriptionists helped reduce that backlog significantly. The performance audit's report number was 1015480.

Description of Condition

We found the Department did not have adequate internal controls to ensure complaints were responded to timely.

Timeliness of responses to complaints

We used a non-statistical sampling method and randomly sampled 24 working days out of 252 working days in fiscal year 2016 to determine if the Department tracks complaints received. We found that 22 (92 percent) of the 24 days we examined either were not available for review, could not determine if the required timelines were met or intakes did not meet the required timeline.

Assessment of nursing home complaints by qualified individuals

We used a statistical sampling method and randomly selected 59 of the 10,220 total nursing home complaints created and found seven (12 percent) complaints for nursing homes were not reviewed by a clinical triage nurse.

We used a statistical sampling method and randomly selected 58 of the 1,305 total intermediate care facilities complaints created and found four (7 percent) complaints for intermediate care facilities were not reviewed by a clinical triage nurse.

We consider this control deficiency to be a material weakness.

Cause of Condition

Although the Department has significantly reduced the number of complaints in which it initiates its response later than the required 24 hours after receipt, staffing changes within the Unit prevented the Department from ensuring that complaints were responded to timely. It also prevented the Department from ensuring all nursing home and intermediate care facility complaints were reviewed by a nurse and assigned timely.

Effect of Condition

We found 1,260 (9 percent) of all 13,333 complaints created in fiscal year 2016 that the Department determined required response within 24 hours because of immediate jeopardy allegations of abuse/neglect/exploitation, were not entered into the Department's TIVA system timely. The following table shows the number of complaints that were not assessed within the 24 hours as required by state law and the range of time before response.

Working days to initiate a response	Number of complaints
2 - 5 days	1,246
6 – 20 days	3
21 - 44 days	8
Over 45 days	3
Total responses initiated after 24 hours	1,260

Additionally, investigations into the following non-immediate jeopardy complaints did not begin timely:

- 1,354 out of 7,065 (19 percent) for nursing homes
- 274 out of 753 (36 percent) for intermediate care facilities

When complaints are not created, prioritized and investigated timely, vulnerable residents are at a higher risk of abuse, neglect and financial exploitation.

Recommendation

We recommend the Department continue to strengthen its internal controls to ensure complaints are responded to as required by federal regulations and state law.

Agency's Response

The Department partially concurs with these findings.

The Department disagrees with the non-statistical sampling methodology the SAO auditor used when reviewing the "CRU daily extract reports" which are not an indicator of timeliness of review and response. It may have appeared that the Department was not tracking complaints received in 22 out of 24 days examined because the AM/PM extracts were not considered a valid tracking tool. At the time of the audit, the department was using the Tracking Incidents of Vulnerable Adults (TIVA) 2106 report to determine timeliness of response and initiation of intakes. SAO auditors were informed of the change in the tracking tool and were provided access to the TIVA database.

The Department disagrees with the statements in the Cause of Condition that a staffing change prevented the Department from ensuring that complaints were responded to timely and prevented the Department from ensuring all nursing home and intermediate care facility complaints were reviewed by a nurse and assigned timely. There is no data or factual information that RCS can find that supports this conclusion. The April 2016 staffing changes, adding transcriptionists and a lead PS4 position, actually started to help with processing reports and intakes timely.

July 1, 2016, CRU implemented a weekly monitoring of the 24 hour and 2 Working days (WD) timelines using the 2106 report generated in TIVA. Supervisor/Manager review any intakes over the 24 hour/2WD requirement to correct errors or discuss timeliness with the CRU staff. These weekly stats are also sent to staff each Tuesday to keep staff informed of where CRU is in reaching the required benchmarks.

In August 2016, the CRU implemented the online reporting system for the public. The public online reporting tool is a shared system with APS. The hotline script was updated September 2016 informing callers that an online option was available for providers and the public. The online reports are imported into TIVA and take less time to process than a live call.

In April 2017, planned enhancements to the TIVA database will be implemented. CRU staff will no longer be able to link a nursing home or ICF/IID intake to the field without prior review by a clinical

triage nurse. Additionally, a pop-up box will appear if the intake “created” time is over 24 hours from the “knowledge” time. This enhancement will eliminate input errors.

By July 2017, CRU will develop an additional Standard Operating Procedure (SOP) to define extenuating circumstances as noted in Chapter 5, section 5070, of the SOM for non-immediate jeopardy intakes. A TIVA update has been requested to include a dropdown box that would be for Supervisors only, in the case that an intake is linked after 2WD and falls into one of the approved extenuating circumstances explanations. An additional TIVA enhancement request will not allow any intake to be linked over 2 WD without Supervisor override.

The Department has been authorizing overtime to ensure that complaints/reports are responded to within 24 hours of “knowledge.” However, overtime has proven to be a burden for staff and for the RCS budget and is not a viable long term solution. RCS is designing continued TIVA and processing enhancements to mitigate the need for overtime and to meet timeliness requirements.

The Department continues to work on filling vacancies and will ensure new hires complete the federally required basic surveyor training. In May 2016, the on-call staffing program was implemented to enhance our work force to help improve the timeliness of investigations. Ongoing monitoring of timeliness of initiation of complaint investigations is done monthly. This monitoring provides the department with information where to leverage resources to get complaints initiated within required timeframe. These interventions during the last twelve months, has assisted the Department to address the timeliness and backlog of complaint investigations. The backlog of complaints has been reduced resulting in an improvement in the timeliness of complaint investigations.

The Department will continue to implement plans to strengthen internal controls and ensure complaints/reports are responded to and investigated, as required by federal regulation and state law.

Auditor’s Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

During fieldwork, staff told us that the TIVA 2106 report was being used to monitor the timeliness of complaint responses on a monthly basis, while the Unit’s daily extract reports were being reviewed by staff daily. A monthly review is not an effective control activity to ensure the Department is in material compliance with required response times.

During fieldwork, we were told by the Unit manager that the primary cause of the untimely complaint responses was due to staffing changes.

We appreciate the Department’s commitment to resolving these matters. We reaffirm our finding and will review the status of the Department’s corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

42 U.S. Code § 1396r Requirement for nursing facilities, states in part:

(g) Survey and Certification Process

(4) Investigation of complaints and monitoring nursing facility compliance --

Each state shall maintain procedures and adequate staff to-

(A) Investigate complaints of violations of requirements by nursing facilities, and

(B) Monitor, on site, on a regular, as needed basis, a nursing facility's compliance with the requirements of subsections (b), (c), and (d) of this section, if -

- (i) the facility has been found not to be in compliance with such requirements and is in the process of correcting deficiencies to achieve such compliance;
- (ii) the facility was previously found not to be in compliance with such requirements, has corrected deficiencies to achieve such compliance, and verification of continued compliance is indicated; or
- (iii) the State has reason to question the compliance of the facility with such requirements.

A State may maintain and utilize a specialized team (including an attorney, an auditor, and appropriate health care professionals) for the purpose of identifying, surveying, gathering, and preserving evidence, and carrying out appropriate enforcement actions against substandard nursing facilities.

Center for Medicare and Medicaid Services, State Operations Manual, Chapter 5-Complaint Procedures, 5070 - Priority Assignment for Nursing Homes, Deemed and Non-Deemed Providers/Suppliers, and EMTALA states in part:

An assessment of each intake must be made by an individual who is professionally qualified to evaluate the nature of the problem based upon his/her knowledge and/or experience of current clinical standards of practice and Federal requirements. In situations where a determination is made that immediate jeopardy may be present and ongoing, the SA is required to investigate within two working days of receipt of the information. For all non-immediate jeopardy situations, the complaint/incident is prioritized within two working days of its receipt, unless there are extenuating circumstances that impede the collection of relevant information.

Title 42, Code of Federal Regulations, Section 488.335 Action on complaints of resident neglect and abuse, and misappropriation of resident property, states in part:

(a) Investigation.

- (1) The State must review all allegations of resident neglect and abuse, and misappropriation of resident property and follow procedures specified in §488.332.
- (2) If there is reason to believe, either through oral or written evidence that an individual used by a facility to provide services to residents could have abused or neglected a resident or misappropriated a resident's property, the State must investigate the allegation.
- (3) The State must have written procedures for the timely review and investigation of allegations of resident abuse and neglect, and misappropriation of resident property.

Revised Code of Washington RCW 74.34.063 Response to reports – Timing – Reports to law enforcement agencies -- Notification to licensing authority, states in part:

1. The department shall initiate a response to a report, no later than twenty-four hours after knowledge of the report, of suspected abandonment, abuse, financial exploitation, neglect, or self-neglect of a vulnerable adult.

Residential Care Services Operational Principles and Procedures Complaint Resolution Unit Section 24 Prioritizing Intakes – Operational Procedures September 2015 states in part:

1. CRU staff will prioritize complaint intakes using the following guidelines:
 - a. 2 working days (Immediate Jeopardy) - A situation in which the provider's noncompliance with one or more requirements of participation has caused, or is likely to cause, serious injury, harm, impairment, or death to a resident. Immediate corrective action is necessary.
 - b. 10 working days (Non Immediate Jeopardy-High) - Complaint and incident investigations shall be initiated within 10 working days of linking the intake to the RCS Field Unit.
 - c. 20 working days (Non Immediate Jeopardy-Medium) - Complaint and incident investigations shall be initiated within 20 working days of linking the intake to the RCS Field Unit.
 - d. 45 working days (Non Immediate Jeopardy-Low) - Investigations shall be initiated within 45 working days of linking the intake to the RCS Field Unit.
 - e. 90 working days - Complaint investigation may be delayed if the allegation is general in nature, anonymous, and a survey is scheduled within 90 working days. In general, this is a priority assignment made by the field manager, not the CRU.

2016-040 The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community Options Program Entry System and Community First Choice in-home care providers had proper background checks.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions – Provider Eligibility
Known Questioned Cost Amount: \$ 58,973
Likely Questioned Cost Amount: \$3,905,529

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016. The Department spent \$632 million for in-home services provided to Medicaid clients.

The Community Options Program Entry System (COPES) program, administered by the Department’s Aging and Long-Term Support Administration (AL TSA), delivers in-home care services to eligible clients. Effective July 1, 2015, the COPES program was replaced by the Community First Choice (CFC) option in the State’s amended Title XIX plan for the fiscal year 2016. Under this new option, eligible Medicaid clients may continue to receive in-home services provided by individuals contracted with the Department.

The Department has agreements with local Area Agencies on Aging offices throughout the state to manage Medicaid clients and to ensure providers are eligible to provide in-home care under state law and Department rules. The Department performs an annual quality assurance review of offices to ensure providers of in-home care have met the minimum requirements for contracting with the Department.

Medicaid is the primary funding source for long-term care providers. The Medicaid Home and Community Based Services program permits states to furnish long-term care services to Medicaid clients in home and community settings. These services are provided in the client’s home by

individuals or agencies chosen by the Medicaid client or the client's legal representative. Payments to individual providers contracted with the Aging and Long-Term Support Administration accounted for more than 53 percent of all Medicaid payments made by the Department in fiscal year 2016.

All individual providers must meet basic qualifications to provide services to Medicaid clients. They must be at least 18 years old, authorized to work in the United States and meet the Department's minimum training requirements. In addition, individual providers must successfully undergo a state background check every two years and, effective January 8, 2012, all new contracted providers or applicants who have not lived in Washington for three consecutive years must complete a national fingerprint background check.

The Department has established a rule that requires long-term care providers to renew their background checks at least every two years to remain eligible to continue to provide in-home care to Medicaid recipients.

The Department identifies crimes that automatically disqualify individuals from serving vulnerable clients, outlined in WAC 388-113-0020, which applies to all programs administered by Aging and Long-Term Support Administration. Individuals who have committed crimes on this list are automatically prohibited from "having unsupervised access to children, vulnerable adults, or to individuals with a developmental disability." If an individual is found to have committed a crime that is not automatically disqualifying, the Department must perform a character, competence and suitability review to assess and determine if the provider may have unsupervised access to clients.

In prior audits, we reported the Department did not ensure COPES providers completed background checks before providing services to Medicaid clients. The prior finding numbers were 2015-040, 2014-049, 2013-40, 12-41 and 11-34.

Description of Condition

We found the Department did not have adequate internal controls to ensure providers receive background checks, as required by state law. The Department did not perform its annual quality review of provider compliance with background check requirements for fiscal year 2016.

We consider this control deficiency to be a material weakness.

Cause of Condition

The Department chose not to perform its annual review of in-home care providers during fiscal year 2016 because of a lawsuit filed by the Washington Service Employees International Union (SEIU) Training Partnership. As a result, the Department was not able to access provider documents held by the Partnership needed to complete its quality assurance review. These circumstances caused the Department to postpone its quality assurance review into fiscal year 2017.

Effect of Condition and Questioned Costs

Providers who do not meet background check requirements are not eligible to provide services to Medicaid clients. Payments made by the Department to an ineligible provider are unallowable.

We used a statistical sampling method and randomly selected 100 out of 13,388 COPES Individual providers, and another 100 out of 29,550 Community First Choice individual providers who provided in-home care services during fiscal year 2016 to ensure that:

- The provider completed a background check within the past two years
- Providers who have committed crimes that are not automatically disqualifying passed a character, competence and suitability review permitting them to work unsupervised with vulnerable adults
- No individuals with disqualifying crimes listed on the Secretary’s List were employed at the time of the audit, or continued to work unsupervised with Medicaid clients
- A Washington State background check covered the entire audit period in which the provider had access to Medicaid clients
- All individual providers required to complete a fingerprint check had done so before working unsupervised with vulnerable adults

We found one provider worked unsupervised with a Medicaid client without completing a fingerprint background check. The Department is currently performing a fingerprint check for this provider.

We identified 40 providers who had criminal records, whose crimes were not disqualifying. The Department performed the required review for 38 of those providers. However, we found the Department did not ensure a character, competence and suitability review was completed and documented for two of the 40 providers.

We also identified one provider who did not have their background check renewed within the two-year limit.

The following table summarizes the questioned costs:

Condition	Number of Providers	Total Unallowable Payments	Likely Unallowable Payments
Providers working with an expired background check	1	\$ 4,910	\$ 20,484
Providers working without a fingerprint background check	1	\$21,559	\$3,356,758
Providers with criminal records who worked without documented evidence of a character, competence, and suitability review	2	\$63,105	\$3,623,377
TOTAL	4	\$89,574	\$7,000,620

We are questioning \$58,973, which is the federal share of the unallowable payments. When we project the results of the sample to the entire population of Community First Choice individual providers, we estimate the Department made \$7,000,620 in unallowable payments to providers. The federal portion of the estimated total questioned costs is \$3,905,529. The federal share is calculated using the applicable Federal Funding Percentage (FFP) rate, which can range from 50 percent to 100 percent for this program.

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

Recommendations

We recommend the Department:

- Strengthen its monitoring of contracted providers to ensure background checks are completed as required by state law and Department rule
- Follow up on background check results and ensure ineligible providers do not have access to vulnerable Medicaid clients
- Consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest

Agency's Response

The Department does not concur with the finding.

The Department disagrees with the statement that there were not adequate internal controls to ensure in-home care providers (IPs) had proper background checks. Because of the Department's strong internal controls, 100% of the providers audited in the SAO sample received an initial background check and no providers had a disqualifying crime. Of the 200 IPs sampled by SAO, there were errors with background checks for only 4 IPs. These errors ranged from a data entry mistake to a missing fingerprint check. Each of these 4 IPs had initial background checks and none had disqualifying crimes at the initial check or during the time period in question. This 98% proficiency rate is indicative of the strong internal controls utilized by the Department to ensure that IPs had proper background checks.

The Department does not agree with the SAO's determination that providers for whom a background check or a character, competence, or suitability (CC&S) was not renewed every two years are unqualified. WAC 388-71-0510 states that the provider must complete a background check to become an individual provider, but does not state that the IP will become unqualified if another background check is not completed within two years. WAC 388-71-0513 states an IP must not have a disqualifying crime or be determined unqualified based on a CC&S. There are no state or federal regulations requiring that a background check or CC&S be repeated every two years. It is for these reasons that the Department does not agree that the findings should be tied to questioned costs.

As noted by the SAO, due to the SEIU lawsuit, the Department was not able to access provider documents held by the Partnership. This prevented the Department from completing its quality assurance review in June of 2016. QA monitoring of IP files was delayed until August when a work

around was in place to access this data. The Department disagrees with the SAO's determination that the Department lacks internal controls because a Departmental Quality Assurance (QA) IP file review was not completed during fiscal year 2016. The Department completed a QA IP file review during calendar year 2016. There is no requirement or guidance from CMS stipulating that file reviews must be completed by fiscal year rather than calendar year.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

We agree with the Department that the requirements for background check renewals for individual providers every two-years and documented redeterminations of an individual's character, competence and suitability are not outlined in state law. However, these requirements are communicated in the Administration's policies, which are cited under the Applicable Laws and Regulations below.

Regardless of the reason, we concluded the Department did not have internal controls during the audit period because its quality reviews of provider compliance were not performed.

We agree the Department is in material compliance with background check requirements for the Community First Choice program. Despite the 98 percent compliance rate for the audit sample, without conducting sufficient internal control activities, we believe it is reasonably possible that the Department would not prevent or detect material noncompliance.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

Revised Code of Washington RCW 74.39A.056, Criminal history checks on long-term care workers, states:

- (1) (a) All long-term care workers shall be screened through state and federal background checks in a uniform and timely manner to verify that they do not have a criminal history that would disqualify them from working with vulnerable persons. The department must perform criminal background checks for individual providers and prospective individual providers and make the information available as provided by law.
 - (b) (i) Except as provided in (b)(ii) of this subsection, for long-term care workers hired after January 7, 2012, the background checks required under this section shall include checking against the federal bureau of investigation fingerprint identification records system and against the national sex offenders registry or their successor programs. The department shall require these long-term care workers to submit fingerprints for the purpose of investigating conviction records through both the Washington state patrol and the federal bureau of investigation. The department shall not pass on the cost of these criminal background checks to the workers or their employers.
 - (ii) This subsection does not apply to long-term care workers employed by community residential service businesses until January 1, 2016.
 - (c) The department shall share state and federal background check results with the department of health in accordance with RCW 18.88B.080.
- (2) No provider, or its staff, or long-term care worker, or prospective provider or long-term care worker, with a stipulated finding of fact, conclusion of law, an agreed order, or finding of fact, conclusion of law, or final order issued by a disciplining authority or a court of law or entered into a state registry with a final substantiated finding of abuse, neglect, exploitation, or abandonment of a minor or a vulnerable adult as defined in chapter 74.34 RCW shall be employed in the care of and have unsupervised access to vulnerable adults.
 - (3) The department shall establish, by rule, a state registry which contains identifying information about long-term care workers identified under this chapter who have final substantiated findings of abuse, neglect, financial exploitation, or abandonment of a vulnerable adult as defined in RCW 74.34.020. The rule must include disclosure,

disposition of findings, notification, findings of fact, appeal rights, and fair hearing requirements. The department shall disclose, upon request, final substantiated findings of abuse, neglect, financial exploitation, or abandonment to any person so requesting this information. This information must also be shared with the department of health to advance the purposes of chapter 18.88B RCW.

- (4) The department shall adopt rules to implement this section.

Washington Administrative Code WAC 388-71-0510, "How does a person become an individual provider?" states:

In order to become an individual provider, a person must:

- (1) Be eighteen years of age or older;
- (2) Provide the social worker/case manager/designee with:
 - (a) A valid Washington state driver's license or other valid picture identification; and either
 - (b) A Social Security card; or
 - (c) Proof of authorization to work in the United States.
- (3) Complete the required DSHS form authorizing a background check;
- (4) Disclose any criminal convictions and pending charges, and also disclose civil adjudication proceedings and negative actions as those terms are defined in WAC 388-71-0512;
- (5) Effective January 8, 2012, be screened through Washington state's name and date of birth background check. Preliminary results may require a thumb print for identification purposes.
- (6) Effective January 8, 2012, be screened through the Washington state and national fingerprint-based background check, as required by RCW 74.39A.056.
- (7) Results of background checks are provided to the department and the employer or potential employer unless otherwise prohibited by law or regulation for the purpose of determining whether the person:
 - (a) Is disqualified based on a disqualifying criminal conviction or a pending charge for a disqualifying crime as listed in WAC 388-113-0020, civil adjudication proceeding, or negative action as defined in WAC 388-71-0512 and 388-71-0540; or
 - (b) Should or should not be employed as an individual provider based on his or her character, competence, and/or suitability.
- (8) For those providers listed in RCW 43.43.837 (1), a second Washington state and national fingerprint-based background check is required if they have lived out of the state of Washington since the first national fingerprint-based background check was completed.
- (9) The department may require an individual provider to have a Washington state name and date of birth background check or a Washington state and national fingerprint-based background check, or both, at any time.
- (10) Sign a home and community-based service provider contract/agreement to provide personal care services to a person under a medicaid state plan or federal waiver such as COPES or other waiver programs.

WAC 388-71-0513 Is a background check required of a long-term care worker employed by a home care agency licensed by the department of health?

In order to be a long-term care worker employed by a home care agency, a person must:

- (1) Complete the required DSHS form authorizing a background check.
- (2) Disclose any disqualifying criminal convictions and pending charges as listed in WAC 388-113-0020, and also disclose civil adjudication proceedings and negative actions as those terms are defined in WAC 388-71-0512.
- (3) Effective January 8, 2012, be screened through Washington state's name and date of birth background check. Preliminary results may require a thumb print for identification purposes.
- (4) Effective January 8, 2012, be screened through the Washington state and national fingerprint-based background check, as required by RCW 74.39A.056.
- (5) Results of background checks are provided to the department and the employer or potential employer for the purpose of determining whether the person:
 - (a) Is disqualified based on a disqualifying criminal conviction or a pending charge for a disqualifying crime listed in WAC 388-113-0020, civil adjudication proceeding, or negative action as defined in WAC 388-71-0512; or listed in WAC 388-71-0540; or
 - (b) Should or should not be employed based on his or her character, competence, and/or suitability.
- (6) For those providers listed in RCW 43.43.837(1), a second national fingerprint-based background check is required if they have lived out of the state of Washington since the first national fingerprint-based background check was completed.
- (7) The department may require a long-term care worker to have a Washington state name and date of birth background check or a Washington state and national fingerprint-based background check, or both, at any time.

The Department's Aging and Long-Term Support Administration – Home and Community Services Division - Long-Term Care Manual, Chapter 11: In-Home Providers, states in part:

How often does a background check need to be completed on a provider?

Every two years, unless you have reasonable cause to believe that the provider has been arrested or convicted of a disqualifying crime. In this circumstance, you need to re-run another background check.

The Department's Aging and Long-Term Support Administration – Home and Community Services Division - Long-Term Care Manual, Chapter 7(a): In-Home Provider Requirements, states in part:

You will receive a RECORD letter from BCCU when there is a pending charge for a disqualifying crime. However, pending crimes are always disqualifying based on character, competence, and suitability, unless there is an outcome in court. The character, competence, and suitability determination must be documented on the Assessment Documentation Form or other document that is maintained in the provider's file. Complete a character, competence, and suitability determination in writing if the IP has a conviction for a non-disqualifying crime or the person is not found guilty.

...If you have previously completed a character, competence, and suitability determination, you do not have to complete a new one on the same provider of the same client if there are no new convictions or negative actions, and the provider meets all other provider qualifications in meeting the client's needs. (If the provider is going to work for another client, you need to complete another determination in relation to the new client.) If you find that you do not need a new determination, you still need to document that you have:

- Reviewed the current background check;
- Found that there is no new information;
- Referred to the previous character, competence, and suitability determination made, with the date; and
- Stated your decision.

2016-041 **The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements for cost of care adjustments paid to Medicaid supported living providers.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	\$ 34,366
Likely Questioned Cost:	\$187,604

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals in Washington who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Department's Developmental Disabilities Administration administers the Home and Community Based Services program for people with developmental disabilities. Supported living is a core service of this program, delivered by staff of contracted supported living providers. Contractor employees assist clients in daily living activities and with the social and adaptive skills necessary to live in the community.

The Department uses an assessment to evaluate a client's support needs. The Department uses the assessment results to calculate the number of support hours a client needs to live in the community. The assessment predicts a level of care and assigns support hours as if the client lives alone; however most live with other clients. The Department reviews the household as a whole and identifies opportunities where shared economies can be applied. When a client is temporarily out of the home, the shared needs of the remaining clients must be addressed.

When a client is temporarily out of the home, a provider can request a cost of care adjustment to cover the administrative and staff support costs necessary to maintain the residence and the client's affairs. If a client permanently leaves the household, providers can request a cost of care adjustment to

maintain the household's shared hours until a new housemate can be found. In fiscal year 2016, the Department paid about \$1.2 million to supported living providers for cost of care adjustments.

Department policy 6.02 III requires providers to complete a cost of care adjustment request form (DSHS 06-124). Depending on the type of rate claimed, providers submit varying levels of justification to document and support the need for additional funds. For shared hours and total rate requests, the policy states, "Agencies must include a clear and detailed justification highlighting client need." The policy also states that the Department will not approve shared or individual hours for a client residing in a single-person household.

The Department has published instructions providers are expected to follow regarding the adjustment request form. Section D of the instructions states in part:

"Explain how the hours requested will be utilized for the remaining clients in the home. It is necessary to include clear and detailed justification highlighting the need for any hours being requested (shared and individual hours). Specifically indicate the utilization of those hours. Wording must pertain to the client needs in the household and not related to the need to maintain current staffing patterns."

Providers submit their request forms to a Department resource manager, who reviews the forms for accuracy and completeness and forwards the form to a supervisor for final approval and payment authorization.

In prior audits, we reported the Department did not have adequate internal controls to ensure cost of care adjustments were allowable. The prior finding numbers were 2015-052, 2014-041 and 2013-038.

Description of Condition

The Department did not have adequate internal controls over cost of care adjustments to ensure the requests were allowable. We randomly selected and examined 63 cost of care adjustment payments from the total population of 806.

For thirty-two payments, totaling \$68,724, the Department approved payments when providers did not document a clear and detailed justification highlighting client need. In these instances, the providers said the additional hours were needed to ensure adequate staffing of the remaining clients in the home, but did not specifically describe why those hours were needed for the remaining clients and how they would be utilized.

Within the thirty-two requests, we also found:

- Two payments, totaling \$2,601, were made for supported living clients in a medical facility when Medicaid funds were used to pay for their hospital stays. One of those payments also included a request for shared hours for a single-person household, which is prohibited by Department policy.
- One payment was inaccurately calculated, which led to an overpayment of \$2,218.

We consider the condition described above to be a material weakness in internal controls.

Cause of Condition

According to Department staff, the justification submitted by providers on cost of care adjustment forms is not the only information used to decide whether to approve requests. For example, resource managers have knowledge about the program and client's specific needs. Information from the Department's online CARE system and provider contracts may also be relied upon. Staff communicate with providers to better understand the circumstances surrounding a request to be paid for additional hours.

When examining the forms without adequate justification, we did not observe instances when the additional information was documented. Therefore, the additional information could not be considered by supervisors who make the final decision about authorizing and approving requests.

Effect of Condition and Questioned Costs

We used a statistically valid sampling approach to select the 63 cost of care adjustment payments we examined. Of the \$68,724 in payments that were not adequately supported, we are questioning \$34,366, which is the federal portion of the unallowable payments.

When we project the results to the entire population of cost of care adjustment payments, we estimate the Department paid \$375,201 in unallowable payments to providers. The federal portion of the estimated total questioned cost is \$187,604.

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

Recommendations

We recommend the Department:

- Improve its monitoring of provider cost of care adjustment requests to ensure they include clear and detailed justifications
- Ensure staff present supervisors with additional information in writing before requesting their review and approval of payment requests
- Consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest

Agency's Response

The department partially concurs with the audit finding.

The Department agrees that two payments were made to providers when clients were in a hospital and that one payment was inaccurately calculated. The Department will continue to monitor for accuracy and compliance with the payment requirements.

The Department does not agree justification forms were inadequate:

- *The Department believes that SAO's exceptions are based upon SAO's subjective analysis of the justification information contained in the COCA request. SAO did not give consideration of the knowledge or expertise of the program that Resource Managers possess, nor did they consider the review of other related documents Resource Managers assess while processing the COCA request.*
- *SAO's cause of condition statement "without adequate justification" is ambiguous and subjective in nature. Justification relies on the professional review and expertise of the Resource Manager.*
- *The Department also believes that a portion of the exceptions are with group homes. These group homes are facility based services where "maintaining current staffing patterns" is acceptable to justify approval of the COCA request. We do not believe SAO gave consideration between the settings, group homes versus client homes, when determining exceptions.*
- *The Department believes the current justification instructions are concise and clear and provide adequate information and guidance to complete the COCA request.*

Auditor's Concluding Remarks

We thank the Department for their assistance throughout the audit.

The Department's policy clearly states that providers are to include a clear and detailed justification highlighting client need. For the identified exceptions, we found providers did not include a justification indicating how the hours would be utilized for the remaining clients in the home.

Three of the exceptions were related to cost of care adjustments paid to group home providers. During the audit, the Department did not provide us with information or a policy that indicated "maintaining adequate staffing patterns" was adequate justification for payments to group home providers.

Since fiscal year 2013, we have issued a finding regarding these payments. We are committed to working through the disagreement with Department management. However, we reaffirm our finding and will follow up in our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

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

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
 - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
 - (4) Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program. Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a Federal program; therefor, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a Federal program that is not audited as a major program (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$25,000, then the auditor must report this as an audit finding.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Revised Code of Washington (RCW) 71A.12.060, Payment authorized for residents in community residential programs states:

The secretary is authorized to pay for all or a portion of the costs of care, support and training of residents of a residential habilitation center who are placed in community residential programs under this section and RCW 71A.12.070 and 71A.12.080.

Developmental Disabilities Administration Policy 6.02, states in part:

Cost of Care Adjustments (COCA)

Cost of Care Adjustments (COCA) are intended to cover the necessary costs of ISS staff support and/or administrative costs to continue uninterrupted services to clients when there is a temporary absence of a household member. Examples of a temporary absence include, hospital or nursing home stay, RHC short-term stay, incarceration, or a client who shared hours moving out, either temporarily or permanently. Only administrative costs can be requested for a single person household. ISS hours will not be approved for persons residing in a single person household. Agencies requesting a COCA must include a clear and detailed justification highlighting client need.

- A. Providers will complete DSHS 06-124, *Cost of Care Adjustment Request* form within thirty (30) days of a client being away from services. The service provider will identify the household members impacted by the absence of the house mate and their corresponding shared and individual hours. The service provider will include detailed justification for the requested hours and indicate the duration of the anticipated COCA.
- B. A request for COCA can include both ISS hours and administrative dollars.

- C. A COCA that only includes a request for the shared ISS hours identified in the rate assessment can be authorized for up to ninety (90) days.
- D. Requests that include individual hours of the absent client to support remaining client(s) in the household will be considered when the client is away from service for up to thirty (30) calendar days based on client need. For any individual hours requested, the service provider must justify the need. When individual hours of the absent client are needed to maintain the household beyond the first fifteen (15) days, the staff add-on portion of the COCA form will be completed by the RMA. The first fifteen (15) days requested may be approved regionally by the RM. Days sixteen (16) through thirty (30) may be approved regionally by the RMA or designee.
- E. DDA will review each COCA and send a signed copy of the COCA request to the service provider and the rate analyst. Copies will be maintained by DDA in the contract file and the service provider records for seven (7) years.
- F. If a COCA is expected to go beyond ninety (90) days, the residential service provider may request a new rate assessment.
- G. The Resource Manager will authorize payment for an approved COCA.

Developmental Disabilities Administration, DSHS 06-124 Instructions for Cost of Care Adjustment Request form, states in part:

Section D. Justification

Explain how the hours requested will be utilized for the remaining clients in the home. It is necessary to include clear and detailed justification highlighting the need for any hours being requested (shared and individual hours). Specifically indicate the utilization of those hours. Wording must pertain to the client needs in the household and not be related to the need to maintain current staffing patterns. If the person is receiving Community Protection supports, explain the supervision needs required of the individual...

2016-042 The Department of Social and Health Services, Developmental Disabilities Administration did not ensure two Medicaid Community First Choice in-home care providers had proper background checks.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Special Tests and Provisions – Provider Eligibility
Known Questioned Cost Amount: \$ 16,124
Likely Questioned Cost Amount: \$1,368,621

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016. The Department spent more than \$192 million for in-home services provided to Developmental Disabilities Administration Medicaid clients.

The Community First Choice program, administered by the Department’s Developmental Disabilities Administration, delivers in-home care services to eligible clients. The Department has various offices throughout the state to manage Medicaid services and to ensure providers are eligible to provide in-home care under state law and Department rules.

Medicaid is the primary funding source for long-term care providers. The Medicaid Home and Community Based Services program permits states to furnish long-term care services to Medicaid clients in home and community settings. These services are provided in the client’s home by individuals or agencies chosen by the Medicaid client or the client’s legal representative. Payments to individual providers contracted with the Developmental Disabilities Administration accounted for more than 4 percent of all Medicaid payments made by the Department in fiscal year 2016.

All individual providers must meet basic qualifications to provide services to Medicaid clients. They must be at least 18 years old, authorized to work in the United States and meet the Department’s minimum training requirements. In addition, individual providers must successfully undergo a state background check every three years and, effective January 8, 2012, all new contracted providers or

applicants who have not lived in Washington for three consecutive years must complete a national fingerprint-based background check. Some clients may wish to receive care from their parent or legal guardian. Unless the parent applicant first contracted with the Department after January 7, 2012, a background check is not required under state law.

The Department has established a rule that requires long-term care providers to renew their background checks at least every three years to remain eligible to continue to provide in-home care to Medicaid recipients.

The Department identifies crimes that automatically disqualify individuals from having unsupervised access to vulnerable clients outlined in WAC 388-113-0020, which applies to all programs administered by the Developmental Disabilities Administration. Individuals who have committed crimes on this list are automatically prohibited from “licensing, contracting, certification or from having unsupervised access to children, vulnerable adults, or to individuals with a developmental disability.” If an individual is found to have committed a crime not listed in the WAC, they are not automatically disqualified. Instead, the Department must perform a character, competence and suitability review to assess and determine if the provider may have unsupervised access to clients.

Description of Condition

We found the Department had adequate internal controls to materially ensure individual providers meet background check requirements. However, we found two instances when the Department did not confirm that a provider’s background check was completed as state rules require.

We used a statistical sampling method and randomly selected 100 of 12,278 Community First Choice individual providers who provided in-home care services to developmentally disabled clients during fiscal year 2016 to ensure that:

- The provider completed a background check in the past three years
- Providers who have committed non-disqualifying crimes passed a character, competence and suitability review permitting them to work unsupervised with vulnerable adults
- No individuals who committed disqualifying crimes listed in WAC 388-113-0020 were employed at the time of the audit, or continued to work unsupervised with Medicaid clients.
- A Washington background check covered the entire audit period in which the provider had access to Medicaid clients
- All individual providers required to complete a fingerprint-based background check had done so before working unsupervised with vulnerable adults

We found one provider worked with Medicaid clients for 12 months without a background check. The provider also did not complete a fingerprint check as state law requires.

We also found one provider who never received a background check from the Department and had unsupervised access to a Medicaid client. The Department is in the process of performing a background check for this individual.

Cause of Condition

The Department did not renew the background check for one provider. An incorrect determination was made for the second provider, who had previously contracted with the Department as a parent provider of a client. The case manager reviewed the background check requirement outlined in WAC 388-825-615 and assumed the individual did not require a background check to provide in-home care without supervision.

Effect of Condition and Questioned Costs

Providers who do not meet background check requirements are not eligible to provide services to Medicaid clients. Any payments made by the Department to ineligible providers are unallowable.

The following table summarizes the questioned costs:

Condition	Number of Providers	Total Unallowable Payments
Providers that did not renew their background checks in a timely manner and worked without a fingerprint background check	1	\$7,828
Providers working without a background check	1	\$21,024
TOTAL	2	\$28,852

We are questioning \$16,124, which is the federal share of the unallowable payments. When we project the results of the sample to the entire population of Community First Choice individual providers, we estimate the Department made \$2,452,456 in unallowable payments to providers.

The federal portion of the estimated total questioned costs is \$1,368,621. The federal share is calculated using the applicable Federal Medical Assistance Percentage rate, which can range from 50 percent to 100 percent for this particular program.

The tested population was also used to test compliance with requirements for activities allowed, and client eligibility. Since some payments we examined were unallowable because they violated multiple federal compliance requirements, some of the questioned costs reported here may also be reported in findings number 2016-043 and 2016-049.

We question costs when we find an agency has not complied with state or federal regulations, or when it does not have adequate documentation to support expenditures. We are required to report an audit finding when any known or likely questioned costs exceed \$25,000.

Recommendations

We recommend the Department:

- Ensure that all providers' background checks are completed as required by state law and Department rule
- Follow up on background check results and ensure ineligible providers do not have access to vulnerable Medicaid clients
- Consult with the U.S. Department of Health and Human Services to discuss repaying the question costs, including interest

Agency's Response

The Department concurs with the audit finding.

The Department recognizes client safety as a top priority and will ensure background checks are completed as required.

Employees are trained throughout the year and we have found training employees in the area of background checks has proven to be effective.

The Department took immediate action to remediate the two exceptions:

- *Provider worked with clients for 12 months without a background check and did not complete a fingerprint check. This was a parent provider. Parents did not require background checks or fingerprints until January 2012. Both actions are in the process of being completed.*
- *Provider never received a background check. – The provider received a background check in 2012, but a renewal background check was not submitted. The Department is in the process of performing a background check for this individual.*

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Revised Code of Washington RCW 43.43.837, “Fingerprint-based background checks—Requirements for applicants and service providers—Shared background checks—Fees—Rules to establish financial responsibility,” states:

- (1) Except as provided in subsection (2) of this section, in order to determine the character, competence, and suitability of any applicant or service provider to have unsupervised access, the secretary may require a fingerprint-based background check through both the Washington state patrol and the federal bureau of investigation at any time, but shall require a fingerprint-based background check when the applicant or service provider has resided in the state less than three consecutive years before application, and:
 - (a) Is an applicant or service provider providing services to children or people with developmental disabilities under RCW 74.15.030;
 - (b) Is an individual residing in an applicant or service provider's home, facility, entity, agency, or business or who is authorized by the department to provide services to children or people with developmental disabilities under RCW 74.15.030; or
 - (c) Is an applicant or service provider providing in-home services funded by:
 - (i) Medicaid personal care under RCW 74.09.520;

- (ii) Community options program entry system waiver services under RCW 74.39A.030;
 - (iii) Chore services under RCW 74.39A.110; or
 - (iv) Other home and community long-term care programs, established pursuant to chapters 74.39 and 74.39A RCW, administered by the department.
- (2) Long-term care workers, as defined in RCW 74.39A.009, who are hired after January 7, 2012, are subject to background checks under RCW 74.39A.056.
 - (3) To satisfy the shared background check requirements provided for in RCW 43.215.215 and 43.20A.710, the department of early learning and the department of social and health services shall share federal fingerprint-based background check results as permitted under the law. The purpose of this provision is to allow both departments to fulfill their joint background check responsibility of checking any individual who may have unsupervised access to vulnerable adults, children, or juveniles. Neither department may share the federal background check results with any other state agency or person.
 - (4) The secretary shall require a fingerprint-based background check through the Washington state patrol identification and criminal history section and the federal bureau of investigation when the department seeks to approve an applicant or service provider for a foster or adoptive placement of children in accordance with federal and state law.
 - (5) Any secure facility operated by the department under chapter 71.09 RCW shall require applicants and service providers to undergo a fingerprint-based background check through the Washington state patrol identification and criminal history section and the federal bureau of investigation.
 - (6) Service providers and service provider applicants who are required to complete a fingerprint-based background check may be hired for a one hundred twenty-day provisional period as allowed under law or program rules when:
 - (a) A fingerprint-based background check is pending; and
 - (b) The applicant or service provider is not disqualified based on the immediate result of the background check.
 - (7) Fees charged by the Washington state patrol and the federal bureau of investigation for fingerprint-based background checks shall be paid by the department for applicants or service providers providing:
 - (a) Services to people with a developmental disability under RCW 74.15.030;
 - (b) In-home services funded by medicaid personal care under RCW 74.09.520;
 - (c) Community options program entry system waiver services under RCW 74.39A.030;
 - (d) Chore services under RCW 74.39A.110;
 - (e) Services under other home and community long-term care programs, established pursuant to chapters 74.39 and 74.39A RCW, administered by the department;
 - (f) Services in, or to residents of, a secure facility under RCW 71.09.115; and
 - (g) Foster care as required under RCW 74.15.030.
 - (8) Service providers licensed under RCW 74.15.030 must pay fees charged by the Washington state patrol and the federal bureau of investigation for conducting fingerprint-based background checks.
 - (9) Children's administration service providers licensed under RCW 74.15.030 may not pass on the cost of the background check fees to their applicants unless the individual is determined to be disqualified due to the background information.

- (10) The department shall develop rules identifying the financial responsibility of service providers, applicants, and the department for paying the fees charged by law enforcement to roll, print, or scan fingerprints-based for the purpose of a Washington state patrol or federal bureau of investigation fingerprint-based background check.
- (11) For purposes of this section, unless the context plainly indicates otherwise:
- (a) "Applicant" means a current or prospective department or service provider employee, volunteer, student, intern, researcher, contractor, or any other individual who will or may have unsupervised access because of the nature of the work or services he or she provides. "Applicant" includes but is not limited to any individual who will or may have unsupervised access and is:
 - (i) Applying for a license or certification from the department;
 - (ii) Seeking a contract with the department or a service provider;
 - (iii) Applying for employment, promotion, reallocation, or transfer;
 - (iv) An individual that a department client or guardian of a department client chooses to hire or engage to provide services to himself or herself or another vulnerable adult, juvenile, or child and who might be eligible to receive payment from the department for services rendered; or
 - (v) A department applicant who will or may work in a department-covered position.
 - (b) "Authorized" means the department grants an applicant, home, or facility permission to:
 - (i) Conduct licensing, certification, or contracting activities;
 - (ii) Have unsupervised access to vulnerable adults, juveniles, and children;
 - (iii) Receive payments from a department program; or
 - (iv) Work or serve in a department-covered position.
 - (c) "Department" means the department of social and health services.
 - (d) "Secretary" means the secretary of the department of social and health services.
 - (e) "Secure facility" has the meaning provided in RCW 71.09.020.
 - (f) "Service provider" means entities, facilities, agencies, businesses, or individuals who are licensed, certified, authorized, or regulated by, receive payment from, or have contracts or agreements with the department to provide services to vulnerable adults, juveniles, or children. "Service provider" includes individuals whom a department client or guardian of a department client may choose to hire or engage to provide services to himself or herself or another vulnerable adult, juvenile, or child and who might be eligible to receive payment from the department for services rendered. "Service provider" does not include those certified under *chapter 70.96A RCW.

RCW 74.39A.056, Criminal history checks on long-term care workers, states:

- (1) (a) All long-term care workers shall be screened through state and federal background checks in a uniform and timely manner to verify that they do not have a criminal history that would disqualify them from working with vulnerable persons. The department must perform criminal background checks for individual providers and prospective individual providers and make the information available as provided by law.
- (b) (i) Except as provided in (b)(ii) of this subsection, for long-term care workers hired after January 7, 2012, the background checks required under this section shall include checking against the federal bureau of investigation fingerprint

identification records system and against the national sex offenders registry or their successor programs. The department shall require these long-term care workers to submit fingerprints for the purpose of investigating conviction records through both the Washington state patrol and the federal bureau of investigation. The department shall not pass on the cost of these criminal background checks to the workers or their employers.

- (ii) This subsection does not apply to long-term care workers employed by community residential service businesses until January 1, 2016.
- (c) The department shall share state and federal background check results with the department of health in accordance with RCW 18.88B.080.
- (2) No provider, or its staff, or long-term care worker, or prospective provider or long-term care worker, with a stipulated finding of fact, conclusion of law, an agreed order, or finding of fact, conclusion of law, or final order issued by a disciplining authority or a court of law or entered into a state registry with a final substantiated finding of abuse, neglect, exploitation, or abandonment of a minor or a vulnerable adult as defined in chapter 74.34 RCW shall be employed in the care of and have unsupervised access to vulnerable adults.
- (3) The department shall establish, by rule, a state registry which contains identifying information about long-term care workers identified under this chapter who have final substantiated findings of abuse, neglect, financial exploitation, or abandonment of a vulnerable adult as defined in RCW 74.34.020. The rule must include disclosure, disposition of findings, notification, findings of fact, appeal rights, and fair hearing requirements. The department shall disclose, upon request, final substantiated findings of abuse, neglect, financial exploitation, or abandonment to any person so requesting this information. This information must also be shared with the department of health to advance the purposes of chapter 18.88B RCW.
- (4) The department shall adopt rules to implement this section.

RCW 74.15.030, Powers and duties of secretary, states:

The secretary shall have the power and it shall be the secretary's duty:

- (1) In consultation with the children's services advisory committee, and with the advice and assistance of persons representative of the various type agencies to be licensed, to designate categories of facilities for which separate or different requirements shall be developed as may be appropriate whether because of variations in the ages, sex and other characteristics of persons served, variations in the purposes and services offered or size or structure of the agencies to be licensed hereunder, or because of any other factor relevant thereto;
- (2) In consultation with the children's services advisory committee, and with the advice and assistance of persons representative of the various type agencies to be licensed, to adopt and publish minimum requirements for licensing applicable to each of the various categories of agencies to be licensed.
The minimum requirements shall be limited to:
 - (a) The size and suitability of a facility and the plan of operation for carrying out the purpose for which an applicant seeks a license;
 - (b) Obtaining background information and any out-of-state equivalent, to determine whether the applicant or service provider is disqualified and to determine the

- character, competence, and suitability of an agency, the agency's employees, volunteers, and other persons associated with an agency;
- (c) Conducting background checks for those who will or may have unsupervised access to children, expectant mothers, or individuals with a developmental disability; however, a background check is not required if a caregiver approves an activity pursuant to the prudent parent standard contained in RCW 74.13.710;
 - (d) Obtaining child protective services information or records maintained in the department case management information system. No unfounded allegation of child abuse or neglect as defined in RCW 26.44.020 may be disclosed to a child-placing agency, private adoption agency, or any other provider licensed under this chapter;
 - (e) Submitting a fingerprint-based background check through the Washington state patrol under chapter 10.97 RCW and through the federal bureau of investigation for:
 - (i) Agencies and their staff, volunteers, students, and interns when the agency is seeking license or relicense;
 - (ii) Foster care and adoption placements; and
 - (iii) Any adult living in a home where a child may be placed;
 - (f) If any adult living in the home has not resided in the state of Washington for the preceding five years, the department shall review any child abuse and neglect registries maintained by any state where the adult has resided over the preceding five years;
 - (g) The cost of fingerprint background check fees will be paid as required in RCW 43.43.837;
 - (h) National and state background information must be used solely for the purpose of determining eligibility for a license and for determining the character, suitability, and competence of those persons or agencies, excluding parents, not required to be licensed who are authorized to care for children or expectant mothers;
 - (i) The number of qualified persons required to render the type of care and treatment for which an agency seeks a license;
 - (j) The safety, cleanliness, and general adequacy of the premises to provide for the comfort, care and well-being of children, expectant mothers or developmentally disabled persons;
 - (k) The provision of necessary care, including food, clothing, supervision and discipline; physical, mental and social well-being; and educational, recreational and spiritual opportunities for those served;
 - (l) The financial ability of an agency to comply with minimum requirements established pursuant to chapter 74.15 RCW and RCW 74.13.031; and
 - (m) The maintenance of records pertaining to the admission, progress, health and discharge of persons served;
- (3) To investigate any person, including relatives by blood or marriage except for parents, for character, suitability, and competence in the care and treatment of children, expectant mothers, and developmentally disabled persons prior to authorizing that person to care for children, expectant mothers, and developmentally disabled persons. However, if a child is placed with a relative under RCW 13.34.065 or 13.34.130, and if such relative appears otherwise suitable and competent to provide care and treatment

- the criminal history background check required by this section need not be completed before placement, but shall be completed as soon as possible after placement;
- (4) On reports of alleged child abuse and neglect, to investigate agencies in accordance with chapter 26.44 RCW, including child day-care centers and family day-care homes, to determine whether the alleged abuse or neglect has occurred, and whether child protective services or referral to a law enforcement agency is appropriate;
 - (5) To issue, revoke, or deny licenses to agencies pursuant to chapter 74.15 RCW and RCW 74.13.031. Licenses shall specify the category of care which an agency is authorized to render and the ages, sex and number of persons to be served;
 - (6) To prescribe the procedures and the form and contents of reports necessary for the administration of chapter 74.15 RCW and RCW 74.13.031 and to require regular reports from each licensee;
 - (7) To inspect agencies periodically to determine whether or not there is compliance with chapter 74.15 RCW and RCW 74.13.031 and the requirements adopted hereunder;
 - (8) To review requirements adopted hereunder at least every two years and to adopt appropriate changes after consultation with affected groups for child day-care requirements and with the children's services advisory committee for requirements for other agencies; and
 - (9) To consult with public and private agencies in order to help them improve their methods and facilities for the care of children, expectant mothers and developmentally disabled persons.

Washington Administrative Code WAC 388-825-615 – “What is the process for obtaining a background check?” states:

- (1) Long-term care workers, including individual providers, undergoing a background check for initial hire or initial contract, after January 7, 2012, will be screened through a state name and date of birth check and a national fingerprint-based background check; except that long-term care workers in community residential service businesses are subject to background checks as described in subsection (1)(a) and (b) in this section. Parents are not exempt from the long-term care background check requirements.
 - (a) Prior to January 1, 2016, community residential service businesses as defined above will be screened as follows:
 - (i) Individuals who have continuously resided in Washington state for the past three consecutive years will be screened through a state name and date of birth background check.
 - (ii) Individuals who have resided outside of Washington state within the past three years will be screened through a state name and date of birth and a national fingerprint-based background check.
 - (b) Beginning January 1, 2016, community residential service businesses as defined above will be screened as described in subsection (1) of this section.
- (2) For adult family homes refer to chapter 388-76 WAC, Adult family home minimum licensing requirements. For assisted living facilities refer to chapter 388-78A WAC, Assisted living licensing rules.

WAC 388-825-320 – “How does a person become an individual provider?” states:

In order to become an individual provider, a person must:

- (1) Be eighteen years of age or older.
- (2) Provide the social worker/case manager/designee with:
 - (a) Picture identification; and
 - (b) A Social Security card.
- (3) Complete and submit to the social worker/case manager/designee the department's criminal conviction background inquiry application, unless the provider is also the parent of the adult DDD client and exempted, per chapter 74.15 RCW.
 - (a) Preliminary results may require a thumbprint for identification purposes.
 - (b) An FBI fingerprint-based background check is required if the person has lived in the state of Washington less than three years.
- (4) Provide references as requested.
- (5) Complete orientation, if contracting as an individual provider.
- (6) Sign a service provider contract to provide services to a DDD client.
- (7) Meet additional requirements in WAC 388-825-355.

2016-043

The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Eligibility
Known Questioned Cost Amount: \$79,912
(\$60,300 Direct Client Services)
(\$19,612 Associated Costs)
Likely Questioned Costs: \$12,523,061
(\$9,461,070 Direct Client Services)
(\$3,061,991 Associated Costs)

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Developmental Disabilities Administration within the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. Clients may receive personal care services, skills acquisition training, assistive technology, personal emergency response systems and other services that help them remain in community settings. The Department is required to ensure clients are eligible before authorizing services.

There are three parts to a client's eligibility: statutory, functional and financial. For statutory eligibility, individuals make initial application to the Department and applications are reviewed to determine if the client's disability meets Department eligibility requirements. Redeterminations are made on a varying schedule, based on a client's age and eligibility condition. Functional and financial eligibility must be re-determined every 12 months. A valid financial eligibility re-determination includes a review and verification of income and resources. A valid functional eligibility re-determination

includes an assessment of needs and a person-centered service plan completed before the end of each 12-month period. For a client's plan to be properly implemented, it must be agreed to in writing by the client (or their legal representative) and signed by the Department. If a client does not sign the plan within two months of their assessment completion, state rules authorize the Department to terminate services.

In fiscal year 2016, the state Medicaid program paid about \$168.5 million to providers on behalf of Community First Choice clients.

Description of Condition

We found the Department did not have adequate internal controls to monitor and ensure client person-centered service plans were fully implemented before paying providers for client services.

Prior to August 2015, Department staff accepted a verbal agreement of services from clients rather than requiring a signature from them or their legal representative. In August 2015 the Department trained staff on the federal rule to obtain client or legal representative signatures on the person-centered service plan. Not all Department staff followed training guidelines.

We used a statistical sampling method to randomly select 65 Community First Choice clients, receiving services from an individual provider, from a total population of 10,768. In addition, we judgmentally selected 13 clients who were missing a Social Security number in the payment data. We examined the client files and found 18 instances (23 percent) when a fully implemented plan was not in place.

Specifically, we found:

- 14 plans did not contain all required signatures or were returned more than two months past the client's assessment completion date
- Four plans were not signed by any of the required parties

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

Cause of Condition

Obtaining client signatures was a new process for the Department during our audit period. Program managers acknowledged some staff may not have obtained all required signatures due to the significant change in practice and learning curve related to the new expectation.

Effect of Condition and Questioned Costs

Functional eligibility

By not monitoring to ensure a fully implemented plan was in place, the Department issued \$107,393 in unallowable payments to providers. We are questioning \$60,054, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll-related benefits on behalf of Community First Choice providers that are considered associated costs. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the \$107,393 in payments we determined were unallowable, we identified \$35,022 in associated costs that are also considered unallowable. We are questioning \$19,612, which is the federal portion of the unallowable payments.

Financial eligibility

During our audit, we also identified one client, of the 65 randomly selected clients whose files we examined, who was not financially eligible. The client was paid for two months after she was determined ineligible. Total unallowable payments were \$439. We are questioning \$246, which is the federal portion of the unallowable payments.

We did not identify associated costs for these payments.

Likely questioned costs

Because a statistical sampling method was used to select the payments we examined, we estimate the amount of likely questioned costs to be \$16,899,956. We are questioning \$9,461,070, which is the federal portion of the unallowable payments.

For the \$16,899,956 in likely questioned costs, we estimate the amount of likely associated costs to be \$5,461,337. We are questioning \$3,061,991, which is the federal share of the unallowable payments.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support payments. The statistical sample used for testing was also used to test compliance with activities allowed and provider eligibility requirements. Because some payments we examined were unallowable for violating multiple federal compliance requirements, some of the questioned costs reported here may also be reported in findings number 2016-042 and 2016-049

Recommendations

We recommend the Department establish policies and procedures sufficient to ensure person-centered service plans are signed by all required parties every 12 months as federal regulations require. The procedures should include a monitoring function to ensure federal requirements are met.

The Department should consult with the U.S. Department of Health and Human Services about repaying the questioned costs, including interest.

Agency's Response

DDA concurs with the findings in this audit.

The SAO review found that 18 of the cases reviewed did not have signatures or signatures were not timely. DDA acknowledges that the target for timely signatures is 100% and we seek to reach that mark.

The SAO also had one finding related to financial eligibility. DDA acknowledges that the target for financial eligibility is 100% and we seek to reach that mark.

Current practice includes training staff and annual monitoring performed by the compliance monitoring team. In addition, DDA will:

- *Clarify written policy regarding signature requirements;*
- *Provide additional statewide training regarding signature requirements; and*
- *Conduct an enhanced, targeted review to monitor compliance with signature requirements.*

Repayment will be made to the U.S. Department of Health and Human Services as required for the findings related to timely signatures and for the finding related to financial eligibility.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit reporting, state in part:

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

- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Title 42, Code of Federal Regulations, Section 441 Services: Requirements and Limits Applicable to Specific Services, states in part:

§ 441.540 Person-centered service plan.

- (b) The person-centered service plan. The person-centered service plan must reflect the services and supports that are important for the individual to meet the needs identified through an assessment of functional need, as well as what is important to the individual with regard to preferences for the delivery of such services and supports.

Commensurate with the level of need of the individual, and the scope of services and supports available under Community First Choice, the plan must:

- (9) Be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.
- (c) Reviewing the person-centered service plan. The person-centered service plan must be reviewed, and revised upon reassessment of functional need, at least every 12 months, when the individual's circumstances or needs change significantly, and at the request of the individual.

§ 441.720 Independent assessment, states in part:

- (a) Requirements. For each individual determined to be eligible for the State plan HCBS benefit, the State must provide for an independent assessment of needs, which may include the results of a standardized functional needs assessment, in order to establish a service plan. In applying the requirements of section 1915(i)(1)(F) of the Act, the State must:
 - (1) Perform a face-to-face assessment of the individual by an agent who is independent and qualified as defined in § 441.730, and with a person-centered process that meets the requirements of § 441.725(a) and is guided by best practice and research on effective strategies that result in improved health and quality of life outcomes.
 - (i) For the purposes of this section, a face-to-face assessment may include assessments performed by telemedicine, or other information technology medium, if the following conditions are met:
 - (C) The individual provides informed consent for this type of assessment.
 - (3) Examine the individual's relevant history including the findings from the independent evaluation of eligibility, medical records, an objective evaluation of functional ability, and any other records or information needed to develop the person-centered service plan as required in § 441.725.
- (b) Reassessments. The independent assessment of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Washington Administrative Code WAC 388-106-0045 When will the department authorize my long-term care services? states in part:

The department will authorize long-term care services when you:

- (1) Are assessed using CARE;
- (2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
- (3) Have given written consent for services and approved your plan of care; and

WAC 388-106-0283 How do I remain eligible for CFC services? states in part:

- (1) In order to remain eligible for CFC, you must remain financially eligible and be in need of services in accordance with WAC 388-106-0310 as determined through a CARE

assessment. The assessment in CARE must be completed at least annually or more often when there are significant changes in your functional or financial circumstances; or

WAC 388-828-1500 When does DDD conduct a reassessment? A reassessment must occur:

- (1) On an annual basis if you are receiving a paid service or SSP; or
- (2) When a significant change is reported that may affect your need for support. (E.g., changes in your medical condition, caregiver status, behavior, living situation, employment status.)

Washington State Medicaid State Plan-Community First choice State Plan Option, states in part:

X. Person-Centered Service Plan Development Process

- a. Indicate how the service plan development process ensures that the person-centered service plan addresses the individual's goals, needs (including health care needs), and preferences, by offering choices regarding the services and supports they receive and from whom.

The person-centered service plan will be developed and implemented in accordance with 42 CFR 441.550 (b).

The person-centered service plan will be understandable to the participant, will indicate the individual and/or entity responsible for monitoring the plan, and will be agreed to in writing by the participant and those responsible for implementing the plan.

2016-044 **The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with regulations to adequately monitor Adult Family Home providers to ensure Medicaid providers and their employees had proper background checks.**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component:	Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions – Provider Eligibility
Known Questioned Cost Amount:	\$ 416,523
Likely Questioned Cost Amount:	\$4,760,604

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals in Washington who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016. The Department spent about \$181 million to more than 2,300 Adult Family Home providers.

Medicaid is the primary funding source for long-term care providers. The Medicaid Home and Community Based Services program permits states to furnish long-term care services to Medicaid beneficiaries in community settings. These services are provided in adult family homes by individuals or agencies most often chosen by the Medicaid client or their family.

All providers must meet the basic qualifications to provide services to Medicaid clients, which include background checks, certifications and training. Adult Family Home providers and their employees must complete a Washington state background check every two years, and effective January 8, 2012, a national fingerprint background check through the Department’s Background Check Central Unit.

The Department’s Aging and Long-Term Support Administration, Residential Care Services Division, is responsible for ensuring all adult family homes and their providers meet and maintain minimum licensing requirements to serve Medicaid clients. The Department performs an inspection of all adult

family homes at least every 18 months to ensure the adult family home provider is in compliance with licensing requirements to remain eligible to provide Medicaid services to clients. During the inspection, Department staff review background check result letters for the provider, resident manager and all adult family home employees who have worked in the home since the previous inspection to ensure they are eligible to work and have completed a required background check within the past two years.

The Department's Secretary establishes a list of crimes that automatically disqualify individuals from having unsupervised access to vulnerable clients. This list was referred to as "the Secretary's List" but now has been incorporated in regulation (WAC 388-113). Individuals who commit any crime listed in state rule are automatically prohibited from "licensing, contracting, certification, or from having unsupervised access to children, vulnerable adults or to individuals with a developmental disability."

If an individual is found to have committed a crime not listed in state rule, they are not automatically disqualified from having unsupervised access to vulnerable clients. The provider must perform a Character, Competence and Suitability review to assess and determine if they or their employees may have unsupervised access to clients.

During fiscal year 2016, about 13 percent of all Medicaid payments the Department made under the Home and Community Based Services Program went to adult family home providers.

In prior audits, we reported the Department did not ensure providers completed background checks before providing services to Medicaid clients. We also found providers did not ensure staff met all background check requirements before providing care to vulnerable adult clients. The prior finding numbers were 2015-051, 2014-048 and 13-37.

Description of Condition

We reviewed evidence of background checks of Adult Family Home providers and their staff to ensure that:

- A proper background check had been completed within the last two years
- No individuals with disqualifying crimes listed in state rule provided care to vulnerable adult clients at the time of the audit, or during the month(s) when they were paid by the Department
- Providers and their staff who had committed crimes that were not listed in state rule of Automatically Disqualifying Convictions and Pending Charges passed a Character, Competence and Suitability review permitting them to work unsupervised with vulnerable adults
- The entire period when the provider had access to Medicaid clients was covered by a Washington state background check and, if required, a national fingerprint background check

We found the Department did not have adequate internal controls to ensure providers completed background checks in a timely manner, as Department rules require.

The Department currently lacks a centralized monitoring process for ensuring that Adult Family Home providers renew their background checks in a timely manner, and detecting provider non-compliance before it occurs.

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

Cause of Condition

The Department has procedures in place to ensure adult family homes meet minimum licensing requirements. However, the high rate of employee turnover in adult family homes increases the risk of provider noncompliance with state and federal background check requirements.

Residential Care Services licensors examine the records of all adult family home staff for background checks during their onsite visits. Due to the Department's regulatory scope and allotted resources, unless there is a complaint, up to 18 months may pass before an adult family home receives another inspection from the Department. This could allow an individual to work without a background check for a significant period of time before being terminated by their provider.

WAC 388-76-10930 requires that the adult family home must comply with all applicable licensing laws and regulations at all times. The Department has stated that each provider is responsible for renewing their own background checks, and preparing and documenting the results of their own Character, Competence and Suitability reviews. The Department relied on the providers to ensure they were complying with Adult Family Home licensing requirements.

Effect of Condition and Questioned Costs

Adult Family Home providers

We used a statistical sampling method and randomly sampled 130 of 2,337 total providers of Adult Family Homes authorized to accept Medicaid clients. We found nine of the 130 randomly selected providers did not renew their background checks in a timely manner, and therefore received unallowable Medicaid payments. We found the providers were between one and eight months overdue for a background check.

We also identified four providers who had criminal records for crimes that were not disqualifying. The Department did not ensure a Character, Competence, and Suitability review was completed and documented for those four providers.

The following table summarizes questioned costs paid to ineligible providers:

Condition	Number of Providers	Total Unallowable Payments	Likely Unallowable Payments
Providers that did not renew their background checks in a timely manner	9	\$371,445	\$3,558,339
Providers with non-disqualifying criminal histories who did not show evidence of completing a Character, Competence and Suitability review	4	\$372,298	\$4,942,125
TOTAL	13	\$743,743	\$8,500,465*

**Difference in total is due to rounding*

When providers who do not meet background check requirements have unsupervised access to vulnerable Medicaid clients, there is an increased risk of neglect, harm, exploitation and abuse. Therefore, providers who do not meet the background check requirement are not eligible to provide services to Medicaid clients. Any payments made by the Department to ineligible providers are unallowable.

In our sample, we found the Department made \$743,743 in unallowable payments to providers. We are questioning \$416,523, which is the federal share of the unallowable payments. When we project the results to the entire population of Adult Family Home providers, we estimate the Department made \$8,500,465 in unallowable payments to providers. The federal portion of the estimated total questioned costs is \$4,760,604.

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

Adult Family Home employees

Using wage information reported by employers, we identified 348 employees working for the 130 adult family home providers in the audit sample in fiscal year 2016. We performed a Social Security number and date-of-birth match with the Department's background check database to determine if background checks were completed for each employee.

We found:

- 23 individuals with overdue background checks continued to work during the audit period without completing a renewal
- 10 individuals for whom there was no evidence to show a background check was completed
- 73 instances in which there was no evidence to show a fingerprint-based background check was completed for provider employees
- Two instances in which there was no evidence a Character, Competence and Suitability review was completed for provider employees

We were not able to determine if records for 32 adult family home employees selected for testing included proper background checks because their employer(s) did not respond to our request for information. Noncompliance related to Adult Family Home employees was not factored into the federal question costs.

Recommendations

We recommend the Department:

- Improve internal controls to ensure adult family home providers complete background checks in a timely manner
- Ensure that all adult family home providers renew their background checks every two years, as Department rules require
- Follow up on background check results for providers who did not have a documented Character, Competence, and Suitability review and ensure disqualified caregivers do not have unsupervised access to vulnerable Medicaid adults
- Consult with the U.S. Department of Health and Human Services about repaying the questioned costs, including interest

Agency's Response

The Department partially concurs with the audit findings.

While the Department agrees with the number of audit findings, the Department does not agree the findings should be tied to questioned costs. The SAO did not identify any providers who, did in fact, have a disqualifying crime or negative action. This is the critical question because the relevant minimum qualifications under the RCW only require that an AFH operator not have a disqualifying crime or negative action. RCW 70.128.120(8).

“Each adult family home provider, applicant, and each resident manager shall have the following minimum qualifications, except that only applicants are required to meet the provisions of subsections (10) and (11) of this section...:

(8) Not been convicted of any crime that is disqualifying under RCW 43.43.830 or 43.43.842, or department rules adopted under this chapter, or been found to have abused, neglected, exploited, or abandoned a minor or vulnerable adult as specified in RCW 74.39A.056(2); ...”

Neither RCW 70.128.120 nor RCW 74.39A.056 require that the department or the provider conduct additional background checks after the initial screening.

Consistent with the RCW requirement, WAC 388-76-10130 requires that an Adult Family Home must ensure that the operator “have no disqualifying criminal convictions or pending criminal charges under chapter 388-113 WAC” and “have none of the negative actions listed in WAC 388-76-10180.”

While the Adult Family Homes in question are out of compliance with the licensing requirements of chapter 388-76 WAC by not having current background check results in their files—and are therefore

subject to corrective action and sanctions by the department—the providers are not unqualified to provide Medicaid paid services. Thus, the payments to the providers were proper. The Department will consult with the U.S. Department of Health and Human Services regarding disagreement with repayment of questioned costs.

The Department has taken many action steps to address adult family homes out of compliance with background check licensing requirements:

In November 2016, the Department updated the AFH provider orientation and AFH provider administration training to include the importance of timely completion of background checks and possible penalties.

In December 2016, the Department worked with the AFH provider association to share information about background checks through the Association newsletter and intranet site, as well as BCCU's project Communication Plan. The Department also worked with the AFH association to ensure the link to AFH Association newsletter is accessible to all providers.

In December 2016, the Department revised the PowerPoint on the internet site to include information on background renewal process.

In January 2016, the Department added language to the contract renewal letter reminding providers they need a current background check to renew the contract.

In January 2017, a reminder regarding background check renewals was added to the annual license renewal statement.

In addition to the above, the Department has created a report that will proactively identify provider renewals coming due. When a provider has 60 days left before expiration, the Department will send a reminder notice. This report is currently in the testing phase with a target implementation of April 2017.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

The requirement for renewing background checks of adult family home providers and their staff every two-years has been established under Department rule, specified in WAC 388-76-10165. We cite this rule under the Applicable Laws and Regulations.

We acknowledge the corrective measures taken by the Department as a result of previous audits, as well as changes implemented after the audit period which will take time to become effective.

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

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Revised Code of Washington RCW 74.39A.056, Criminal history checks on long-term care workers, states:

- (1) (a) All long-term care workers shall be screened through state and federal background checks in a uniform and timely manner to verify that they do not have a criminal history that would disqualify them from working with vulnerable persons. The department must perform criminal background checks for individual providers and prospective individual providers and make the information available as provided by law.
- (b) (i) Except as provided in (b)(ii) of this subsection, for long-term care workers hired after January 7, 2012, the background checks required under this section shall include checking against the federal bureau of investigation fingerprint identification records system and against the national sex offenders registry or their successor programs. The department shall require these long-term care workers to submit fingerprints for the purpose of investigating conviction records through both the Washington state patrol and the federal bureau of investigation. The department shall not pass on the cost of these criminal background checks to the workers or their employers.
- (ii) This subsection does not apply to long-term care workers employed by community residential service businesses until January 1, 2016.
- (c) The department shall share state and federal background check results with the department of health in accordance with RCW 18.88B.080.
- (2) No provider, or its staff, or long-term care worker, or prospective provider or long term care worker, with a stipulated finding of fact, conclusion of law, an agreed order, or finding of fact, conclusion of law, or final order issued by a disciplining authority or a court of law or entered into a state registry with a final substantiated finding of abuse, neglect, exploitation, or abandonment of a minor or a vulnerable adult as defined in chapter 74.34 RCW shall be employed in the care of and have unsupervised access to vulnerable adults.
- (3) The department shall establish, by rule, a state registry which contains identifying information about long-term care workers identified under this chapter who have final substantiated findings of abuse, neglect, financial exploitation, or abandonment of a vulnerable adult as defined in RCW 74.34.020. The rule must include disclosure, disposition of findings, notification, findings of fact, appeal rights, and fair hearing requirements. The department shall disclose, upon request, final substantiated findings of abuse, neglect, financial exploitation, or abandonment to any person so requesting this information. This information must also be shared with the department of health to advance the purposes of chapter 18.88B RCW.

- (4) The department shall adopt rules to implement this section.

Washington Administrative Code WAC 388-76-10015, License-Adult family home-compliance required, states:

- (1) The licensed adult family home must comply with all the requirements established in chapters 70.128, 70.129, 74.34 RCW, this chapter and other applicable laws and regulations including chapter 74.39A RCW; and
- (2) The provider is ultimately responsible for the day-to-day operation of each licensed home.
- (3) The provider must promote the health, safety, and well-being of each resident residing in each licensed adult family home.

WAC 388-76-10161, Background checks -- Who is required to have.

- (1) An adult family home applicant and anyone affiliated with an applicant must have the following background checks before licensure:
 - (a) A Washington state name and date of birth background check; and
 - (b) If applying after January 7, 2012, a national fingerprint background check.
- (2) The adult family home must ensure that all caregivers, entity representatives, and resident managers who are employed directly or by contract after January 7, 2012, have the following background checks:
 - (a) A Washington state name and date of birth background check; and
 - (b) A national fingerprint background check.
- (3) All household members over the age of eleven, volunteers, students, and noncaregiving staff who may have unsupervised access to residents must have a Washington state name and date of birth background check. They are not required to have a national fingerprint background check.

WAC 388-76-10165 Background checks – Washington State name and date of birth background check – Valid for two years – National fingerprint background check – Valid indefinitely, states:

- (1) A Washington state name and date of birth background check is valid for two years from the initial date it is conducted. The adult family home must ensure:
 - (a) A new DSHS background authorization form is submitted to the department's background check central unit every two years for each individual listed in WAC 388-76-10161;
 - (b) There is a valid Washington state background check for all individuals listed in WAC 388-76-10161.
- (2) A national fingerprint background check is valid for an indefinite period of time. The adult family home must ensure there is a valid national fingerprint background check for individuals hired after January 7, 2012 as caregivers, entity representatives or resident managers. To be considered valid, the individual must have completed the national fingerprint background check through the background check central unit after January 7, 2012.

WAC 388-76-10166 Background checks – Household members, noncaregiving and unpaid staff – Unsupervised access, states:

- (1) The adult family home must not allow individuals specified in WAC 388-76-10161(3) to have unsupervised access to residents until the home receives results of the Washington state name and date of birth background check from the department.
- (2) If the background check results show that an individual specified in WAC 388-76-10161 has a criminal conviction or pending charge for a crime that is not automatically disqualifying under chapter 388-113 WAC, then the adult family home must:
 - (a) Determine whether or not the person has the character, competence and suitability to have unsupervised access to residents; and
 - (b) Document in writing the basis for making the decision.
 - (c) Nothing in this section should be interpreted as requiring the employment of any person against the better judgment of the adult family home.

WAC 388-76-10175 Background checks – Employment – Conditional hire – Pending results of Washington state name and date of birth background check, states:

An adult family home may conditionally employ a person directly or by contract, pending the result of a Washington state name and date of birth background check, provided the home:

- (1) Submits the Washington state name and date of birth background check no later than one business day after conditional employment;
- (2) Requires the individual to sign a disclosure statement and the individual denies having a disqualifying criminal conviction or pending charge for a disqualifying crime under chapter 388-113 WAC, or a negative action that is listed in WAC 388-76-10180;
- (3) Does not allow the individual to have unsupervised access to any resident;
- (4) Ensures direct supervision, as defined in WAC 388-76-10000, of the individual; and
- (5) Ensures the individual is competent and receives the necessary training to perform assigned tasks and meets the staff training requirements under chapter 388-112 WAC.

WAC 388-76-10176 Background checks – Employment – Provisional hire – Pending results of national fingerprint check.

The adult family home may provisionally employ individuals hired after January 7, 2012 and listed in WAC 388-76-10161(2) for one hundred twenty-days and allow those individuals to have unsupervised access to residents when:

- (1) The individual is not disqualified based on the results of the Washington state name and date of birth background check; and
- (2) The results of the national fingerprint background check are pending.

WAC 388-76-10180 Background checks – Employment – Disqualifying information. [Disqualifying negative actions] states:

- (1) The adult family home must not employ, directly or by contract, a caregiver, entity representative, or resident manager if:

- (a) The caregiver, entity representative or resident manager will have unsupervised access to vulnerable adults, as defined in RCW 43.43.830; and either:
- (b) The caregiver, entity representative or resident manager has a disqualifying criminal conviction or pending charge for a disqualifying crime under chapter 388-113 WAC; or
- (c) The caregiver, entity representative, or resident manager has one or more of the following negative actions:
 - (i) A court has issued a permanent restraining order or order of protection, either active or expired, against the person that was based upon abuse, neglect, financial exploitation, or mistreatment of a child or vulnerable adult;
 - (ii) The individual is a registered sex offender;
 - (iii) The individual is on a registry based upon a final finding of abuse, neglect or financial exploitation of a vulnerable adult, unless the finding was made by adult protective services prior to October 2003;
 - (iv) A founded finding of abuse or neglect of a child was made against the person, unless the finding was made by child protective services prior to October 1, 1998;
 - (v) The individual was found in any dependency action to have sexually assaulted or exploited any child or to have physically abused any child;
 - (vi) The individual was found by a court in a domestic relations proceeding under Title 26 RCW, or under any comparable state or federal law, to have sexually abused or exploited any child or to have physically abused any child;
 - (vii) The person has had a contract or license denied, terminated, revoked, or suspended due to abuse, neglect, financial exploitation, or mistreatment of a child or vulnerable adult; or
 - (viii) The person has relinquished a license or terminated a contract because an agency was taking an action against the individual related to alleged abuse, neglect, financial exploitation or mistreatment of a child or vulnerable adult.

WAC 388-76-10181 Background checks – Employment – Nondisqualifying information, states:

- (1) If any background check results show that an employee or prospective employee has a criminal conviction or pending charge for a crime that is not disqualifying under chapter 388-113 WAC, then the adult family home must:
 - (a) Determine whether the person has the character, competence and suitability to work with vulnerable adults in long-term care; and
 - (b) Document in writing the basis for making the decision, and make it available to the department upon request.
- (2) Nothing in this section should be interpreted as requiring the employment of any person against the better judgment of the adult family home.

2016-045

The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	\$ 43,573
Likely Questioned Cost Amount:	\$19,363,146

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Department's Developmental Disabilities Administration administers the Home and Community Based Services program for people with developmental disabilities. Supported living is a core service of this program, delivered by staff of contracted supported living providers. Contractor employees assist clients in daily living activities and with the social and adaptive skills needed to live in the community.

The Department uses an assessment to evaluate a client's support needs and to calculate the number of support hours a client needs to live in the community. The assessment predicts a level of care as if the client lives alone; however, most clients live with other clients. Because many support hours can be shared with roommates, the Department looks for shared hour opportunities to help providers care for clients in a cost effective manner.

Through a rate setting process, Department resource managers work with providers to determine how the assessed level of support will be delivered and the number of daily direct service hours that will be provided. A daily rate is loaded into the Department's payment system, and providers access the system to claim payment for each day of service that was provided. Providers are required to maintain adequate payroll records, including staff timesheets, work schedules and payroll vouchers, to support

payment claims. In fiscal year 2016, the state Medicaid program paid about \$381 million in federal and state funds to supported living agencies to support about 4,100 clients.

During the audit period, one Department employee was assigned to conduct periodic reviews of supported living providers. The reviews consisted of comparing employee hours worked to clients' contracted hours, and training providers about necessary payroll documentation. In fiscal year 2016, the employee conducted 24 reviews of provider payroll records. Since 2013, the Department has reviewed records for 95 of the 122 supported living providers in the state.

Supported living providers must submit a cost report at the end of each calendar year. The Department uses the cost reports to calculate if the total support hours claimed by providers for the year agree to authorized service hours. Cost reports are reconciled and analyzed based on total hours provided to all clients in the agency, while payments are based on individual client needs.

In prior audits, we reported the Department did not ensure providers maintained adequate documentation to ensure payments for supported living services were allowable. The prior finding numbers were 2015-049, 2014-042, 2013-036 and 12-39.

Description of Condition

Although the Department has improved its monitoring of provider payroll documentation, internal controls were still not effective to ensure Medicaid payments claimed by supported living providers were allowable.

The Department's review process was not effective to ensure payments claimed by providers for the assessed needs of each client were for actual support hours provided. For the 24 reviews the Department employee performed during the audit period, employee timesheets were not reconciled to provider payments.

During the Department's cost report reconciliation process, analysts relied on payroll hours reported by providers in summary level reports for all employees and clients, but did not compare the information with supporting payroll documentation, such as timesheets, to ensure the hours reported were accurate and clients received their assessed support hours.

Department policy allows providers to settle their cost reports over a two-year period to minimize settlements. The Department authorized 10 agencies to settle their cost reports in this manner for calendar year 2015. This practice allows providers to claim payment for hours they did not provide in the current year and intend to make up the following year. This practice resulted in unallowable payments made to providers for services they did not provide.

We consider the condition described above to be a material weakness in internal controls.

Cause of Condition

The Department has not established sufficient policies and procedures for service providers to follow to ensure payroll documentation was adequate. As a result, providers were unclear about what documentation was required to support payment claims.

The Department asserts its established cost report reconciliation process provides adequate support for provider payments. We concluded this process is inadequate to ensure Medicaid payments were paid only for allowable services and that services were actually provided.

Effect of Condition and Questioned Costs

We used a statistical sampling method to randomly select 86 monthly payments, totaling \$813,679, from a population of 47,044 monthly payments. We reconciled the payments with individual provider timesheets and work schedules and found 51 payments, totaling \$70,787, that were not supported by adequate payroll records, such as timesheets.

We are questioning \$35,397, which is the federal portion of the unallowable payments. When we project the results to the entire population of supported living payments, we estimate the Department made \$38,722,217 in unallowable payments. The federal portion of the estimated total questioned cost is \$19,363,146.

During our prior audit, we identified overpayments that resulted from system defects in ProviderOne – Washington’s primary Medicaid payment system. We conducted similar testing of the system defects during this audit and identified 27 payments, totaling \$16,344, that were improperly paid to supported living providers. We are questioning \$8,176, which is the federal portion of the unallowable costs. Because we did not use statistical sampling for this test, we did not project these questioned costs to the entire population.

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

Recommendations

We recommend the Department:

- Compare provider payroll documentation with authorized hours and payments system billings to ensure services provided to individual clients reconcile with amounts claimed
- Develop sufficient policies and procedures for providers to follow when documenting service hours provided to clients and compiling payroll records
- Increase the rate and frequency of provider payroll reviews
- Require providers to submit cost reports annually
- Work with the federal grantor to determine if the cost report settlement process adequately supports provider payments
- Seek recovery of funds paid to providers that did not maintain adequate payroll documentation or who were overpaid due to payment system defects

- Consult with the U.S. Department of Health and Human Services about repaying the questioned costs, including interest

Agency's Response

The Department does not concur with this finding.

RCW 71A.12.060 clearly provides the Secretary of the Department the authority to authorize payments for individuals in community residential programs. To date, the Secretary has authorized a system that requires payment for the total annual contracted Instruction and Support Services (ISS) hours to be reconciled to the actual hours provided. The approved system allows for more efficient use of taxpayer resources, by allowing additional staffing for peak demand, and allows for better service and flexibility by allowing providers to move resources to meet the daily changing needs of clients.

Using the annual cost report process (Developmental Disabilities Administration Policy 6.04), the Department verifies the ISS hours provided are equal to or exceed the total hours of service the Department has authorized. Through this verification system, if the actual ISS hours reported in the annual cost report are less than the total authorized hours for all clients served by the Supported Living (SL) provider or are not supported by documentation that shows that the reported hours were actually worked, the Department seeks recovery of any overpayment through the cost report settlement process (DDA Policy 6.04 (III)).

The system is designed to allow for resource flexibility by the SL provider throughout the year to enable the provider to meet the changing needs of the individual client. The Department requires, over a year's time, that clients within the agency receive all authorized ISS hours. Providers are given the calendar year to maintain the flexibility needed to address client instruction and support needs. Any audit finding that considers a limited time frame does not accurately capture the entire delivery of service, or any corresponding annual underpayment or overpayment.

SL providers are required to complete an annual cost report. The cost report reconciles hours and ISS dollars authorized to hours and ISS dollars provided. The SL provider attests to the accuracy of the cost report. A settlement is issued to any SL provider who fails to meet either standard (delivery of hours or expenditure of dollars).

We believe the audit has erred in treating cost settlements in the same way as overpayments. Overpayments are the result of human or systemic errors or omissions in specific instances whereas cost settlements are based on reimbursement methodologies defined in policy, rule and contract. Cost settlements are typically done in the aggregate on an annual basis and not on a client by client or case by case basis. See 42 CFR, Section 413 –Principles of Reasonable Cost Reimbursement.

The Department has additional measures in place to further review or audit the provider cost reporting:

- *The Department's Aging and Long-Term Support Administration, Residential Care Services (RCS) performs a cursory review of hours provided as part of the certification evaluation process.*

- *If concerns are identified in the RCS certification evaluation, the Department will conduct an additional review of the SL provider.*
- *Agency staff review a sample of 24 agencies per year. Technical assistance and training are provided during these reviews. DDA will offer classroom training to providers during the fiscal year ending in June 2018.*
- *DDA has not approved any new two-year settlement request since calendar year 2014. Therefore, all two-year requests ended December 2016. In addition, DDA will remove the two-year option from the policy to be effective July 1, 2017.*
- *DDA policy 6.04 is submitted to CMS when waiver renewals/amendments are requested.*

The audit recommends the Department continues to improve internal controls to ensure SL providers maintain adequate documentation to support payments claimed against payroll records. Current Department policy requires additional schedules to report ISS hours in a format reconcilable to payroll records.

Currently, reviews are being conducted on roughly 20% of residential provider's ISS hours. The scope of this compliance review includes reconciliation of hours in the contract by households compared to employee payroll records delivered within the household. Consultation and training to service providers related to the tracking and documentation of ISS hours is provided at the time of the review.

Through policy revision, the Department has clarified the expectations that the service provider's payroll system must adequately document ISS hours delivered. Additionally, Department policy outlines acceptable margins of flexibility of ISS hour delivered. Training on these new policies occurred over the summer and fall of 2015.

DDA will reconcile the questioned cost, including "with interest" with U.S. Department of Health and Human Services.

Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit.

We acknowledge the complexity of providing services to supported living clients and the changing needs of each client. Supported living payroll summaries reported in agency cost reports are reconciled at an agency-level while payments are made to providers based on hours authorized through individual client assessments. Neither the Department's review of annual cost reports, or its additional measures described in its response, reconcile provider payments to source documentation. Without a more detailed level of review, the Department was unable to demonstrate supported living agencies provided the individual assessed client hours they were paid for or met the federal requirement under 2 CFR 200.403 that payments be adequately documented.

Since fiscal year 2012, we have issued a finding regarding these matters. We are committed to working through the disagreement with Department management. However, we reaffirm our finding and will follow up in our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in

accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

Section 200.516 Audit reporting, state in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Revised Code of Washington (RCW) 71A.12.060, Payment authorized for residents in community residential programs.

The secretary is authorized to pay for all or a portion of the costs of care, support and training of residents of a residential habilitation center who are placed in community residential programs under this section and RCW 71A.12.070 and 71A.12.080.

Washington Administrative Code WAC 388-101D-0025

Service provider responsibilities.

- (1) Service providers must meet the requirements of:
 - (a) This chapter;
 - (b) Each contract and statement of work entered into with the department;
 - (c) Each client's individual support plan when the individual support plan identifies the service provider as responsible; and
 - (d) Each client's individual instruction and support plan.
- (2) The service provider must:
 - (a) Have a designated administrator and notify the department when there is a change in administrator;
 - (b) Ensure that clients have immediate access to staff, or the means to contact staff, at all times;
 - (c) Provide adequate staff within contracted hours to administer the program and meet the needs of clients;
 - (d) Not routinely involve clients in the unpaid instruction and support of other clients;
 - (e) Not involve clients receiving crisis diversion services in the instruction and support of other clients; and
 - (f) Retain all records and other material related to the residential services contract for six years after expiration of the contract.

The Department's *Client Service Contract – Community Residential Services, General Terms and Conditions, Part 11* states in part:

Maintenance of Records. The Contractor shall maintain records relating to this Contract and the performance of the services described herein. The records include, but are not limited to, accounting procedures and practices, which sufficiently and properly reflect all direct and

indirect costs of any nature expended in the performance of the Contract. All records and other material relevant to this Contract shall be retained for six (6) years after expiration or termination of this Contract.

2016-046 The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments processed through the Social Service Payment System.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Matching
Known Questioned Cost Amount: \$106,055

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income individuals in Washington who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

States use the Federal Medical Assistance Percentage (FMAP) to determine the amount of federal matching funds for Medicaid expenditures. The U.S. Department of Health and Human Services calculates this rate annually. There are different FMAP rates for different Medicaid services, such as Enhanced FMAP for newly eligible Affordable Care Act clients and Expansion State FMAP for Presumptive Supplemental Security Income clients who have long-term medical conditions that are likely to meet federal disability criteria, but whose disability determination is pending. States may receive additional FMAP for Community First Choice (CFC) services, including home and community-based attendant supports and services to individuals who would otherwise require an institutional level of care.

The Department’s cost allocation process automatically applies federal Medicaid matching rates to payments based on cost allocation codes, which are determined by service codes authorized by social service case managers. Through February 2016, the Department paid for CFC services through the Social Service Payment System for individual providers, which was replaced by Individual ProviderOne for services provided effective March 1, 2016.

The Department paid about \$310 million to CFC individual providers through the Social Service Payment System in fiscal year 2016.

Description of Condition

We found the Department had adequate internal controls to materially ensure the correct FMAP rate was entered and used. However, the Department applied incorrect FMAP rates in the payment system and over-claimed the federal share on \$2.7 million in Medicaid payments for CFC clients, and did not process an adjustment prior to June 30, 2016.

Cause of Condition

When the CFC program was implemented effective on July 1, 2015, most home and community service recipients were transitioned from their current program to the CFC. During the transition, all current program's authorizations were not correctly converted to CFC in the Social Service Payment System. In some cases, case managers also authorized incorrect cost allocation social service codes, which allowed incorrect federal matching rates to be used.

Effect of Condition and Questioned Costs

The Department over-claimed \$106,055 in Medicaid federal matching funds. The Department identified the errors and completed repayment of the federal share after the audit period. Because the repayments occurred after the end of the audit period, we are questioning the over-claimed amount of \$106,055.

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

Recommendation

We recommend the Department:

- Ensure questioned costs were repaid to the federal grantor
- Ensure it claims the correct federal share of Medicaid expenditures in the future

Agency's Response

The Department concurs with the audit finding.

During the implementation and data conversion for Community First Choice, not all data converted correctly in Social Service Payment System SSPS. Due to accounting and reporting staff workload related to the implementation of Provider One and IPOne, it took an unanticipated amount of time to obtain data reports from SSPS and process corrections in AFRS.

In addition, when it is discovered that a case manager authorized an incorrect service code, notice is sent to accounting staff and the expenditures are corrected and funds charged appropriately. This is normal business practice. During the audit process, the auditor's asked for all journal vouchers processed for expenditures made during the audit period and DSHS provided the journal vouchers for these transactions, which were then included in the questioned costs.

Effective March 1, 2016, with the exception of some minor prior authorization corrections, services are no longer authorized in SSPS. With the implementation of Provider One and IOne, there are more controls to limit the selections for case managers when authorizing services and the Home and Community Services Quality Assurance Unit will continue to monitor payment authorizations for compliance with requirements.

Effective October 2016, the charges related to the questioned costs have been completed and funds were returned to CMS.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically

identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

42 CFR 441.590 - Increased Federal financial participation, states:

Beginning October 1, 2011, the FMAP applicable to the State will be increased by 6 percentage points, for the provision of Community First Choice services and supports, under an approved State plan amendment.

42 U.S. Code 1396d Definitions, states in part:

(z) Equitable Support for Certain States.—

(2) (A) For calendar quarters in 2014 and each year thereafter, the Federal medical assistance percentage otherwise determined under subsection (b) for an expansion State described in paragraph (3) with respect to medical assistance for individuals described in section 1902(a)(10)(A)(i)(VIII) who are nonpregnant childless adults with respect to whom the State may require enrollment in benchmark coverage under section 1937 shall be equal to the percent specified in subparagraph (B)(i) for such year.

(3) A State is an expansion State if, on the date of the enactment of the Patient Protection and Affordable Care Act, the State offers health benefits coverage statewide to parents and nonpregnant, childless adults whose income is at least 100 percent of the poverty line, that is not dependent on access to employer coverage, employer contribution, or employment and is not limited to premium assistance, hospital-only benefits, a high deductible health plan, or alternative benefits under a demonstration program authorized under section 1938. A State that offers health benefits coverage to only parents or only nonpregnant childless adults described in the preceding sentence shall not be considered to be an expansion State.

2016-047 Medicaid funds were overpaid to a supported living agency that contracted with the Department of Social and Health Services, Developmental Disabilities Administration.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$1,258,250

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Department of Social and Health Services’ Developmental Disabilities Administration oversees the Home and Community Based Services program for people with developmental disabilities. Supported living is a core service of this program, delivered by staff of contracted supported living providers. In fiscal year 2016, the state Medicaid program paid about \$381 million in federal and state funds to supported living agencies to support about 4,100 clients.

When conducting a single audit, federal regulations require the auditor to report in a finding when questioned costs are identified for a federal award that exceed \$25,000.

Description of Condition

On August 1, 2016, our Office published an investigative report for the Department (report 1016927).

On September 23, 2015, the Department notified our Office of suspected illegal activity at a contracted supported living agency (agency). The Everett Police Department investigated and determined an employee of the agency misappropriated at least \$9,127 in client funds between May and December 2014. We reviewed the police department’s investigation and agreed with its conclusion.

The Department terminated its contract with the agency on September 22, 2015, due to a series of unresolved deficiencies. At the time of the contract termination, the agency had not repaid the clients for the loss of their funds, as required by Department policy.

During the investigation, we found the agency owed the Department \$117,048 for failing to provide contracted care hours to its clients between 2013 and 2014. In addition, the agency failed to submit its final cost report for 2015 as Department policy required, resulting in an overpayment of \$2,399,451.

Cause of Condition

The Department did not ensure the agency repaid the outstanding settlement amount before terminating its contract and did not ensure the agency submitted its final cost report to the Department.

Effect of Condition and Questioned Costs

The total overpayment was \$2,516,499. We are questioning \$1,258,250, which is the federal share of the overpayment. The Department collected \$10,321 from the agency.

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

Recommendations

Consult with the U.S. Department of Health and Human Services about repaying questioned costs, including interest.

Agency's Response

The Department partially concurs with finding.

The Department processed the payment notice to the Office of Financial Recovery (OFR).

Per federal rules, the Department is not required to refund the Federal share of an overpayment made to a provider to the extent that the Department is unable to recover the overpayment because the provider has been determined bankrupt.

The agency in question has filed for bankruptcy. The Department has submitted the required information to the bankruptcy court for the amount owed. The Department will work with OFR to follow the Federal and State rules for financial recovery that pertain to bankruptcy proceedings.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance

requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

2016-048 The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Known Questioned Cost Amount: \$90,685
(\$67,981 - Direct care services)
(\$22,704 - Associated costs)

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the state’s federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Aging and Long-Term Care Administration within the Department of Social and Health Services (Department) offers personal care services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client’s support needs and to calculate the number of personal care hours the client needs to successfully live in the community. Individual providers contract with the Department to provide personal care services to clients. In fiscal year 2016, the state Medicaid program paid about \$370 million to Aging and Long-Term Care Administration’s contracted Community First Choice individual providers.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department’s Individual ProviderOne system to invoice the Department for their hourly service and mileage claims. If a client is hospitalized or temporarily admitted to a long-term care facility, individual providers are not allowed to bill for services because Medicaid pays the hospital or care facility for the client’s care while admitted in the facility.

Description of Condition

The Department made unallowable payments totaling \$121,644 to Community First Choice individual providers who claimed payment for personal care and mileage services while their client was either hospitalized or admitted to a long-term care facility.

Specifically we found the Department:

- Made unallowable payments to 589 individual billing providers for 1,695 personal care claims totaling \$119,331
- Made unallowable payments to individual providers for 557 mileage claims totaling \$2,313

Cause of Condition

Program managers said the Department encountered performance issues with the new payment system and that individual providers were unclear about the instructions on how to submit claims for payment.

Effect of Condition and Questioned Costs

We are questioning \$67,981, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll tax and health care, training, and retirement fringe benefits on behalf of Community First Choice providers that are considered associated costs.

For the \$121,644 in payments we determined were unallowable, we identified \$40,543 in unallowable associated costs. We are questioning \$22,704, which is the federal portion of the unallowable payments.

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

Recommendation

We recommend the Department consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest.

Agency's Response

The Department partially concurs with the audit findings.

The SAO used payment data to identify payments made to individual providers who claimed payment for personal care and mileage services on the same date of service that payment was made to a hospital or long-term care facility. The Department concurs that unallowable payments were made, but it is not known whether payments were incorrectly claimed by the IP rather than the hospital or nursing facility.

The time frame of the audit was during the first three months of the Go-Live for the Department's new billing system, Individual ProviderOne (IPOne). During this time IPs were experiencing a learning curve in using the new system. This may have contributed to incorrect claiming during this time period.

Since the implementation of the IPOne system, the Department can more easily discover incidents when providers are claiming hours for a time period in which a client is in a hospital, nursing facility, or other institutional setting. This will strengthen the department's internal controls.

The Department is currently developing a process to research and remediate occurrences of payments made for personal care and mileage services while a client was either hospitalized or admitted to a long-term care facility.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section CFR 200.53 *Improper Payment* states:

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

Section 200.403 Factors affecting Allowability of costs.

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit reporting, state in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
 - (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2016, *Part 3 – Compliance Requirements*, states in part:

Improper Payments

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, Federal agencies are required to take actions to prevent improper payments, review Federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

1. Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, such as overpayments or underpayments made to eligible recipients resulting from

inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments.

2. Any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments where authorized by statute).
3. Any payment that an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation.

Washington Administrative Code 388-71-0515 states in part:

What are the responsibilities of an individual provider when providing services to a client?

An individual provider must:

- 11) Complete and keep accurate time sheets of authorized/paid hours that are accessible to the social worker/case manager[.]

2016-049

The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments made through the Social Service Payment System to individual providers were allowable.

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number: 5-1605WA5MAP; 5-1605WA5ADM; 5-1605WAIMPL; 5-1605WAINCT
Applicable Compliance Component: Activities Allowed/Unallowed
Allowable Costs/Cost Principles
Known Questioned Cost Amount: **\$161,299**
(\$120,352 – Personal Care Services)
(\$ 40,947 – Associated Costs)
Likely Questioned Cost Amount: **\$54,422,418**
(\$41,328,192 – Personal Care Services)
(\$13,094,226 – Associated Costs)

Background

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.9 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the state's federal expenditures. The program spent about \$11.6 billion in federal and state funds during fiscal year 2016.

The Department's Developmental Disabilities Administration administers the Community First Choice program for people with disabilities. The program provides personal care services to Medicaid clients in a community setting. Services are delivered to clients by individual providers who contract with the Department. In fiscal year 2016, the state Medicaid program paid over \$113. million to individual providers through the Social Service Payment System (SSPS) on behalf of Community First Choice clients.

The Department had a policy (6.01) that established expectations about how payments made through SSPS should have been monitored. Part of the policy described how a quality compliance coordinator would randomly select providers and compare their timesheets to payments.

In August 2015, the Department issued a management bulletin that informed staff of additional monitoring procedures related to individual provider timesheets they were required to perform.

Description of Condition

We found the Department did not have adequate internal controls to ensure payments made to individual providers through SSPS were allowable.

The quality compliance coordinator did not perform the random reconciliations of provider timesheets to payments during the audit period. Additionally, Department staff confirmed that the requirements in the management bulletin were not followed.

We consider the condition described above to be a material weakness in internal controls.

Cause of Condition

The Department did not complete provider timesheet monitoring activities in 2016 due to the implementation of a new payment system (Individual ProviderOne). The new system requires Individual Providers to electronically submit their timesheets prior to payment instead of the paper timesheets the Department historically monitored.

Effect of Condition and Questioned Costs

Timesheets

We used a statistical sampling method to randomly select 86 monthly payments to providers, totaling \$173,452, from a population of 82,404 monthly payments to providers. In addition, we judgmentally selected the four most costly payments totaling \$40,298. We reconciled the payments with individual provider timesheets and found 48 payments totaling \$107,899 were not supported.

In these instances, we either found:

- There was no timesheet to support the payment; or
- The hours or mileage paid by the Department was more than the hours or mileage recorded on provider timesheets

We are questioning \$60,350, which is the federal portion of the unallowable payments. When we project the results to the entire population of individual provider payments, we estimate the Department made \$73,900,888 in unallowable payments. The federal portion of the estimated total questioned cost is \$41,328,192.

Costs associated with timesheets

The Department also made payments on behalf of the provider for the employer's share of payroll taxes and fringe benefits that include health care, retirement and training. When unallowable payments are identified, federal regulations suggest auditors consider these expenditures. The costs associated with the 48 unallowable payments made without adequate support total \$33,492.

We are questioning \$18,758, which is the federal portion of the unallowable associated cost payments. When we project the results to the entire population of individual provider payments, we estimate the

Department made \$23,378,470 in unallowable associated cost payments. The federal portion of the estimated total questioned costs is \$13,094,226.

Duplicate Payments

Using computer assisted auditing techniques, we identified overpayments that resulted from system weakness that did not prevent duplicate payments in SSPS. We identified 144 payments, totaling \$107,123 that were improperly paid to individual providers. We are questioning \$60,002, which is the federal portion of the unallowable payments. Because we did not use statistical sampling for this test, we did not project these questioned costs to the entire population.

Costs associated with Duplicate Payments

The costs associated with the unallowable payments resulting from system weaknesses in the payment system total \$39,615. We are questioning \$22,189, which is the federal portion of the unallowable payments. Because we did not use statistical sampling for this test, we did not project these questioned costs to the entire population.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures. The statistical sample used for testing was also used to test compliance with client and provider eligibility requirements. Because some payments we examined were unallowable for violating multiple federal compliance requirements, some of the questioned costs reported here may also be reported in findings number 2016-042 and 2016-043.

Recommendations

We recommend the Department:

- Compare payment system billings with supporting documentation to ensure payments to individual providers are supported
- Conduct quality assurance reviews to identify improper payments and make adjustments for identified overpayments
- Develop sufficient policies, procedures and training for individual providers regarding payment claims
- Recoup the overpayments made to individual providers
- Identify the associated costs made for federal and state unemployment and report them to the grantor
- Consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest

Agency's Response

DDA partially concurs with the finding.

DDA concurs with the following:

- *The SAO review found 48 payments where there was no timesheet to support the payment, or the hours or mileage paid by the Department was more than the hours or mileage recorded on provider timesheets.*
- *DDA acknowledges that all payments made to individual providers must be supported by accurate timesheets. With the implementation of Individual ProviderOne, providers submit timesheets prior to receiving payment.*
- *In addition to the new payment system functionality:*
 - *ProviderOne/HCA will automatically send letters to a random sample of clients to verify services; and*
 - *DDA has implemented monthly telephone calls to a random sample of clients to verify services.*

DDA does not concur with all of the questioned costs associated with duplicate payments:

- *While DDA agrees with \$44,152.91 in improper payments, DDA maintains that \$62,970.09 were not improper payments. SAO and DDA met and agreed that if overpayments were submitted within the audit period, per policy, the costs would not be questioned because the federal funds had been accounted for and had been returned or were in the process of being returned.*

The Department will consult with the U.S. Department of Health and Human Services and make repayment as required.

Auditor’s Concluding Remarks

During our meeting with the Department, we agreed that costs would not be questioned if overpayments were submitted during the audit period, reported on the CMS 64 report and repaid to the federal grantor. While the Department indicated the overpayments had been submitted, they declined to provide evidence that the overpayments had been reported on the CMS 64 and repaid to their grantor.

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

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

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

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

Section 200.403 Factors affecting Allowability of costs.

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

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

Section 200.410 Collection of unallowable costs.

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

Section 200.516 Audit reporting, state in part:

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

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

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

Washington Administrative Code 388-71-0515, states in part:

What are the responsibilities of an individual provider when providing services to a client?

An individual provider must:

- 11) Complete and keep accurate time sheets of authorized/paid hours that are accessible to the social worker/case manager.

Developmental Disabilities Administration Policy 6.01 (rescinded May 1, 2016) states in part:

PROCEDURES

D. Monitoring and Review

1. Supervisor/Regional Monitoring and Review

e) Quality Compliance Coordinator (QCC) Monitoring

- 1) DDA Central Office will send letters to a random selection of service providers, at least annually, requesting they send timesheets to a central location.
- 2) Quality Compliance Coordinators will compare timesheets to payment systems billing to ensure that services billed for are consistent with the service provider timesheet.
- 3) Monitoring will be documented in the database on the DDA SSPS/SharePoint site.

DDA Management Bulletin D15-020 – Procedure dated August 25, 2015 states in part:

BACKGROUND:

- IPs serving DDA clients must use DSHS 15-051, Individual Provider Time Sheet. This form must be completed monthly and be signed by both the client and the provider. The IP must provide a copy to the client and, upon request, to DSHS.

ACTION:

DDA Central Office staff will:

1. Randomly select a list of IPs that provided personal care and/or DDA respite services. This will occur annually at a minimum.
3. Mail letters to the IPs requesting copies of their time sheets be submitted to Central Office for all clients served in a specific month.
6. Receive copies of the time sheets from IPs, scan them and save in the Provider Time Sheet Review database.

QCC staff will:

1. Compare time sheets to SSPS billing to ensure that services billed for are consistent with the documentation submitted.

Field Services staff will:

6. Process overpayment for IPs who:
 - a. Did not submit time sheets and the client or their representative did not verify the amount of service hours claimed by the IP; and
 - b. Did submit time sheets and the hours billed exceed the hours on the time sheet.

2016-050 **The Department of Social and Health Services did not have adequate internal controls over the level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse.**

Federal Awarding Agency: U.S. Department of Health and Human Services
Pass-Through Entity: None
CFDA Number and Title: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Number: 2B08TI010056-14; 2B08TI010056-15; 2B08TI010056-16
Applicable Compliance Component: Level of Effort
Known Questioned Cost Amount: None

Background

The Department of Social and Health Services, Division of Behavioral Health and Recovery, administers the Block Grants for Prevention and Treatment of Substance Abuse. The Department subawards some of the funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and support services. The Department spent over \$32.8 million in grant funds during fiscal year 2016.

Federal regulations require the Department to maintain state spending at certain levels in order to meet federal grant requirements. Specifically, for the Block Grants for Prevention and Treatment of Substance Abuse, the Department must maintain state spending for:

- Treatment services for pregnant women and women with dependent children at a level that is not less than the amount spent for the same services in 1994.
- Tuberculosis services at a level that is not less than the average calculated in fiscal year 1991 and 1992.
- Authorized activities at a level that is not less than the average of the previous two years spending for the program.

In prior audits, we reported the Department did not have internal controls over and did not comply with level of effort requirements. The prior finding numbers were 2015-053 and 2014-051.

Description of Condition

We examined all program monitoring reports for the three level of effort requirements and found that the third requirement had been monitored regularly throughout the year and that part of the prior reported condition had been corrected. However, the Department did not have adequate internal controls in place to ensure it complied with the first two requirements listed above. In both cases the Department had no ongoing monitoring and waited until the end of each fiscal year to determine whether they were in compliance. The Department was in compliance with all three requirements for the fiscal year.

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

Cause of Condition

The Department had not fully implemented procedures put in place in response to the previous years' level of effort finding. For the tuberculosis requirement, the Department's procedures still do not address how to monitor spending levels, only how to identify the amounts after close of the state fiscal year.

Effect of Condition

Without adequate internal controls in place, the Department could not ensure it would meet all level of effort requirements during the audit period. By not adequately monitoring to ensure level of effort requirements are being met, the Department is at risk of noncompliance with federal requirements for the Block Grant.

Recommendation

We recommend the Department follow established policies and procedures and develop additional internal controls sufficient to ensure the monitoring and documentation of level of effort requirements is performed.

Agency's Response

The Department agrees with the SAO finding and will formalize a written procedure to monitor and manage maintenance of efforts for both pregnant women and women with dependent children, as well as for tuberculosis services. The procedure will reference the data sources necessary for monitoring expenditure levels; frequency of monitoring efforts; and the appropriate actions to be implemented if below the maintenance of effort levels. This includes collaborating with the Department of Health to establish routine tuberculosis expenditure reports for monitoring purposes.

Auditor's Concluding Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) established reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal

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

Section 200.516 Audit reporting, state in part:

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

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

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

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

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

Remote. The chance of the future event or events occurring is slight.

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

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

Title 45, Code of Federal Regulations

Section 96.124 – Certain allocations, states in part:

- (c) Subject to paragraph (d) of this section, a State is required to expend the Block Grant on women services as follows:
 - (3) For grants beyond fiscal year 1994, the States shall expend no less than an amount equal to the amount expended by the State for fiscal year 1994.

Section 96.127 – Requirements regarding tuberculosis, states in part:

- (c) With respect to services provided for by a State for purposes of compliance with this section, the State shall maintain Statewide expenditures of non-Federal amounts for such services at a level that is not less than an average level of such expenditures maintained by the State for the 2-year period preceding the first fiscal year for which the State receives such a grant. In making this determination, States shall establish a reasonable funding base for fiscal year 1993. The base shall be calculated using Generally Accepted Accounting Principles and the composition of the base shall be applied consistently from year to year.

**State of Washington
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Federal Programs Not Clustered

Office of National Drug Control Policy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
07.U01	Office of National Drug Control Policies - Unknown	G15NW0003A	0800	48,160	0	PT
Federal Program 07.U01 Total				48,160	0	
Office of National Drug Control Policy Total				48,160	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

Peace Corps

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
08.U01	Peace Corps - Unknown CFDA Number		3650	17,593	0	
Federal Program 08.U01 Total				17,593	0	
Peace Corps Total				17,593	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.001	Agricultural Research_basic and Applied Research		3650	2,182,810	3,235	
Federal Program 10.001 Total				2,182,810	3,235	
10.025	Plant and Animal Disease, Pest Control, and Animal		3650	1,243,519	0	
10.025			4950	2,963,687	0	
Federal Program 10.025 Total				4,207,206	0	
10.028	Wildlife Services		4770	38,918	0	
Federal Program 10.028 Total				38,918	0	
10.069	Conservation Reserve Program		4770	40,607	0	
Federal Program 10.069 Total				40,607	0	
10.072	Wetlands Reserve Program		4770	281,067	0	
Federal Program 10.072 Total				281,067	0	
10.093	Voluntary Public Access & Habitat Incentive Progra		4770	2,440	0	
Federal Program 10.093 Total				2,440	0	
10.156	Federal-State Marketing Improvement Program		3600	45,236	0	
10.156			3650	143,841	0	
10.156			4950	119,831	0	
Federal Program 10.156 Total				308,908	0	
10.163	Market Protection and Promotion		4950	1,657,727	566,022	
Federal Program 10.163 Total				1,657,727	566,022	
10.168	Farmers' Market and Local Food Promotion Program		3650	52,960	26,876	
Federal Program 10.168 Total				52,960	26,876	
10.170	Specialty Crop Block Grant Program - Farm Bill		4950	3,817,007	793,672	
Federal Program 10.170 Total				3,817,007	793,672	
10.172	Local Food Promotion Program	UW BUD# 634190	3600	25,650	0	PT
10.172			3650	17,760	0	
Federal Program 10.172 Total				43,410	0	
10.210	Higher Education - Graduate Fellowships Grant Prog		3600	23,036	0	
10.210			3650	52,377	0	
Federal Program 10.210 Total				75,413	0	
10.217	Higher Education - Institution Challenge Grants Pr	3TH607	3650	34,251	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 10.217 Total				34,251	0	
10.225	Community Food Projects	20143380022341WSU	3650	5,476	0	PT
Federal Program 10.225 Total				5,476	0	
10.226	Secondary and Two-Year Postsecondary Agriculture E		6990	42,391	0	
Federal Program 10.226 Total				42,391	0	
10.303	Integrated Programs		3650	1,136,077	330,529	
10.303		C0477AA	3650	63,839	0	PT
10.303		FAR0021477	3650	33,029	0	PT
Federal Program 10.303 Total				1,232,945	330,529	
10.304	Homeland Security_agricultural		3650	198,942	0	
10.304		20122390204	3650	43,131	0	PT
Federal Program 10.304 Total				242,073	0	
10.308	Resident Instruction Grants for Insular Area Activ	RR7224188644577	3650	54,208	0	PT
Federal Program 10.308 Total				54,208	0	
10.309	Specialty Crop Research Initiative	S15187	3600	80,400	0	PT
10.309			3650	1,779,020	491,432	
10.309		13014NU793	3650	41,936	0	PT
10.309		20101294201	3650	20,452	0	PT
10.309		2011160914	3650	89,794	0	PT
10.309		2012178503	3650	90,962	0	PT
10.309		20140375704	3650	48,028	0	PT
10.309		350K873	3650	39,493	0	PT
10.309		428K072	3650	10,852	0	PT
10.309		7399910422	3650	199,187	0	PT
10.309		8500042730	3650	551,907	0	PT
10.309		RC100888WSU	3650	(51)	0	PT
10.309		RC104285L	3650	402,303	0	PT
10.309		RC104285L	3650	49,944	38,956	PT
10.309		UAAES9111103	3650	45,395	0	PT
10.309		UFDSP00010606	3650	77,022	0	PT
Federal Program 10.309 Total				3,526,644	530,388	
10.311	Beginning Farmer and Rancher Development Program	UW BUD# 632494	3600	22,578	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 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
10.311	Beginning Farmer and Rancher Development Program		3650	95,657	20,808	
Federal Program 10.311 Total				118,235	20,808	
10.312	Biomass Research and Development Initiative Compet	MA120037	3650	222,975	0	PT
Federal Program 10.312 Total				222,975	0	
10.329	Crop Protection and Pest Management Competitive Gr		3650	138,194	0	
10.329		C0483AA	3650	7,802	0	PT
Federal Program 10.329 Total				145,996	0	
10.330	Alfalfa and Forage Research Program		3650	58,184	1,080	
Federal Program 10.330 Total				58,184	1,080	
10.331	Food Insecurity Nutrition Incentive Grants Program		3030	154,560	62,220	
Federal Program 10.331 Total				154,560	62,220	
10.443	Outreach and Assistance for Socially Disadvantaged		3650	30,540	0	
10.443		124432001	3650	20,819	0	PT
10.443		124434	3650	46,947	0	PT
Federal Program 10.443 Total				98,306	0	
10.460	Risk Management Education Partnerships		3650	13,736	0	
10.460		OGRD126820	3650	7,529	0	PT
Federal Program 10.460 Total				21,265	0	
10.479	Food Safety Cooperative Agreements		3030	126,674	0	
Federal Program 10.479 Total				126,674	0	
10.500	Cooperative Extension Service		3650	7,131,899	464,041	
10.500		130677002	3650	9,199	0	PT
10.500		130677006	3650	505	0	PT
10.500		8000059373	3650	(378)	0	PT
10.500		8000066753	3650	242,720	0	PT
10.500		8000072175	3650	42,590	0	PT
10.500		RC103176AZ	3650	24,687	0	PT
10.500		RC103176BA	3650	14,007	0	PT
10.500		S15049	3650	14,203	0	PT
10.500		S16053	3650	20,242	0	PT
10.500		S16136	3650	2,780	0	PT

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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 10.500 Total				7,502,454	464,041	
10.545	Farmers' Market Supplemental Nutrition Assistance		3650	38,062		0
Federal Program 10.545 Total				38,062	0	
10.557	Special Supplemental Nutrition Program for Women,		3030	136,371,891	37,943,399	
Federal Program 10.557 Total				136,371,891	37,943,399	
10.558	Child and Adult Care Food Program		3500	46,135,997	45,629,336	
Federal Program 10.558 Total				46,135,997	45,629,336	
10.560	State Administrative Expenses for Child Nutrition		3500	4,417,501		0
Federal Program 10.560 Total				4,417,501	0	
10.572	WIC Farmers' Market Nutrition Program (Fmnp)		3030	526,832	34,637	
Federal Program 10.572 Total				526,832	34,637	
10.574	Team Nutrition Grants		3500	85,207		0
Federal Program 10.574 Total				85,207	0	
10.575	Farm to School Grant Program	HDC781	3650	2,127		0 PT
Federal Program 10.575 Total				2,127	0	
10.576	Senior Farmers Market Nutrition Program		3000	211,317	2,744	
Federal Program 10.576 Total				211,317	2,744	
10.578	WIC Grants to States (Wgs)		3030	256,793	35,943	
Federal Program 10.578 Total				256,793	35,943	
10.579	Child Nutrition Discretionary Grants		3500	214,240	38,844	
Federal Program 10.579 Total				214,240	38,844	
10.582	Fresh Fruit and Vegetable Program		3500	3,307,850	3,299,684	
Federal Program 10.582 Total				3,307,850	3,299,684	
10.596	Pilot Project to Reduce Depend and Incr Work Rqmt		3000	3,246,159	220,307	
Federal Program 10.596 Total				3,246,159	220,307	
10.598	Supplemental Nutrition Assistanc Program (Snap) Re		3000	205,126		0
Federal Program 10.598 Total				205,126	0	
10.604	Technical Assistance for Specialty Crops Program		3650	48,799		0
10.604		WAC141520	3650	390,099		0 PT

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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
10.604	Technical Assistance for Specialty Crops Program	WSUT13GXKSF01YR03	3650	27,969	0	PT
10.604		WSUT13GXKSF01YR2	3650	982	0	PT
Federal Program 10.604 Total				467,849	0	
10.664	Cooperative Forestry Assistance		3650	118,604	0	
10.664			4900	4,849,656	0	
Federal Program 10.664 Total				4,968,260	0	
10.674	Wood Utilization Assistance		3650	73,764	0	
10.674			4900	301,037	0	
Federal Program 10.674 Total				374,801	0	
10.675	Urban and Community Forestry Program		3600	19,227		(28)
Federal Program 10.675 Total				19,227		(28)
10.676	Forest Legacy Program		4900	4,081,449	6,950	
Federal Program 10.676 Total				4,081,449	6,950	
10.678	Forest Stewardship Program		4900	12,000	0	
Federal Program 10.678 Total				12,000	0	
10.680	Forest Health Protection		4900	304,078	0	
10.680			4950	72,172	0	
Federal Program 10.680 Total				376,250	0	
10.777	Norman E. Borlaug International Agricultural Scien		3650	26,267	0	
Federal Program 10.777 Total				26,267	0	
10.868	Rural Energy for America Program		1030	55,748	23,400	
Federal Program 10.868 Total				55,748	23,400	
10.902	Soil and Water Conservation		4770	89,875	0	
10.902			4900	18,304	0	
Federal Program 10.902 Total				108,179	0	
10.912	Environmental Quality Incentives Program		3650	32,644	0	
10.912			4710	138,709	138,709	
10.912			4770	7,503	0	
Federal Program 10.912 Total				178,856	138,709	
10.914	Wildlife Habitat Incentive Program		4770	38	0	

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Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 10.914 Total				38	0	
10.950	Agricultural Statistics Reports		3650	84,447	0	
Federal Program 10.950 Total				84,447	0	
10.960	Technical Agricultural Assistance	5686 PO# S2219009	3600	25,263	0	PT
10.960			3650	1,104,615	0	
Federal Program 10.960 Total				1,129,878	0	
10.962	Cochran Fellowship Program-International Training-		3650	38,123	0	
Federal Program 10.962 Total				38,123	0	
10.U01	Agriculture - Unknown CFDA Number	0019350	3600	865	0	PT
Federal Program 10.U01 Total				865	0	
10.U02	Agriculture - Unknown CFDA Number	UW BUD# 633847	3600	8,423	0	PT
Federal Program 10.U02 Total				8,423	0	
10.U03	Agriculture - Unknown CFDA Number	R16PS01643	6990	52,484	0	
Federal Program 10.U03 Total				52,484	0	
10.U07	Agriculture - Unknown CFDA Number	1381300122CA	3650	48,437	5,650	
Federal Program 10.U07 Total				48,437	5,650	
10.U26	Agriculture - Unknown CFDA Number	201519	3650	9,313	0	PT
Federal Program 10.U26 Total				9,313	0	
10.U43	Agriculture - Unknown CFDA Number	WAC141520	3650	2,462	0	PT
Federal Program 10.U43 Total				2,462	0	
10.U45	Agriculture - Unknown CFDA Number	WSU002142	3650	173,943	0	PT
Federal Program 10.U45 Total				173,943	0	
10.U46	Agriculture - Unknown CFDA Number	WSU002897	3650	1,455	0	PT
Federal Program 10.U46 Total				1,455	0	
10.U47	Agriculture - Unknown CFDA Number	11-CR-11061700-018	3750	1,893	0	
Federal Program 10.U47 Total				1,893	0	
10.U48	Agriculture - Unknown CFDA Number	12-CS-11062200-003	4600	7,043	0	
Federal Program 10.U48 Total				7,043	0	
Dept of Agriculture Total				233,541,902	90,178,446	

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Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.008	Noaa Mission-Related Education Awards		4610	62,568	3,110	
Federal Program 11.008 Total				62,568	3,110	
11.011	Ocean Exploration	UAF 16-0036	3600	1,995	0	PT
Federal Program 11.011 Total				1,995	0	
11.012	Integrated Ocean Observing System (Ioos)		3600	3,067,106	1,410,958	
11.012		2013-014 AM03	3600	16,504	0	PT
11.012		H2300-63 MOD03	3600	28,754	0	PT
11.012		UAF 15-0085 AM01	3600	21,759	0	PT
Federal Program 11.012 Total				3,134,123	1,410,958	
11.112	Market Development Cooperator Program		1030	111,425	0	
Federal Program 11.112 Total				111,425	0	
11.303	Economic Development_technical Assistance		3650	1,163,487	0	
Federal Program 11.303 Total				1,163,487	0	
11.407	Interjurisdictional Fisheries Act of 1986	14-37	4770	100,050	0	PT
Federal Program 11.407 Total				100,050	0	
11.419	Coastal Zone Management Administration Awards		4610	3,214,356	22,140	
Federal Program 11.419 Total				3,214,356	22,140	
11.436	Columbia River Fisheries Development Program		4670	216,893	189,147	
11.436			4770	8,001,675	0	
Federal Program 11.436 Total				8,218,568	189,147	
11.437	Pacific Fisheries Data Program	14-74 AMO2	3600	43,412	0	PT
11.437		15-85C AM02	3600	63,514	0	PT
11.437		16-104G	3600	2,277	0	PT
11.437		13-30	4770	103,538	0	PT
11.437		15-36G	4770	95,495	0	PT
11.437		15-37G	4770	66,929	0	PT
11.437		15-48G	4770	147,160	0	PT
11.437		15-95G	4770	72,791	0	PT
11.437		16-133G	4770	90,788	0	PT
11.437		16-35G	4770	171,714	0	PT
11.437		16-38G	4770	144,141	0	PT
11.437		16-48G	4770	117,680	0	PT

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Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.437	Pacific Fisheries Data Program	16-51G	4770	712,121		0 PT
11.437		16-52G	4770	30,059		0 PT
11.437		16-59G	4770	115,412		0 PT
11.437		16-64	4770	196,415		0 PT
11.437		WA-S-141207-031	4770	562,467		0 PT
Federal Program 11.437 Total				2,735,913		0
11.438	Pacific Coast Salmon Recovery_pacific Salmon Treat	44714 AM01	3600	(231)		0 PT
11.438		AKSSF-44812/SA-14-018	3600	154,179		0 PT
11.438		AKSSF-44913 AM02	3600	149,114		0 PT
11.438		AKSSF-44914 AM01	3600	150,365		0 PT
11.438			4670	20,863,021	14,823,680	
11.438			4770	2,032,176		0
Federal Program 11.438 Total				23,348,624	14,823,680	
11.439	Marine Mammal Data Program		4770	110,397		0
11.439		13-25	4770	46,291		0 PT
11.439		16-116G	4770	97,974		0 PT
Federal Program 11.439 Total				254,662		0
11.441	Regional Fishery Management Councils	06-15	4770	122,937		0 PT
11.441		06-16	4770	33,700		0 PT
11.441		2015-3	4770	34,865		0 PT
11.441		2016-3	4770	8,306		0 PT
Federal Program 11.441 Total				199,808		0
11.452	Unallied Industry Projects	AC-1515	3600	54,066		0 PT
Federal Program 11.452 Total				54,066		0
11.463	Habitat Conservation		2450	179,567		0
11.463		WA-S-141212-032	3600	25,991		0 PT
11.463		WA-S-130820-017	3800	9,981		0 PT
11.463			4610	55,866		0
Federal Program 11.463 Total				271,405		0
11.469	Congressionally Identified Awards and Projects		3600	39,728		0
Federal Program 11.469 Total				39,728		0
11.473	Office for Coastal Management		3600	68,653	35,000	

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Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.473	Office for Coastal Management	UW BUD# 630404	3600	4,461	0	PT
Federal Program 11.473 Total				73,114	35,000	
11.478	Center for Sponsored Coastal Ocean Research_coasta		3600	167,902	40,000	
Federal Program 11.478 Total				167,902	40,000	
11.482	Coral Reef Conservation Program	NA15N0S4820075	3650	45,124	0	PT
Federal Program 11.482 Total				45,124	0	
11.483	Noaa Programs for Disaster Relief		3600	94,078	0	
Federal Program 11.483 Total				94,078	0	
11.549	State and Local Implementation Grant Program Sligp		2450	534,247	0	
Federal Program 11.549 Total				534,247	0	
11.611	National Center for Standards and Certification In	2015impact25	6990	13,665	0	PT
Federal Program 11.611 Total				13,665	0	
11.619	Arrangements for Interdisciplinary Research Infras	G-00745-1 AM01	3600	126,547	0	PT
11.619		S51700000029488	3600	9,275	0	PT
Federal Program 11.619 Total				135,822	0	
11.620	Science, Technology, Business And/Or Education Out		3700	7,118	0	
11.620			6990	15,816	0	
Federal Program 11.620 Total				22,934	0	
11.U01	Commerce - Unknown CFDA Number	AB133F10CN0351MOD05	3600	49,520	0	
Federal Program 11.U01 Total				49,520	0	
11.U02	Commerce - Unknown CFDA Number	WE-133R-14-SE-2520	3600	4,295	0	
Federal Program 11.U02 Total				4,295	0	
11.U03	Commerce - Unknown CFDA Number	WE-133F-15-SE-1842	3600	23,215	0	
Federal Program 11.U03 Total				23,215	0	
11.U04	Commerce - Unknown CFDA Number	NFFS7200-15-03678	3600	22,096	0	
Federal Program 11.U04 Total				22,096	0	
11.U05	Commerce - Unknown CFDA Number	EA133W15SE0894MOD02	3600	30,064	0	
Federal Program 11.U05 Total				30,064	0	
11.U06	Commerce - Unknown CFDA Number	WE133F12SE1860AM03	3600	9,856	0	

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Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 11.U06 Total				9,856	0	
11.U07	Commerce - Unknown CFDA Number	AB133F12CN0081MOD03	3600	30,873	0	
Federal Program 11.U07 Total				30,873	0	
11.U08	Commerce - Unknown CFDA Number	UW BUD# 661975	3600	14,051	0	PT
Federal Program 11.U08 Total				14,051	0	
11.U09	Commerce - Unknown CFDA Number	ED15HDQ0300030	3650	119,927	0	
Federal Program 11.U09 Total				119,927	0	
11.U12	Commerce - Unknown CFDA Number	07-83-07272	3700	3,570	0	PT
Federal Program 11.U12 Total				3,570	0	
11.U16	Commerce - Unknown CFDA Number	WA JEA 2015	4770	586,143	0	
Federal Program 11.U16 Total				586,143	0	
11.U17	Commerce - Unknown CFDA Number	07-01-0715	6990	480,079	0	
Federal Program 11.U17 Total				480,079	0	
11.U18	Commerce - Unknown CFDA Number	RA-133F-14-SE-2157	4770	47,729	0	
Federal Program 11.U18 Total				47,729	0	
Dept of Commerce Total				45,419,082	16,524,035	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.010	Youth Conservation Services		4610	6,450	0	
Federal Program 12.010 Total				6,450	0	
12.130	Estuary Habitat Restoration Program		4900	139,850	0	
Federal Program 12.130 Total				139,850	0	
12.340	Naval Medical Research and Development	2457 PO#809373	3600	(729)	0	PT
12.340		2457 PO: 809373	3600	70,579	0	PT
Federal Program 12.340 Total				69,850	0	
12.400	Military Construction, National Guard		2450	15,696,381	0	
12.400		2022 MOD07/PO#789071	3600	27,807	0	PT
Federal Program 12.400 Total				15,724,188	0	
12.401	National Guard Military Operations and Maintenance		2450	17,325,159	0	
Federal Program 12.401 Total				17,325,159	0	
12.404	National Guard Challenge Program		2450	4,341,468	0	
Federal Program 12.404 Total				4,341,468	0	
12.617	Economic Adjustment Assistance for State Governmen		1030	1,908,077	485,489	
Federal Program 12.617 Total				1,908,077	485,489	
12.632	Legacy Resource Management Program		3650	3,246	0	
Federal Program 12.632 Total				3,246	0	
12.750	Uniformed Services University Medical Research Pro	3066/PO# 855072	3600	322,355	0	PT
12.750		S-1342-01 MOD01	3600	19,191	0	PT
Federal Program 12.750 Total				341,546	0	
12.900	Language Grant Program		3600	106,217	0	
Federal Program 12.900 Total				106,217	0	
12.901	Mathematical Sciences Grants Program		3600	77,175	0	
Federal Program 12.901 Total				77,175	0	
Dept of Defense Total				40,043,226	485,489	

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Federal Programs Not Clustered

Housing & Urban Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
14.169	Housing Counseling Assistance Program		1480	240,987	240,987	
Federal Program 14.169 Total				240,987	240,987	
14.171	Manufactured Home Dispute Resolution		2350	87,199	0	
Federal Program 14.171 Total				87,199	0	
14.228	Community Development Block Grants/State's Program		1030	6,359,027	5,764,828	
Federal Program 14.228 Total				6,359,027	5,764,828	
14.231	Emergency Solutions Grant Program		1030	2,636,164	2,636,164	
Federal Program 14.231 Total				2,636,164	2,636,164	
14.239	Home Investment Partnerships Program		1030	5,288,006	4,996,351	
14.239		HAPC2016	1480	20,000	20,000	PT
14.239		HKPB2016	1480	15,000	15,000	PT
14.239		HKPTA2016	1480	90,310	90,310	PT
Federal Program 14.239 Total				5,413,316	5,121,661	
14.241	Housing Opportunities for Persons With AIDS		1030	1,073,554	1,044,535	
Federal Program 14.241 Total				1,073,554	1,044,535	
14.267	Continuum of Care Program		1030	239,565	0	
Federal Program 14.267 Total				239,565	0	
14.326	Proj Rental Assist Demo Prog of S811 Supprt Housng		1030	100,536	79,808	
Federal Program 14.326 Total				100,536	79,808	
14.401	Fair Housing Assistance Program_state and Local		1200	382,499	0	
Federal Program 14.401 Total				382,499	0	
14.900	Lead-Based Paint Hazard Control In Privately-Owned		1030	323,444	323,444	
Federal Program 14.900 Total				323,444	323,444	
Housing & Urban Development Total				16,856,291	15,211,427	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of 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
15.033	Road Maintenance Indian Roads		4050	853,983	0	
Federal Program 15.033 Total				853,983	0	
15.114	Indian Education_higher Education Grant Program		3650	421,543	0	
Federal Program 15.114 Total				421,543	0	
15.227	Distribution of Receipts to State and Local Govern		0050	26,436	0	
Federal Program 15.227 Total				26,436	0	
15.228	Blm Wildland Urban Interface Community Fire Assist		4900	50,687	0	
Federal Program 15.228 Total				50,687	0	
15.231	Fish, Wildlife and Plant Conservation Resource Man		3600	77,984	0	
15.231			3650	90,240	0	
15.231			4610	8,679	0	
15.231			4770	38,747	0	
Federal Program 15.231 Total				215,650	0	
15.232	Wildland Fire Research and Studies Program		3600	206,920	0	
15.232			3650	3,631	0	
15.232		204BAR455	3650	16,602	0	PT
15.232		S000769	3650	1,620	0	PT
Federal Program 15.232 Total				228,773	0	
15.233	Forests and Woodlands Resource Management		3600	11,284	0	
Federal Program 15.233 Total				11,284	0	
15.238	Challenge Cost Share		3600	2,201	0	
15.238			3650	45,100	0	
Federal Program 15.238 Total				47,301	0	
15.512	Central Valley Project Improvement Act, Title Xxxi		3600	73,488	0	
Federal Program 15.512 Total				73,488	0	
15.514	Reclamation ST Emerg Drought Relief		4610	15,779	0	
Federal Program 15.514 Total				15,779	0	
15.517	Fish and Wildlife Coordination Act		3600	150,575	0	
15.517			3650	33,081	0	
Federal Program 15.517 Total				183,656	0	

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Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.531	Yakima River Basin Water Enhancement Project (Yrbw)		4610	59,273	0	
Federal Program 15.531 Total				59,273	0	
15.608	Fish and Wildlife Management Assistance		3600	60,001	0	
15.608		201000060075	3650	(351)	0	PT
15.608			4770	184,565	0	
Federal Program 15.608 Total				244,215	0	
15.614	Coastal Wetlands Planning, Protection and Restorat		4610	3,444,342	107,311	
15.614			4770	482,490	0	
15.614			4900	151,107	0	
Federal Program 15.614 Total				4,077,939	107,311	
15.615	Cooperative Endangered Species Conservation Fund	438401-OC AM09	3600	(36,805)	0	PT
15.615		595855-OM AM01	3600	294,588	0	PT
15.615			4770	1,245,997	0	
15.615			4900	323,908	9,227	
Federal Program 15.615 Total				1,827,688	9,227	
15.616	Clean Vessel Act		4650	1,101,343	0	
Federal Program 15.616 Total				1,101,343	0	
15.622	Sportfishing and Boating Safety Act		4670	184,635	178,367	
Federal Program 15.622 Total				184,635	178,367	
15.626	Enhanced Hunter Education and Safety Program		4770	1,638,666	0	
Federal Program 15.626 Total				1,638,666	0	
15.630	Coastal		4670	8,838	0	
Federal Program 15.630 Total				8,838	0	
15.631	Partners for Fish and Wildlife		4610	36,440	0	
15.631			4670	680,074	1,715	
15.631			4770	1,156,028	0	
15.631			4950	126,449	0	
Federal Program 15.631 Total				1,998,991	1,715	
15.634	State Wildlife Grants	P0502875PRIMEF15AF0023	3600	28,520	0	PT
15.634			4770	1,322,141	0	
Federal Program 15.634 Total				1,350,661	0	

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Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.639	Tribal Wildlife Grants Program	MACAUGHLIN	3800	13,405		0 PT
Federal Program 15.639 Total				13,405		0
15.649	Service Training and Technical Assistance (Generic		3700	4,186		0
15.649		13-2212	3760	36,976		0 PT
Federal Program 15.649 Total				41,162		0
15.655	Migratory Bird Monitoring, Assessment and Conserva	IHP 15-091	3600	(371)		0 PT
Federal Program 15.655 Total				(371)		0
15.657	Endangered Species Conservation		3600	40,964		0
15.657		36633052RSF54AM001	3600	(516)		0 PT
15.657		WA-S-2015-052-0	3600	5,185		0 PT
15.657			3650	5,209		0
15.657			4650	17,103		0
15.657			4770	576,661		0
Federal Program 15.657 Total				644,606		0
15.660	Endangered Species - Candidate Conservation Action		4770	61,176		0
Federal Program 15.660 Total				61,176		0
15.661	Lower Snake River Compensation Plan		4770	3,940,284		0
Federal Program 15.661 Total				3,940,284		0
15.666	Endangered Species Conservation-Wolf Livestock Los		4770	66,763		0
Federal Program 15.666 Total				66,763		0
15.668	Coastal Impact Assistance Program	3605.6355.G051304	3600	18,310		0 PT
Federal Program 15.668 Total				18,310		0
15.670	Adaptive Science		3600	200,483	22,721	
15.670		PROJECT A102684	3600	3,183		0 PT
15.670		F14AP01038	4770	12,994		0 PT
Federal Program 15.670 Total				216,660	22,721	
15.810	National Cooperative Geologic Mapping Program		3750	15,887		0
15.810			4900	176,826		0
Federal Program 15.810 Total				192,713		0
15.814	National Geological and Geophysical Data Preservat		4900	26,194		0

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Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 15.814 Total				26,194	0	
15.820	National Climate Change and Wildlife Service Cente	GS240B-B AM05	3600	293,017	0	PT
15.820		GS292A-A AM02	3600	71,792	5,334	PT
15.820		GS297A-A	3600	7,900	0	PT
15.820		GS297A-A AM01	3600	75,466	4,134	PT
15.820		GS301A-A AM02	3600	97,970	50,199	PT
Federal Program 15.820 Total				546,145	59,667	
15.904	Historic Preservation Fund Grants-In-Aid		3550	1,055,121	119,455	
15.904		FY15-61015-009, FY16-6	3750	12,897	0	PT
Federal Program 15.904 Total				1,068,018	119,455	
15.916	Outdoor Recreation_acquisition, Development and Pl		4670	179,533	172,481	
Federal Program 15.916 Total				179,533	172,481	
15.921	Rivers, Trails and Conservation Assistance		4050	93,219	0	
15.921			4770	35,286	0	
Federal Program 15.921 Total				128,505	0	
15.922	Native American Graves Protection and Repatriation		3600	22,299	0	
Federal Program 15.922 Total				22,299	0	
15.931	Conservation Activities By Youth Service Organizat		4610	341,326	0	
Federal Program 15.931 Total				341,326	0	
15.933	Preservation of Japanese American Confinement Site		3650	155,504	0	
Federal Program 15.933 Total				155,504	0	
15.U01	Bia/Bie - Unknown CFDA Number	AM02	3600	17,548	0	PT
Federal Program 15.U01 Total				17,548	0	
15.U02	Bia/Bie - Unknown CFDA Number	UW OSP #A109968	3600	19,924	0	PT
Federal Program 15.U02 Total				19,924	0	
15.U03	Bia/Bie - Unknown CFDA Number	4304	3600	16,743	0	PT
Federal Program 15.U03 Total				16,743	0	
15.U16	Bia/Bie - Unknown CFDA Number	1443-CA9450-97-001	3750	170	0	
Federal Program 15.U16 Total				170	0	
15.U17	Bia/Bie - Unknown CFDA Number	W911S8-13-2-0023	3760	234,810	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 15.U17 Total				234,810	0	
Dept of the Interior Total				22,572,256	670,944	

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Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.013	Violence Against Women Act Court Training and Impr		0550	14,130	0	
Federal Program 16.013 Total				14,130	0	
16.017	Sexual Assault Services Program		1030	349,942	338,365	
Federal Program 16.017 Total				349,942	338,365	
16.203	Promoting Evidence Integration In Sex Offender Man	DOJ00010-03 MOD02	3600	4,245	0	PT
Federal Program 16.203 Total				4,245	0	
16.321	Antiterrorism Emergency Reserve		1030	1,234,250	1,225,826	
Federal Program 16.321 Total				1,234,250	1,225,826	
16.523	Juvenile Accountability Block Grants		3000	119,348	46,199	
Federal Program 16.523 Total				119,348	46,199	
16.525	Grants to Reduce Domestic Violence, Dating Violenc		3650	103,106	20,000	
16.525			6990	29,960	0	
Federal Program 16.525 Total				133,066	20,000	
16.540	Juvenile Justice and Delinquency Prevention_alloca		3000	440,160	0	
16.540		2011/2013-J-01-26108	3600	102,217	0	PT
Federal Program 16.540 Total				542,377	0	
16.541	Part E - Developing, Testing and Demonstrating Pro		3000	6,524	0	
16.541			3600	117,517	0	
Federal Program 16.541 Total				124,041	0	
16.550	State Justice Statistics Program for Statistical A		1050	208,640	0	
Federal Program 16.550 Total				208,640	0	
16.554	National Criminal History Improvement Program (Nch		2250	507,718	277,537	
Federal Program 16.554 Total				507,718	277,537	
16.575	Crime Victim Assistance		1030	10,360,031	6,573,458	
Federal Program 16.575 Total				10,360,031	6,573,458	
16.576	Crime Victim Compensation		2350	5,089,071	0	
Federal Program 16.576 Total				5,089,071	0	
16.582	Crime Victim Assistance/Discretionary Grants		1030	840	0	
Federal Program 16.582 Total				840	0	

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Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.588	Violence Against Women - Form Grnts		1030	3,076,768	2,647,691	
Federal Program 16.588 Total				3,076,768	2,647,691	
16.590	Grants to Encourage Arrest Policies and Enforcemen		1030	351,330	318,095	
Federal Program 16.590 Total				351,330	318,095	
16.593	Residential Substance Abuse Treatment for State Pr		3000	133,862	100,969	
Federal Program 16.593 Total				133,862	100,969	
16.606	State Criminal Alien Assistance Program		3100	809,535	0	
Federal Program 16.606 Total				809,535	0	
16.726	Juvenile Mentoring Program	2015JUFX0015	3650	178,631	0	PT
16.726		WSU003040	3650	266,380	0	PT
Federal Program 16.726 Total				445,011	0	
16.727	Enforcing Underage Drinking Laws Program		3000	67,124	0	
Federal Program 16.727 Total				67,124	0	
16.730	Reduction and Prevention of Children's Exposure To		3650	10,926	9,792	
16.730		9920110126	3650	20,306	0	PT
Federal Program 16.730 Total				31,232	9,792	
16.735	Prea Program: Demonstration Projects to Establish		3100	92,877	0	
Federal Program 16.735 Total				92,877	0	
16.738	Edward Byrne Memorial Justice Assistance Grant Pro		0560	123,814	0	
16.738			1030	3,274,268	2,072,362	
Federal Program 16.738 Total				3,398,082	2,072,362	
16.741	DNA Backlog Reduction Program		2250	666,390	51,593	
Federal Program 16.741 Total				666,390	51,593	
16.742	Paul Coverdell Forensic Sciences Improvement Grant		2250	81,435	53,559	
Federal Program 16.742 Total				81,435	53,559	
16.746	Capital Case Litigation		3600	63,037	0	
Federal Program 16.746 Total				63,037	0	
16.750	Support for ADAM Walsh Act Implementation Grant Pr		1030	166,815	73,243	
Federal Program 16.750 Total				166,815	73,243	

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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
16.751	Edward Byrne Memorial Competitive Grant Program		1030	63,421	0	
Federal Program 16.751 Total				63,421	0	
16.754	Harold Rogers Prescription Drug Monitoring Program		3030	318,151	110,586	
Federal Program 16.754 Total				318,151	110,586	
16.812	Second Chance Act Reentry Initiative		3000	204,639	0	
16.812			3100	284,850	0	
16.812		UW BUD# 633778	3600	3,443	0	PT
Federal Program 16.812 Total				492,932	0	
16.816	John R. Justice Prosecutors and Defenders Incenti		3400	40,201	40,201	
Federal Program 16.816 Total				40,201	40,201	
16.888	Consol and Tech Assist Grant Prog to Address Child	2013-CY-AX-K019	3700	18,298	0	PT
Federal Program 16.888 Total				18,298	0	
16.922	Equitable Sharing Program		1950	67,079	0	
16.922			2250	287,734	0	
16.922			3100	63,983	0	
Federal Program 16.922 Total				418,796	0	
16.U01	Justice - Unknown CFDA Number	K10768, K11881	2250	895,094	89,462	
Federal Program 16.U01 Total				895,094	89,462	
16.U03	Justice - Unknown CFDA Number	2010DDBX0661	3650	36,006	0	
Federal Program 16.U03 Total				36,006	0	
Dept of Justice Total				30,354,096	14,048,938	

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Federal Programs Not Clustered

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.002	Labor Force Statistics		5400	1,710,481		0
Federal Program 17.002 Total				1,710,481		0
17.005	Compensation and Working Conditions		2350	143,647		0
Federal Program 17.005 Total				143,647		0
17.225	Unemployment Insurance		5400	1,128,324,687		0
Federal Program 17.225 Total				1,128,324,687		0
17.235	Senior Community Service Employment Program		3000	1,174,539	1,067,817	
Federal Program 17.235 Total				1,174,539	1,067,817	
17.245	Trade Adjustment Assistance		5400	7,765,404		0
Federal Program 17.245 Total				7,765,404		0
17.261	WIA/WIOA Pilots, Demonstrations, and Research Proj		5400	657,127		0
Federal Program 17.261 Total				657,127		0
17.268	H-1b Job Training Grants		2350	618,954	560,187	
17.268			3540	294,022		0
Federal Program 17.268 Total				912,976	560,187	
17.270	Reentry Employment Opportunities	5744946	6990	54,166		0 PT
Federal Program 17.270 Total				54,166		0
17.271	Work Opportunity Tax Credit Program (Wotc)		5400	306,736		0
Federal Program 17.271 Total				306,736		0
17.273	Temporary Labor Certification for Foreign Workers		5400	263,900		0
Federal Program 17.273 Total				263,900		0
17.274	Youthbuild	YB24687-13-60-A-54	6990	8,943		0 PT
Federal Program 17.274 Total				8,943		0
17.277	WIOA National Dislocated Worker Grants / WIA Natio		5400	4,469,119	3,920,662	
17.277		C2C-BTC-PP-P15	6990	35,068		0 PT
17.277		C2C-BTC-RRT2-PY14	6990	16,960		0 PT
17.277		emailed Seattle	6990	107,573		0 PT
Federal Program 17.277 Total				4,628,720	3,920,662	
17.282	Trade Adjustment Assist Comm College & Career Trng		6990	7,030,483	2,477,904	
17.282		2HT21-4	6990	267,947		0 PT

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Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.282	Trade Adjustment Assist Comm College & Career Trng	TC-22520	6990	137,682	0	PT
17.282		TC-23794-12-60-A-20	6990	526,738	0	PT
17.282		TC-26512-14-60-A-53	6990	352,377	0	PT
Federal Program 17.282 Total				8,315,227	2,477,904	
17.503	Occupational Safety &health State Prog		2350	7,419,962	0	
Federal Program 17.503 Total				7,419,962	0	
17.600	Mine Health and Safety Grants		3700	143,769	0	
Federal Program 17.600 Total				143,769	0	
17.805	Homeless Veterans Reintegration Project		3050	445,888	0	
Federal Program 17.805 Total				445,888	0	
Dept of Labor Total				1,162,276,172	8,026,570	

The notes 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 State

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
19.009	Academic Exchange Programs - Undergraduate Program		6990	2,263,474	0	
Federal Program 19.009 Total				2,263,474	0	
19.010	Academic Exchange Programs - Humphrey Fellowship P	AM01	3600	(5,982)	0	PT
Federal Program 19.010 Total				(5,982)	0	
19.703	Criminal Justice Systems		3600	3,098,509	0	
Federal Program 19.703 Total				3,098,509	0	
19.U01	State - Unknown CFDA Number	WSU001303	3650	254	0	
Federal Program 19.U01 Total				254	0	
Dept of State Total				5,356,255	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

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.106	Airport Improvement Program		4050	433,803	0	
	Federal Program 20.106 Total			433,803	0	
20.215	Highway Training and Education		3650	4,159	0	
20.215		1213	3650	35,771	0	PT
	Federal Program 20.215 Total			39,930	0	
20.218	Motor Carrier Safety Assistance		2250	5,244,914	54,585	
20.218			4050	96,106	0	
	Federal Program 20.218 Total			5,341,020	54,585	
20.223	Transportation Infrastructure Finance and Innovati		4050	104,800,636	0	
	Federal Program 20.223 Total			104,800,636	0	
20.232	Commercial Driver's License Program Improvement Gr		2400	798,345	0	
	Federal Program 20.232 Total			798,345	0	
20.237	Motor Carrier Safety Assistance High Priority Acti		4050	22,552	0	
	Federal Program 20.237 Total			22,552	0	
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Eff		2400	52,248	0	
	Federal Program 20.240 Total			52,248	0	
20.317	Capital Assistance to States - Intercity Passenger		4050	123,215	0	
	Federal Program 20.317 Total			123,215	0	
20.319	High-Speed Rail Corridors and Intercity Passenger		4050	207,786,058	0	
	Federal Program 20.319 Total			207,786,058	0	
20.505	Metropolitan Transportation Planning and State And		4050	785,828	57,574	
	Federal Program 20.505 Total			785,828	57,574	
20.509	Formula Grants for Rural Areas		4050	10,618,249	7,976,889	
	Federal Program 20.509 Total			10,618,249	7,976,889	
20.528	Rail Fixed Guideway Public Transportation System S		4050	289,307	0	
	Federal Program 20.528 Total			289,307	0	
20.608	Minimum Penalties for Repeat Offenders for Driving		2280	604,483	604,483	
	Federal Program 20.608 Total			604,483	604,483	
20.614	National Highway Traffic Safety Administration (NH		2280	146,227	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 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
20.614	National Highway Traffic Safety Administration (NH)		3600	486,158	8,014	
	Federal Program 20.614 Total			632,385	8,014	
20.700	Pipeline Safety Program Base Grants		2150	1,452,544	0	
	Federal Program 20.700 Total			1,452,544	0	
20.701	University Transportation Centers Program		3600	2,276,963	959,503	
20.701		UAF140103	3650	323,643	0	PT
	Federal Program 20.701 Total			2,600,606	959,503	
20.703	Interagency Hazardous Materials Public Sector Trai		2450	338,145	29,141	
	Federal Program 20.703 Total			338,145	29,141	
20.932	ARRA - Surface Transportation Discretionary Gran		4050	13,735,600	0	
	Federal Program 20.932 Total			13,735,600	0	
20.933	National Infrastructure Investments		4050	2,412,203	747,563	
	Federal Program 20.933 Total			2,412,203	747,563	
20.U01	DOT - Unknown CFDA Number	UW BUD# 630217	3600	23,230	0	PT
	Federal Program 20.U01 Total			23,230	0	
20.U02	DOT - Unknown CFDA Number	TOPR4_10-026-RR04-UW_1	3600	675	0	PT
20.U02		TOPR710026RR07UW1MOD02	3600	24,949	0	PT
	Federal Program 20.U02 Total			25,624	0	
20.U03	DOT - Unknown CFDA Number	S-002234-UW-00 MOD02	3600	289	0	PT
	Federal Program 20.U03 Total			289	0	
20.U04	DOT - Unknown CFDA Number	008500 TO.012 MOD01	3600	13,374	0	PT
	Federal Program 20.U04 Total			13,374	0	
20.U05	DOT - Unknown CFDA Number	008742.007	3600	31,190	0	PT
	Federal Program 20.U05 Total			31,190	0	
20.U06	DOT - Unknown CFDA Number	DTFH6115P00121 AM01	3600	28,226	0	
	Federal Program 20.U06 Total			28,226	0	
20.U07	DOT - Unknown CFDA Number	UW BUD# 668195	3600	84,783	0	PT
	Federal Program 20.U07 Total			84,783	0	
20.U08	DOT - Unknown CFDA Number	1531130001PO1001283139	3600	161,608	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 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
Federal Program 20.U08 Total				161,608	0	
20.U09	DOT - Unknown CFDA Number	8928-S-008 TO07 MOD07	3600	42,414	0	PT
20.U09		8928S008TASKORDER13	3600	75,338	0	PT
Federal Program 20.U09 Total				117,752	0	
Dept of Transportation Total				353,353,233	10,437,752	

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 the Treasury

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
21.008	Low Income Taxpayer Clinics		3600	100,328		0
Federal Program 21.008 Total				100,328		0
21.U01	Department of Treasury - Unknown CFDA Number	2011 S SBCIWA-A	1030	1,269,671	1,135,426	
Federal Program 21.U01 Total				1,269,671	1,135,426	
Dept of the Treasury Total				1,369,999	1,135,426	

The notes 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

General Services Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
39.003	Donation of Federal Surplus Personal Property		1790	10,169	0	NC
39.003			2400	315	0	NC
39.003			3000	629	0	NC
39.003			3100	3,415	0	NC
39.003			3600	75,411	0	NC
39.003			4050	3,060	0	NC
39.003			4610	2,302	2,302	NC
39.003			6990	71,780	0	NC
Federal Program 39.003 Total				167,081	2,302	
General Services Administration Total				167,081	2,302	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science		3600	12,127,088	1,225,073	
43.001		1 (GG008879) AM04	3600	55,964		0 PT
43.001		1 GG008879 AM02	3600	8,379		0 PT
43.001		12-006827 A AM05	3600	23,126		0 PT
43.001		130785-5060310 AM04	3600	50,357		0 PT
43.001		1513823	3600	(49)		0 PT
43.001		1552357MOD02PO10004540	3600	36,575		0 PT
43.001		27329-Z6943001 AM B	3600	5,918		0 PT
43.001		2NO48-7531 AM02	3600	45,026		0 PT
43.001		4-10067-4051 AM21	3600	26,800		0 PT
43.001		4500001053 AM02	3600	(7)		0 PT
43.001		510 AM01	3600	24,130		0 PT
43.001		510 AM15	3600	155,651		0 PT
43.001		A00-0983-S001	3600	22,269		0 PT
43.001		A101125	3600	105,574		0 PT
43.001		A101137	3600	19,320		0 PT
43.001		A101240 AM01	3600	22,786		0 PT
43.001		A101240 AM03	3600	9,863		0 PT
43.001		A101250	3600	23,396		0 PT
43.001		A101283	3600	69,552		0 PT
43.001		AR2-13005X AM03	3600	4,941		0 PT
43.001		AR2-13007X AM03	3600	17		0 PT
43.001		G05-16085X	3600	19,775		0 PT
43.001		GO4-15088X AM02	3600	28,984		0 PT
43.001		HST-AR-12628.01-A	3600	999		0 PT
43.001		HST-AR-12834.01-A	3600	4,955		0 PT
43.001		HST-AR-13277.01-A	3600	20,247		0 PT
43.001		HST-AR-13882.001-A	3600	18,775		0 PT
43.001		HST-AR-13901.005-A	3600	13,341		0 PT
43.001		HST-AR-13903.001-A	3600	60,212		0 PT
43.001		HST-AR-14281.002-A	3600	1,177		0 PT
43.001		HST-AR-14283.001-A	3600	6,368		0 PT
43.001		HST-AR-14288.001-A	3600	53,794		0 PT
43.001		HST-AR-14325.001-A	3600	560		0 PT
43.001		HST-GO-12581.06-A AM01	3600	5,543		0 PT
43.001		HST-GO-12600.02-A AM01	3600	24,269		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

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science	HST-GO-12870.07-A AM01	3600	20,404		0 PT
43.001		HST-GO-12997.01-A	3600	3,261		0 PT
43.001		HST-GO-13461.001-A	3600	23,749		0 PT
43.001		HST-GO-13515.002-A	3600	4,434		0 PT
43.001		HST-GO-13650.004-A	3600	33,924		0 PT
43.001		HST-GO-13659.002-A	3600	12,890		0 PT
43.001		HST-GO-13807.001-A	3600	18,443		0 PT
43.001		HST-GO-13857.001-A	3600	24,770		0 PT
43.001		HST-GO-14140.006-A	3600	28,993		0 PT
43.001		HSTAR13264001AAM01	3600	22,170		0 PT
43.001		HSTAR14324001AAM01	3600	39,890		0 PT
43.001		HSTGO13297006AAM01	3600	10,585		0 PT
43.001		HSTGO13709001AAM02	3600	17,138		0 PT
43.001		HSTGO13710002AAM01	3600	4,490		0 PT
43.001		HSTGO13768009AAM01	3600	20,080		0 PT
43.001		HSTHF251331002AAM03	3600	112,158		0 PT
43.001		MA140004 AM03	3600	13,547		0 PT
43.001		MA140040 AM03	3600	53,450		0 PT
43.001		SMST03402 AM01	3600	(913)		0 PT
43.001		SUBAWD 00652 MOD01	3600	16,695		0 PT
43.001		UMS-965 AM02	3600	219,139		0 PT
43.001		UW BUD# 632950	3600	46,695		0 PT
43.001		Z15-20864	3600	145,461		0 PT
43.001		128802	3650	22,606		0 PT
43.001		627619776	3650	101,902		0 PT
43.001		HSTAR13900001A	3650	19,292		0 PT
43.001		HSTG014141001A	3650	20,607		0 PT
43.001			3750	167,327		0
43.001		1507471/NNN12AA01C	3750	10,640		0 PT
43.001			3800	24,183		0
43.001		15-710	3800	16,899		0 PT
Federal Program 43.001 Total				14,370,584	1,225,073	
43.002	Aeronautics	NCC9-58- 50	3600	33,250		0 PT
43.002		SMST03402 AM02	3600	8,347		0 PT
43.002		SMST03402 AM03	3600	365,037		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
Schedule of Expenditures of Federal Awards**

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Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 43.002 Total				406,634	0	
43.007	Space Operations		3600	256,751	0	
43.007			3650	126,530	0	
Federal Program 43.007 Total				383,281	0	
43.008	Education		3600	846,532	112,110	
Federal Program 43.008 Total				846,532	112,110	
43.U01	NASA - Unknown CFDA Number	1318945 MOD22	3600	53,009	0	PT
Federal Program 43.U01 Total				53,009	0	
43.U02	NASA - Unknown CFDA Number	1521482	3600	16,000	0	PT
Federal Program 43.U02 Total				16,000	0	
43.U03	NASA - Unknown CFDA Number	1533020-B-4-25	3600	56,337	0	PT
Federal Program 43.U03 Total				56,337	0	
43.U04	NASA - Unknown CFDA Number	1529015	3600	201,789	0	PT
Federal Program 43.U04 Total				201,789	0	
43.U05	NASA - Unknown CFDA Number	2-1092669 MOD05	3600	15,334	0	PT
Federal Program 43.U05 Total				15,334	0	
43.U06	NASA - Unknown CFDA Number	1517773 MOD08	3600	182,485	0	PT
43.U06		1539790 MOD01	3600	60,627	0	PT
43.U06		SC#1526158 MOD03	3600	8,157	0	PT
Federal Program 43.U06 Total				251,269	0	
43.U07	NASA - Unknown CFDA Number	1303809 MOD20	3600	30,649	0	PT
Federal Program 43.U07 Total				30,649	0	
43.U08	NASA - Unknown CFDA Number	1318943NNN13D006TMOD23	3600	21,498	0	PT
Federal Program 43.U08 Total				21,498	0	
43.U09	NASA - Unknown CFDA Number	1542830 MOD01	3600	113,091	0	PT
Federal Program 43.U09 Total				113,091	0	
43.U10	NASA - Unknown CFDA Number	1506559 MOD02	3600	135,656	0	PT
Federal Program 43.U10 Total				135,656	0	
43.U11	NASA - Unknown CFDA Number	12-0233 MOD04	3600	270,144	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
Schedule of Expenditures of Federal Awards**

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Federal Programs Not Clustered

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 43.U11 Total				270,144	0	
43.U12	NASA - Unknown CFDA Number	N-S02P	3600	85,275	0	PT
Federal Program 43.U12 Total				85,275	0	
43.U13	NASA - Unknown CFDA Number	1608	3600	45,066	0	PT
Federal Program 43.U13 Total				45,066	0	
43.U14	NASA - Unknown CFDA Number	SV3-83025 AM05	3600	12,796	0	PT
Federal Program 43.U14 Total				12,796	0	
43.U15	NASA - Unknown CFDA Number	NNX14CS62CPO41172AM01	3600	170,297	0	PT
Federal Program 43.U15 Total				170,297	0	
43.U16	NASA - Unknown CFDA Number	PY24261-22727-D AM26	3600	67,389	0	PT
Federal Program 43.U16 Total				67,389	0	
43.U17	NASA - Unknown CFDA Number	HST-GO-12055.01-A AM05	3600	276,184	0	PT
43.U17		HSTGO1205501AAMEND1	3600	3,441	0	PT
Federal Program 43.U17 Total				279,625	0	
43.U18	NASA - Unknown CFDA Number	12083	3650	27,500	0	PT
Federal Program 43.U18 Total				27,500	0	
43.U22	NASA - Unknown CFDA Number	HST-GA-13415.005-A	3700	27,709	0	PT
43.U22		HST-GO-12816.011-A	3700	4,518	0	PT
Federal Program 43.U22 Total				32,227	0	
National Aeronautics & Space Admin Total				17,891,982	1,337,183	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

National Foundation on the Arts and the Humanities

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
45.024	Promotion of the Arts Grants to Organizations And		3500	34,969	0	
45.024			3600	22,854	0	
45.024			3760	59,887	0	
45.024			4650	32,793	0	
Federal Program 45.024 Total				150,503	0	
45.025	Promotion of the Arts Partnership Agreements	2015185	3600	5,967	0	PT
45.025		TW201500073	3650	2,369	0	PT
45.025			3870	842,079	0	
Federal Program 45.025 Total				850,415	0	
45.129	Promotion of the Humanities_federal/State Partners	4719GF14	3700	221	0	PT
Federal Program 45.129 Total				221	0	
45.149	Promotion of the Humanities_division of Preservati		3650	47,379	21,775	
Federal Program 45.149 Total				47,379	21,775	
45.164	Promotion of the Humanities_public Programs	Sponsor letter	3750	3,000	0	PT
Federal Program 45.164 Total				3,000	0	
45.169	Promotion of the Humanities_office of Digital Huma		3650	83,779	30,303	
Federal Program 45.169 Total				83,779	30,303	
45.301	Museums for America		3600	(19,933)	0	
Federal Program 45.301 Total				(19,933)	0	
45.310	Grants to States		0850	3,136,846	111,165	
Federal Program 45.310 Total				3,136,846	111,165	
45.312	National Leadership Grants		3600	381,951	42,186	
45.312		MG-10-14-0006-14	3600	36,984	0	PT
45.312			3650	6,495	0	
Federal Program 45.312 Total				425,430	42,186	
45.313	Laura Bush 21st Century Librarian Program		3600	99,942	41,913	
45.313		USF.IMLS-20152008	3600	89,756	0	PT
45.313			3650	453,631	42,072	
Federal Program 45.313 Total				643,329	83,985	
National Foundation on the Arts and the Humanities Total				5,320,969	289,414	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

National 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.U01	NSF - Unknown CFDA Number	UW BUD# 633893	3600	7,632	0	PT
Federal Program 47.U01 Total				7,632	0	
47.U02	NSF - Unknown CFDA Number	PO 28301	3600	10,707	0	PT
Federal Program 47.U02 Total				10,707	0	
47.U03	NSF - Unknown CFDA Number	UW BUD# 668428	3600	(1,042)	0	PT
Federal Program 47.U03 Total				(1,042)	0	
47.U04	NSF - Unknown CFDA Number	PO 564K432	3600	403	0	PT
Federal Program 47.U04 Total				403	0	
National Science Foundation Total				17,700	0	

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Federal Programs Not Clustered

Small Business Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
59.037	Small Business Development Centers		3650	2,411,865	421,986	
Federal Program 59.037 Total				2,411,865	421,986	
59.061	State Trade Expansion		1030	670,716	6,250	
Federal Program 59.061 Total				670,716	6,250	
Small Business Administration Total				3,082,581	428,236	

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Federal Programs Not Clustered

Department of Veterans Affairs

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
64.005	Grants to States for Construction of State Home Fa		3050	15,578,256	0	
	Federal Program 64.005 Total			15,578,256	0	
64.012	Veterans Prescription Service		3050	302,130	0	
	Federal Program 64.012 Total			302,130	0	
64.014	Veterans State Domiciliary Care		3050	309,424	0	
	Federal Program 64.014 Total			309,424	0	
64.015	Veterans State Nursing Home Care		3050	29,287,159	0	
	Federal Program 64.015 Total			29,287,159	0	
64.024	VA Homeless Providers Grant and Per Diem Program		3050	875,276	0	
	Federal Program 64.024 Total			875,276	0	
64.027	ARRA - Post-9/11 Veterans Educational Assistance		6990	441,816	0	
	Federal Program 64.027 Total			441,816	0	
64.035	Veterans Transportation Program/Grants for Transp		3050	21,168	0	
	Federal Program 64.035 Total			21,168	0	
64.101	Burial Expenses Allowance for Veterans		3050	311,675	0	
	Federal Program 64.101 Total			311,675	0	
64.110	Veterans Dependency and Indemnity Compensation For		6990	2,259	0	
	Federal Program 64.110 Total			2,259	0	
64.115	Veterans Information and Assistance		3050	8,428	0	
	Federal Program 64.115 Total			8,428	0	
64.116	Vocational Rehabilitation for Disabled Veterans		6990	1,961	0	
	Federal Program 64.116 Total			1,961	0	
64.117	Survivors and Dependents Educational Assistance		6990	8,274	0	
	Federal Program 64.117 Total			8,274	0	
64.124	All-Volunteer Force Educational Assistance		3400	291,500	0	
64.124			3540	160,833	0	
64.124			6990	36	0	
	Federal Program 64.124 Total			452,369	0	
64.203	State Cemetery Grants		3050	(10,773)	(10,773)	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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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
Federal Program 64.203 Total				(10,773)	(10,773)	
64.U01	VA - Unknown CFDA Number	MOD 02	3600	(9,733)	0	PT
Federal Program 64.U01 Total				(9,733)	0	
64.U02	VA - Unknown CFDA Number	VA26013C0060663D64003	3600	372,060	0	
Federal Program 64.U02 Total				372,060	0	
64.U03	VA - Unknown CFDA Number	VA26013P1483663D54034	3600	20,069	0	
Federal Program 64.U03 Total				20,069	0	
64.U04	VA - Unknown CFDA Number	VA26013P1701663D44041	3600	11,307	0	
64.U04		VA26013P1701663D54041	3600	99,980	0	
Federal Program 64.U04 Total				111,287	0	
64.U05	VA - Unknown CFDA Number	VA26014P0607663C45396	3600	8,885	0	
Federal Program 64.U05 Total				8,885	0	
64.U06	VA - Unknown CFDA Number	VA260-P-0931 663C55185	3600	25,132	0	
Federal Program 64.U06 Total				25,132	0	
Department of Veterans Affairs Total				48,117,122	(10,773)	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.032	State Indoor Radon Grants		3030	55,802	0	
Federal Program 66.032 Total				55,802	0	
66.040	State Clean Diesel Grant Program		4610	98,340	0	
Federal Program 66.040 Total				98,340	0	
66.120	Puget Sound Watershed Management Assistance	ORGU2181ACCT741190ACTU	3600	2,514	0	PT
Federal Program 66.120 Total				2,514	0	
66.122	Puget Sound Action Agenda Outreach, Edu Steward Su		4780	185,022	0	
Federal Program 66.122 Total				185,022	0	
66.123	Puget Sound Action Agenda: Technical Investigation		3030	4,077,753	2,876,419	
66.123			3600	560,174	0	
66.123			4050	4,421	0	
66.123			4610	6,382,240	3,266,309	
66.123			4770	3,924,329	0	
66.123			4780	4,887,621	0	
Federal Program 66.123 Total				19,836,538	6,142,728	
66.419	Water Pollution Control State, Interstate, and Tri		3030	469,618	0	
66.419			4610	320,001	0	
Federal Program 66.419 Total				789,619	0	
66.432	State Public Water System Supervision		3030	2,782,751	0	
Federal Program 66.432 Total				2,782,751	0	
66.454	Water Quality Management Planning		4610	321,322	0	
Federal Program 66.454 Total				321,322	0	
66.456	National Estuary Program		4780	720,658	0	
Federal Program 66.456 Total				720,658	0	
66.460	Nonpoint Source Implementation Grants		4610	4,093,794	2,781,643	
Federal Program 66.460 Total				4,093,794	2,781,643	
66.461	Regional Wetland Program Development Grants		4900	83,210	0	
Federal Program 66.461 Total				83,210	0	
66.472	Beach Monitoring and Notification Program Implemen		4610	271,764	0	
Federal Program 66.472 Total				271,764	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

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
66.516	P3 Award: National Student Design Competition For		3650	14,498	0	
66.516			3800	11,089	0	
Federal Program 66.516 Total				25,587	0	
66.605	Performance Partnership Grants		4610	8,759,235	1,877,577	
Federal Program 66.605 Total				8,759,235	1,877,577	
66.608	Environmental Information Exchange Network Grant P		3030	83,104	0	
66.608			4610	185,767	0	
66.608			4670	43,176	1,770	
66.608			4770	174,230	0	
Federal Program 66.608 Total				486,277	1,770	
66.700	Consolidated Pesticide Enforcement Cooperative Agr	OGRD126461	3650	131,251	0	PT
66.700			4950	591,877	0	
Federal Program 66.700 Total				723,128	0	
66.707	Tsca Title Iv State Lead Grants Certification of L		1030	376,097	0	
Federal Program 66.707 Total				376,097	0	
66.708	Pollution Prevention Grants Program		4610	203,003	79,056	
Federal Program 66.708 Total				203,003	79,056	
66.716	Research, Development, Monitoring, Public Educatio		3650	427,540	818	
Federal Program 66.716 Total				427,540	818	
66.801	Hazardous Waste Management State Program Support		4610	1,520,023	0	
Federal Program 66.801 Total				1,520,023	0	
66.802	Superfund State, Political Subdivision, and Indian		4610	563,028	0	
Federal Program 66.802 Total				563,028	0	
66.804	Underground Storage Tank Prevention, Detection And		4610	439,474	0	
Federal Program 66.804 Total				439,474	0	
66.805	Leaking Underground Storage Tank Trust Fund Correc		4610	736,000	0	
Federal Program 66.805 Total				736,000	0	
66.809	Superfund State and Indian Tribe CORE Program Coop		4610	118,169	0	
Federal Program 66.809 Total				118,169	0	
66.817	State and Tribal Response Program Grants		4610	870,181	11,970	

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

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 66.817 Total				870,181	11,970	
66.818	Brownfields Assessment and Cleanup Cooperative Agr		1030	7,550	7,550	
Federal Program 66.818 Total				7,550	7,550	
66.951	Environmental Education Grants		3600	10,598	0	
Federal Program 66.951 Total				10,598	0	
66.U01	Environmental Protection Agency - Unknown CFDA Num	UWASH16001MOD2EPC15010	3600	84,753	0	PT
Federal Program 66.U01 Total				84,753	0	
Environmental Protection Agency Total				44,591,977	10,903,112	

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Federal Programs Not Clustered

Nuclear Regulatory Commission

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
77.U01	Nuclear Regulatory Commission - Unknown CFDA Numb	NRCHQ11C040020MOD19	3600	15,426	(44,841)	
Federal Program 77.U01 Total				15,426	(44,841)	
Nuclear Regulatory Commission Total				15,426	(44,841)	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.041	State Energy Program		1030	693,039	20,474	
Federal Program 81.041 Total				693,039	20,474	
81.042	Weatherization Assist - Low Inc		1030	3,652,977	3,151,723	
Federal Program 81.042 Total				3,652,977	3,151,723	
81.087	Renewable Energy Research and Development		4900	240,232	95,295	
Federal Program 81.087 Total				240,232	95,295	
81.106	Transport of Transuranic Wastes to the Waste Isola	K11238-TWX2/TWX3	2250	61,838	15,394	PT
Federal Program 81.106 Total				61,838	15,394	
81.112	Stewardship Science Grant Program		3600	199,627	0	
81.112			3650	6,319,887	807,838	
81.112		41046923	3650	28,510	0	PT
81.112		NA0002916	3650	155,120	0	PT
Federal Program 81.112 Total				6,703,144	807,838	
81.117	Energy Efficiency and Renewable Energy Information		1030	453,873	233,769	
81.117			3650	787,262	52,520	
Federal Program 81.117 Total				1,241,135	286,289	
81.119	State Energy Program Special Projects		1030	388,093	94,470	
Federal Program 81.119 Total				388,093	94,470	
81.121	Nuclear Energy Research, Development and Demonstra		3650	329,798	0	
81.121		224075	3650	154,605	0	PT
81.121		4009205801	3650	155,157	0	PT
81.121		4012014	3650	59,728	0	PT
81.121		5464	3650	92,340	0	PT
81.121		NE0008377	3650	32,925	0	PT
81.121		NE0008431	3650	66,846	0	PT
81.121		NE0008431	3650	16,969	11,238	PT
Federal Program 81.121 Total				908,368	11,238	
81.122	Electricity Delivery & Energy Research		3650	48,433	0	
81.122		10283474	3650	78,529	0	PT
81.122		20100125103	3650	26,920	0	PT
81.122		20150660502	3650	182,007	0	PT
81.122		DEOE0000725	3650	1,924	0	PT

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 81.122 Total				337,813	0	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		3030	705,958	0	
Federal Program 81.214 Total				705,958	0	
81.U01	Energy - Unknown CFDA Number	4F-30041 MOD05	3600	52,860	0	PT
81.U01		4F-32142 MOD01	3600	109,726	0	PT
81.U01		5F-30581 MOD0002	3600	17,645	0	PT
Federal Program 81.U01 Total				180,231	0	
81.U02	Energy - Unknown CFDA Number	129343MOD07-243766	3600	2,462	0	
81.U02		194961 MOD1	3600	40,395	0	
81.U02		206034 MOD05	3600	(32,527)	0	
81.U02		220006 MOD 2	3600	(4)	0	
81.U02		242036 MOD01	3600	3,176	0	
81.U02		242036 MOD04	3600	468,759	0	
81.U02		243766 T.O.290383	3600	49,300	0	
81.U02		243766 TO253631 MOD01	3600	52,751	0	
81.U02		243766 TO257527	3600	10,976	0	
81.U02		243766 TO276890	3600	40,407	0	
81.U02		243766 TO292160	3600	21,417	0	
81.U02		243766TASKORDER256926	3600	6,949	0	PT
81.U02		243766TASKORDER298849	3600	1,721	0	
81.U02		243766TO276416MOD01	3600	45,583	0	
81.U02		245600 MOD02	3600	30,659	0	
81.U02		246708	3600	28,104	0	
81.U02		255453 MOD01	3600	59,409	0	
81.U02		260058	3600	20,000	0	
81.U02		263488 MOD01	3600	59,531	0	
81.U02		299185	3600	3,610	0	
81.U02		MASTER75501TO223809MOD	3600	53,670	0	
81.U02		PO # 184610 MOD07	3600	10,008	0	
81.U02		T.O. #303349	3600	7,584	0	
81.U02		T.O. 269812	3600	5,586	0	
81.U02		TO 246166 MOD02	3600	27,824	0	
81.U02		TO 269602	3600	41,948	0	
81.U02		TO 292896	3600	7,805	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of 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.U02	Energy - Unknown CFDA Number	TO 294322	3600	7,850	0	
81.U02		TO# 248186 REV	3600	64,936	0	
81.U02		TO# 292828	3600	11,466	0	
81.U02		TO247578	3600	19,258	0	
81.U02		TO275485	3600	33,660	0	
Federal Program 81.U02 Total				1,204,273	0	
81.U03	Energy - Unknown CFDA Number	252206 AM06	3600	125,784	0	
81.U03		280204 AM01	3600	6,688	0	PT
Federal Program 81.U03 Total				132,472	0	
81.U04	Energy - Unknown CFDA Number	DE-NA0002717 DSI-UW-01	3600	130,741	0	PT
Federal Program 81.U04 Total				130,741	0	
81.U05	Energy - Unknown CFDA Number	622008 A03	3600	268,564	0	PT
Federal Program 81.U05 Total				268,564	0	
81.U06	Energy - Unknown CFDA Number	PO #621430	3600	16,147	0	PT
Federal Program 81.U06 Total				16,147	0	
81.U07	Energy - Unknown CFDA Number	UW BUD# 800401	3600	62,628	0	PT
81.U07		UW BUD# 807280	3600	(4,142)	0	PT
81.U07		UW BUD# 807394	3600	7,630	0	PT
Federal Program 81.U07 Total				66,116	0	
81.U08	Energy - Unknown CFDA Number	B611721	3600	83,168	0	PT
81.U08		B614524	3600	63,124	0	PT
Federal Program 81.U08 Total				146,292	0	
81.U09	Energy - Unknown CFDA Number	240755-1 MOD03	3600	12,689	0	
81.U09		285149 MOD03	3600	46,086	0	
81.U09		320719 MOD01	3600	119,799	0	
81.U09		366766	3600	38,000	0	PT
Federal Program 81.U09 Total				216,574	0	
81.U10	Energy - Unknown CFDA Number	716001-003	3600	891	0	PT
Federal Program 81.U10 Total				891	0	
81.U11	Energy - Unknown CFDA Number	55190 MOD01	3600	284,874	0	PT
Federal Program 81.U11 Total				284,874	0	

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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.U12	Energy - Unknown CFDA Number	XHD-4-42006-01 MOD03	3600	16,766		0 PT
Federal Program 81.U12 Total				16,766		0
81.U13	Energy - Unknown CFDA Number	UW BUD# 634161	3600	23,870		0 PT
Federal Program 81.U13 Total				23,870		0
81.U14	Energy - Unknown CFDA Number	FA48556 AM09	3600	41,027		0 PT
Federal Program 81.U14 Total				41,027		0
81.U15	Energy - Unknown CFDA Number	1578574	3600	95,989		0 PT
81.U15		1589306	3600	14,923		0 PT
81.U15		1679421	3600	503		0 PT
Federal Program 81.U15 Total				111,415		0
81.U16	Energy - Unknown CFDA Number	113484 MOD03	3600	157,768		0 PT
Federal Program 81.U16 Total				157,768		0
81.U17	Energy - Unknown CFDA Number	7074345 MOD01	3600	62,404		0 PT
Federal Program 81.U17 Total				62,404		0
81.U18	Energy - Unknown CFDA Number	6700882 MOD24-D	3600	75,967		0 PT
81.U18		6700882 MOD30	3600	482,018		0 PT
Federal Program 81.U18 Total				557,985		0
81.U19	Energy - Unknown CFDA Number	A101034	3600	144,667		0 PT
Federal Program 81.U19 Total				144,667		0
81.U20	Energy - Unknown CFDA Number	4000093555 M0D15	3600	220,035		0 PT
81.U20		4000146123	3600	46,470		0 PT
Federal Program 81.U20 Total				266,505		0
81.U21	Energy - Unknown CFDA Number	B616291	3600	4,324		0 PT
Federal Program 81.U21 Total				4,324		0
81.U22	Energy - Unknown CFDA Number	00062910, 00070576	1030	2,168,227	1,817,895	
Federal Program 81.U22 Total				2,168,227	1,817,895	
81.U24	Energy - Unknown CFDA Number	BPA #2007-246-00	3700	942		0 PT
Federal Program 81.U24 Total				942		0
81.U25	Energy - Unknown CFDA Number	1994-043-00; 00066860	3700	70,915		0 PT
81.U25		BPA 1994-043-00	3700	20,104		0 PT

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Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 81.U25 Total				91,019	0	
81.U26	Energy - Unknown CFDA Number	BPA 200800700	3700	128,009	0	PT
Federal Program 81.U26 Total				128,009	0	
81.U27	Energy - Unknown CFDA Number	1994-043-00; 00068702	3700	28,612	0	PT
81.U27		1994-043-00; 00072008	3700	3,123	0	PT
Federal Program 81.U27 Total				31,735	0	
81.U29	Energy - Unknown CFDA Number	0201.15.045261	4610	5,935	0	PT
81.U29		0201.16.048999	4610	83,150	0	PT
Federal Program 81.U29 Total				89,085	0	
81.U31	Energy - Unknown CFDA Number	00068810 & 00072042	6990	215,873	0	
Federal Program 81.U31 Total				215,873	0	
81.U66	Energy - Unknown CFDA Number	000025	3650	94,411	0	PT
81.U66		00126553	3650	2,902	1,095	PT
81.U66		00127427	3650	4,750	0	PT
81.U66		00127427	3650	2,923	2,923	PT
81.U66		157221	3650	21,185	0	PT
81.U66		168728	3650	15,323	0	PT
Federal Program 81.U66 Total				141,494	4,018	
81.U67	Energy - Unknown CFDA Number	118074	3650	248,318	0	PT
81.U67		203649	3650	42,126	0	PT
81.U67		203920	3650	87,566	0	PT
81.U67		225998	3650	105,070	0	PT
81.U67		227795	3650	10,661	0	PT
81.U67		238700	3650	3,317	0	PT
81.U67		242721	3650	5,035	0	PT
81.U67		242754	3650	3,820	0	PT
81.U67		244687	3650	89,564	0	PT
81.U67		244777	3650	143,727	0	PT
81.U67		246500	3650	33,989	0	PT
81.U67		254995	3650	4,237	0	PT
81.U67		255129	3650	106,540	0	PT
81.U67		258303	3650	54,257	0	PT
81.U67		258801	3650	74,977	0	PT

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U67	Energy - Unknown CFDA Number	261290	3650	53,379	0	PT
81.U67		262145	3650	58,175	0	PT
81.U67		263744	3650	48,479	0	PT
81.U67		268431	3650	24,736	0	PT
81.U67		272745	3650	29,831	0	PT
81.U67		279434	3650	23,524	0	PT
81.U67		280452	3650	13,627	0	PT
81.U67		284054	3650	10,037	0	PT
81.U67		285921	3650	27,483	0	PT
81.U67		289688	3650	22,165	0	PT
81.U67		293252	3650	20,520	0	PT
81.U67		298360	3650	13,634	0	PT
81.U67		301164	3650	1,316	0	PT
Federal Program 81.U67 Total				1,360,110	0	
81.U68	Energy - Unknown CFDA Number	3021	3650	186,495	0	PT
Federal Program 81.U68 Total				186,495	0	
81.U69	Energy - Unknown CFDA Number	1316643	3650	46,649	0	PT
81.U69		1531327	3650	73,174	0	PT
Federal Program 81.U69 Total				119,823	0	
81.U70	Energy - Unknown CFDA Number	20150657902	3650	51,606	0	PT
Federal Program 81.U70 Total				51,606	0	
81.U71	Energy - Unknown CFDA Number	382828	3650	171,809	0	PT
Federal Program 81.U71 Total				171,809	0	
81.U72	Energy - Unknown CFDA Number	WSU002634	3650	2,739	0	PT
Federal Program 81.U72 Total				2,739	0	
81.U73	Energy - Unknown CFDA Number	WSU002970	3650	5,797	0	PT
Federal Program 81.U73 Total				5,797	0	
81.U74	Energy - Unknown CFDA Number	AEV65205401	3650	13,573	0	PT
81.U74		XCE66237901	3650	156,878	0	PT
81.U74		XFC66205501	3650	1,862	0	PT
81.U74		ZEA44220401	3650	202,042	0	PT
Federal Program 81.U74 Total				374,355	0	

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U75	Energy - Unknown CFDA Number	SF30042	3650	3,247	0	PT
Federal Program 81.U75 Total				3,247	0	
81.U76	Energy - Unknown CFDA Number	4000128151	3650	10,096	0	PT
81.U76		400112928	3650	16,080	0	PT
Federal Program 81.U76 Total				26,176	0	
81.U77	Energy - Unknown CFDA Number	51419	3650	57,244	0	PT
81.U77		56682	3650	133,701	0	PT
Federal Program 81.U77 Total				190,945	0	
81.U78	Energy - Unknown CFDA Number	7049758	3650	342,305	0	PT
81.U78		7242865	3650	15,727	0	PT
81.U78		7261648	3650	20,018	0	PT
Federal Program 81.U78 Total				378,050	0	
81.U79	Energy - Unknown CFDA Number	20126118	3650	31,609	0	PT
Federal Program 81.U79 Total				31,609	0	
Dept of Energy Total				24,735,648	6,304,634	

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
84.002	Adult Education - Basic Grants to States		6990	10,349,351	512,630	
Federal Program 84.002 Total				10,349,351	512,630	
84.010	Title I Grants to Local Educational Agencies		3500	226,655,154	219,639,738	
Federal Program 84.010 Total				226,655,154	219,639,738	
84.011	Migrant Education_state Grant Program		3500	16,274,523	10,485,327	
Federal Program 84.011 Total				16,274,523	10,485,327	
84.013	Title I State Agency Program for Neglected and DEL		3500	1,501,905	1,488,191	
Federal Program 84.013 Total				1,501,905	1,488,191	
84.015	National Resource Centers Program for Foreign Lang		3600	3,964,382	90,465	
Federal Program 84.015 Total				3,964,382	90,465	
84.016	Undergraduate International Studies and Foreign La		6990	85,066	0	
Federal Program 84.016 Total				85,066	0	
84.031	Higher Education_institutional Aid		6990	7,471,744	30,044	
84.031		P031S130053-15	6990	334,154	0	PT
Federal Program 84.031 Total				7,805,898	30,044	
84.048	Career and Technical Education -- Basic Grants To		3540	20,264,830	7,353,637	
Federal Program 84.048 Total				20,264,830	7,353,637	
84.101	Career and Technical Education - Indian Set-Aside	V101A010017-03A	6990	44,721	0	PT
Federal Program 84.101 Total				44,721	0	
84.116	Fund for the Improvement of Postsecondary Educatio		6990	245,954	0	
Federal Program 84.116 Total				245,954	0	
84.126	Rehabilitation Services Vocational Rehabilitation		3000	49,590,515	32,000	
84.126			3150	9,526,396	0	
84.126			6990	4,987	0	
84.126		1665-54232	6990	11,300	0	PT
Federal Program 84.126 Total				59,133,198	32,000	
84.129	Rehabilitation Long-Term Training		3600	105,859	0	
84.129			3800	265,298	0	
Federal Program 84.129 Total				371,157	0	
84.141	Migrant Education_high School Equivalency Program		3650	542,917	0	

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Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.141	Migrant Education_high School Equivalency Program		3750	501,251	0	
84.141			6990	429,391	0	
Federal Program 84.141 Total				1,473,559	0	
84.144	Migrant Education_coordination Program		3500	125,003	15,093	
Federal Program 84.144 Total				125,003	15,093	
84.149	Migrant Education_college Assistance Migrant Progr		3600	422,434	0	
84.149			3650	437,169	0	
84.149			3700	438,620	0	
84.149			3750	395,171	0	
84.149			6990	827,365	0	
Federal Program 84.149 Total				2,520,759	0	
84.177	Rehabilitation Services Independent Living Service		3150	653,678	0	
Federal Program 84.177 Total				653,678	0	
84.181	Special Education-Grants for Infants and Families		3570	9,090,889	7,513,802	
Federal Program 84.181 Total				9,090,889	7,513,802	
84.184	Safe and Drug-Free Schools and Communities_nationa		3500	334,523	241,195	
Federal Program 84.184 Total				334,523	241,195	
84.187	Supported Employment Services for Individuals With		3000	443,491	0	
84.187			3150	53,450	0	
Federal Program 84.187 Total				496,941	0	
84.196	Education for Homeless Children and Youth		3500	870,855	665,318	
Federal Program 84.196 Total				870,855	665,318	
84.200	Graduate Assistance In Areas of National Need		3600	360,384	0	
84.200			3650	152,998	0	
Federal Program 84.200 Total				513,382	0	
84.206	Javits Gifted and Talented Students Education Gran		3500	108,145	13,326	
Federal Program 84.206 Total				108,145	13,326	
84.264	Rehabilitation Training_continuing Education		3600	(247)	0	
84.264		S2015-29486-002	3600	73,126	0	PT
84.264		S2015-29486-002 AM01	3600	238,213	0	PT

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Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 84.264 Total				311,092	0	
84.265	Rehabilitation Training_state Vocational Rehabilit		3150	4,140	0	
Federal Program 84.265 Total				4,140	0	
84.282	Charter Schools	PO#001677 MOD03	3600	138,921	0	PT
Federal Program 84.282 Total				138,921	0	
84.283	Comprehensive Centers	SOW004 AM01	3600	104,826	0	PT
Federal Program 84.283 Total				104,826	0	
84.287	Twenty-First Century Community Learning Centers		3500	16,353,879	15,681,209	
Federal Program 84.287 Total				16,353,879	15,681,209	
84.315	Capacity Building for Traditionally Underserved PO	H315C150002	3800	76,216	0	PT
Federal Program 84.315 Total				76,216	0	
84.325	Special Education - Personnel Development to Impro		3600	1,478,265	11,250	
84.325		H325T110012-UOW AM04	3600	11,319	0	PT
Federal Program 84.325 Total				1,489,584	11,250	
84.326	Special Education_technical Assistance and Dissemi		3500	129,308	129,308	
Federal Program 84.326 Total				129,308	129,308	
84.327	Special Education Educational Technology Media, An		3600	642,648	0	
Federal Program 84.327 Total				642,648	0	
84.330	Advanced Placement Program (Advanced Placement Tes		3500	618,413	618,413	
Federal Program 84.330 Total				618,413	618,413	
84.334	Gaining Early Awareness and Readiness for Undergra		3400	4,561,917	3,393,940	
84.334			3600	4,100,530	2,946,381	
84.334			3650	5,305,292	548,382	
84.334			3750	4,443,612	3,141,485	
84.334			3760	185,390	0	
84.334		G003594	6990	2,800	2,800	PT
Federal Program 84.334 Total				18,599,541	10,032,988	
84.335	Child Care Access Means Parents In School		3650	201,814	0	
Federal Program 84.335 Total				201,814	0	
84.335	Child Care Access Means Parents In School		6990	21,484	0	

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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
Federal Program 84.335 Total				21,484	0	
84.358	Rural Education		3500	1,143,072	1,084,314	
Federal Program 84.358 Total				1,143,072	1,084,314	
84.365	English Language Acquisition State Grants		3500	16,891,671	15,977,106	
84.365			3600	400,821	0	
Federal Program 84.365 Total				17,292,492	15,977,106	
84.366	Mathematics and Science Partnerships		3500	2,631,291	2,480,480	
84.366		60036991 AM02	3600	(2,914)	0	PT
84.366		PO 75-14978	3600	30,478	0	PT
84.366		2417277000523	3650	2,771	0	PT
84.366		7006000096	3650	2,737	0	PT
84.366		7009600091	3650	409	0	PT
84.366		7009600138	3650	(5)	0	PT
84.366		7009600178	3650	1,900	0	PT
Federal Program 84.366 Total				2,666,667	2,480,480	
84.367	Supporting Effective Instruction State Grant (Form		3400	905,249	850,898	
84.367			3500	34,249,748	33,320,517	
84.367		92-WA03-SEED2012 AM02B	3600	12,869	0	PT
84.367		92-WA03-SEED2012 AM03	3600	6,514	0	PT
84.367		92-WA02-SEED2012#3A	3750	7,906	0	PT
84.367		92-WA02-SEED2016	3750	4,177	0	PT
Federal Program 84.367 Total				35,186,463	34,171,415	
84.369	Grants for State Assessments and Related Activitie		3500	7,367,585	0	
Federal Program 84.369 Total				7,367,585	0	
84.372	Statewide Longitudinal Data Systems		3500	409,397	0	
Federal Program 84.372 Total				409,397	0	
84.377	School Improvement Grants		3500	8,499,593	7,575,666	
Federal Program 84.377 Total				8,499,593	7,575,666	
84.395	ARRA - Sfsf - Race-To-The-Top		3500	940,323	0	
Federal Program 84.395 Total				940,323	0	
84.396	ARRA - Sfsf - What Works and Innovation Fund	A58405	3600	15,120	0	PT

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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
Federal Program 84.396 Total				15,120	0	
84.397	ARRA - Sfsf - Government Services		3800	25,476	0	
Federal Program 84.397 Total				25,476	0	
84.407	Transition Programs for Students W/Intellectual DI		6990	292,085	0	
Federal Program 84.407 Total				292,085	0	
84.412	Race to the Top - Early Learning Challenge		3570	11,734,788	4,639,553	
Federal Program 84.412 Total				11,734,788	4,639,553	
84.416	ARRA - Race to the Top - District Grants	08739 (YR 3)	3600	58,634	0	PT
84.416		09215	3600	453,480	0	PT
84.416		B416A130186	3600	10,431	0	PT
84.416		UW BUD# 637932	3600	50,832	0	PT
Federal Program 84.416 Total				573,377	0	
84.U01	Department of Education - Unknown CFDA Number	40412S04256 S03	3600	1,919,052	0	PT
Federal Program 84.U01 Total				1,919,052	0	
84.U02	Department of Education - Unknown CFDA Number	63-3021	3600	1,925	0	
Federal Program 84.U02 Total				1,925	0	
84.U03	Department of Education - Unknown CFDA Number	UW BN 637960	3600	25,783	0	PT
Federal Program 84.U03 Total				25,783	0	
84.U04	Department of Education - Unknown CFDA Number	75-13524	3600	75,622	0	PT
Federal Program 84.U04 Total				75,622	0	
Dept of Education Total				489,744,559	340,482,468	

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Federal Programs Not Clustered

Scholarship and Fellowship Foundations

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
85.U01	Scholarship & Fellowship Found - Unknown CFDA Numb	MCC-13-BPA-0059 AM05	3600	190,576		0
Federal Program 85.U01 Total				190,576		0
Scholarship and Fellowship Foundations Total				190,576		0

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Federal Programs Not Clustered

National Archives & Records 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
89.003	National Historical Publications and Records Grant		0850	4,723		0
Federal Program 89.003 Total				4,723		0
National Archives & Records Admin Total				4,723		0

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Federal Programs Not Clustered

Miscellaneous Commissions

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
90.300	Japan-US Friendship Commission Grants		3600	3,910	0	
Federal Program 90.300 Total				3,910	0	
90.401	Help America Vote Act Requirements Payments		0850	316,154	103,065	
Federal Program 90.401 Total				316,154	103,065	
Miscellaneous Commissions Total				320,064	103,065	

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.041	Special Programs for the Aging_title Vii, Chapter		3000	97,115	80,020	
Federal Program 93.041 Total				97,115	80,020	
93.042	Special Programs for the Aging_title Vii, Chapter		3000	284,444	0	
Federal Program 93.042 Total				284,444	0	
93.043	Special Programs for the Aging_title III, Part D_d		3000	403,626	403,626	
Federal Program 93.043 Total				403,626	403,626	
93.048	Special Programs for the Aging Title Iv and Title		1600	220,464	0	
93.048			3000	88,729	0	
Federal Program 93.048 Total				309,193	0	
93.051	Alzheimer's Disease Demonstration Grants to States		3000	146,482	59,813	
93.051		144448 AM01	3600	17,644	0	PT
Federal Program 93.051 Total				164,126	59,813	
93.052	National Family Caregiver Support, Title III, Part		3000	3,005,625	2,947,888	
Federal Program 93.052 Total				3,005,625	2,947,888	
93.067	Global AIDS		3600	21,420,064	11,067,012	
93.067		001-5CE AM002	3600	118,282	0	PT
93.067		002-5 AM01	3600	6,576	0	PT
93.067		002-5 AMO2	3600	527,213	157,706	PT
93.067		003-4 AM003	3600	(7,019)	0	PT
93.067		003-5CE AM02	3600	49,351	0	PT
93.067		16-SBA-017	3600	37,236	0	PT
93.067		8536SC	3600	(2)	0	PT
93.067		8566SC	3600	(5)	0	PT
93.067		8566SC AM01	3600	101,738	0	PT
93.067		8818SC1U2GGH00127001	3600	475,418	0	PT
93.067		8818SCAM015U2GGH001270	3600	37,059	0	PT
93.067		ADOLESCENTYR010065CEAM	3600	100,949	0	PT
93.067		CG02822003829500AM01	3600	78,363	0	PT
93.067		FP-YR01	3600	16,787	0	PT
93.067		HSC22801PREVIOUS3RV84	3600	20,146	0	PT
93.067		PMTCT-HEL-YR01	3600	92,812	25,080	PT
93.067		UW BUD# 636084	3600	27,609	0	PT
93.067		UW BUD# 673162	3600	(6,321)	0	PT

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.067	Global AIDS	UW BUD# 675166	3600	114,528	0	PT
Federal Program 93.067 Total				23,210,784	11,249,798	
93.069	Public Health Emergency Preparedness		3030	12,403,701	6,738,688	
93.069			3600	157,523	0	
Federal Program 93.069 Total				12,561,224	6,738,688	
93.070	Environmental Public Health and Emergency Response		3030	621,849	0	
93.070		UW BUD# 675043	3600	457	0	PT
Federal Program 93.070 Total				622,306	0	
93.071	Medicare Enrollment Assistance Program		3000	320,453	145,313	
Federal Program 93.071 Total				320,453	145,313	
93.072	Lifespan Respite Care Program		3000	94,429	23,067	
Federal Program 93.072 Total				94,429	23,067	
93.074	Hospital Preparedness Program (Hpp) and Public Hea		3030	1,099,449	583,963	
Federal Program 93.074 Total				1,099,449	583,963	
93.077	Family Smoking Preventn & Tobacco Cont Reg Resrch		3600	538,313	12,082	
Federal Program 93.077 Total				538,313	12,082	
93.079	Cooperative Agreements to Promote Adolescent Healt		3500	304,431	52,113	
Federal Program 93.079 Total				304,431	52,113	
93.082	Sodium Reduction In Communities		3030	394,632	306,236	
Federal Program 93.082 Total				394,632	306,236	
93.084	Prevention of Disease, Disability, and Death By In	T368014	3600	52,797	0	PT
93.084		T510988 AM02	3600	104,035	0	PT
Federal Program 93.084 Total				156,832	0	
93.086	Healthy Marriage Promotion and Responsible Fatherh		3100	479,507	0	
Federal Program 93.086 Total				479,507	0	
93.090	Guardianship Assistance		3000	651,069	0	
Federal Program 93.090 Total				651,069	0	
93.092	Affordable Care Act Personal Resp. Ed Program		3030	1,068,741	759,472	
Federal Program 93.092 Total				1,068,741	759,472	

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.093	Affordable Care Act Health Profession Opportunity		6990	1,243,961	0	
Federal Program 93.093 Total				1,243,961	0	
93.103	Food and Drug Administration_research	G-T-1510-03186	3030	2,589	0	PT
93.103			4950	1,108,809	0	
Federal Program 93.103 Total				1,111,398	0	
93.107	Area Health Education Centers Point of Service Mai		3600	414,933	319,149	
93.107		G158-16-W5696	3600	9,629	0	PT
93.107		G170-15-W4654	3600	1,037	0	PT
93.107		P0481873 AM01	3600	1,448	0	PT
Federal Program 93.107 Total				427,047	319,149	
93.110	Maternal and Child Health Federal Consolidated Pro		3030	545,789	189,928	
93.110			3600	2,395,976	234,980	
93.110		11258SUB	3600	27,615	0	PT
93.110		11357SUB	3600	3,073	0	PT
93.110		1920 G RA028 AM02	3600	14,806	0	PT
93.110		P0302513-E	3600	763	0	PT
93.110		P0424035B AM004	3600	(239)	0	PT
93.110		PO424035E AM05	3600	26,266	0	PT
Federal Program 93.110 Total				3,014,049	424,908	
93.116	Project Grants and Cooperative Agreements for Tube		3030	1,633,942	658,299	
Federal Program 93.116 Total				1,633,942	658,299	
93.127	Emergency Medical Services for Children		3030	123,546	25,885	
Federal Program 93.127 Total				123,546	25,885	
93.130	Cooperative Agreements to States/Territories for T		3030	243,910	23,000	
Federal Program 93.130 Total				243,910	23,000	
93.136	Injury Prevention and Control Research and State A		3030	1,533,755	120,609	
Federal Program 93.136 Total				1,533,755	120,609	
93.142	Niehs Hazardous Waste Worker Health and Safety Tra	2105 G HB431 AM05	3600	6,423	0	PT
93.142		2105 G NA299 AM04	3600	10,142	0	PT
93.142		2105 G TA258	3600	364,463	0	PT
93.142		UW BUD# 674940	3600	7,819	0	PT
93.142		UW BUD# 674941	3600	11,117	0	PT

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.142	Niehs Hazardous Waste Worker Health and Safety Tra	UW BUD# 674942	3600	3,876	0	PT
Federal Program 93.142 Total				403,840	0	
93.145	AIDS Education and Training Centers		3600	2,665,389	1,494,492	
93.145		8194PRIME1U1OHA2868601	3600	314,934	0	PT
Federal Program 93.145 Total				2,980,323	1,494,492	
93.150	Projects for Assistance In Transition From Homeles		3000	1,218,440	865,002	
Federal Program 93.150 Total				1,218,440	865,002	
93.153	Coordinated Services and Access to Research for Wo		3030	97,230	90,807	
93.153		UW BUD# 633029	3600	54,988	0	PT
Federal Program 93.153 Total				152,218	90,807	
93.161	Health Program for Toxic Substances and Disease Re	U61TS000238-02	3600	102,306	1,067	PT
93.161		U61TS000238-R10-01	3600	40,935	1,646	PT
Federal Program 93.161 Total				143,241	2,713	
93.165	Grants to States for Loan Repayment Program		3400	486,299	486,299	
Federal Program 93.165 Total				486,299	486,299	
93.178	Nursing Workforce Diversity		3650	367,920	0	
Federal Program 93.178 Total				367,920	0	
93.191	Graduate Psychology Education Program and Patient		3600	150,110	9,300	
Federal Program 93.191 Total				150,110	9,300	
93.210	Tribal Self-Governance Program: Ihs Compacts/Fundi	15-A1-00-002912-01	3600	16,194	0	PT
Federal Program 93.210 Total				16,194	0	
93.211	Telehealth Programs		3600	284,811	10,275	
Federal Program 93.211 Total				284,811	10,275	
93.217	Family Planning_services		3030	4,246,367	3,321,323	
Federal Program 93.217 Total				4,246,367	3,321,323	
93.236	Grants to States to Support Oral Health Workforce	14-07501-690 REN02	3600	244,019	0	PT
Federal Program 93.236 Total				244,019	0	
93.240	State Capacity Building		3030	542,166	0	
Federal Program 93.240 Total				542,166	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.241	State Rural Hospital Flexibility Program		3030	775,882	388,772	
Federal Program 93.241 Total				775,882	388,772	
93.243	Substance Abuse and Mental Health Services_project		3000	10,236,951	3,555,445	
93.243			3030	941,414	621,557	
93.243			3500	1,472,258	1,126,185	
93.243			3600	978,483	75,396	
93.243		1507	3600	11,807	0	PT
93.243		156197	3600	11,521	0	PT
93.243		156197 AM01	3600	58,119	0	PT
93.243		T16A55PO3000042706	3600	4,922	0	PT
93.243		UW BUD# 634082	3600	2,036	0	PT
93.243		UW BUD# 802087	3600	7,115	0	PT
93.243		UW BUD# 802093	3600	2,902	0	PT
93.243			3650	500,604	69,252	
93.243		130286	3650	4,684	0	PT
93.243		2015A14	3650	22,331	0	PT
93.243		UCHC655611014	3650	4,902	0	PT
93.243		UCHC668354761	3650	23,456	0	PT
93.243		WSU002569	3650	41,910	0	PT
93.243			3800	108,513	0	
Federal Program 93.243 Total				14,433,928	5,447,835	
93.247	Advanced Nursing Education Grant Program		3600	1,247,942	8,880	
93.247			3650	377,766	15,384	
Federal Program 93.247 Total				1,625,708	24,264	
93.250	Geriatric Academic Career Awards		3600	13,424	0	
Federal Program 93.250 Total				13,424	0	
93.251	Universal Newborn Hearing Screening		3030	343,168	74,893	
Federal Program 93.251 Total				343,168	74,893	
93.265	Comprehensive Geriatric Education Program(Cgep)		3600	21,675	0	
Federal Program 93.265 Total				21,675	0	
93.266	Health Systems Strengthening and HIV/AIDS Preventi		3600	29,617,506	1,325,657	
93.266		HFZAM16PPTRZLAB00	3600	134,826	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 93.266 Total				29,752,332	1,325,657	
93.268	Immunization Cooperative Agreements		3030	6,325,087	1,869,385	
93.268			3030	92,910,086	92,910,086	NC
Federal Program 93.268 Total				99,235,173	94,779,471	
93.270	Adult Viral Hepatitis Prevention and Control		3030	553,318	207,647	
93.270			3600	275,832	40,000	
93.270		PREV3887	3600	172,568	0	PT
93.270		PREV3988	3600	177,240	0	PT
Federal Program 93.270 Total				1,178,958	247,647	
93.276	Drug-Free Communities Support Program Grants	MOU	3750	1,940	0	PT
Federal Program 93.276 Total				1,940	0	
93.283	Centers for Disease Control and Prevention_investi		3030	1,636,819	251,867	
Federal Program 93.283 Total				1,636,819	251,867	
93.296	State Partnership Grant Program to Improve Minorit		3030	25,600	0	
Federal Program 93.296 Total				25,600	0	
93.300	National Center for Health Workforce Analysis		3600	520,606	0	
Federal Program 93.300 Total				520,606	0	
93.301	Small Rural Hospital Improvement Grant Program		3030	536,680	507,503	
Federal Program 93.301 Total				536,680	507,503	
93.305	National State Based Tobacco Control Programs		3030	1,110,453	416,363	
Federal Program 93.305 Total				1,110,453	416,363	
93.311	Mobilization for Health: National Prevention Partn		3600	109,742	40,000	
Federal Program 93.311 Total				109,742	40,000	
93.314	Early Hearing Detection and Intervention Informati		3030	191,333	0	
Federal Program 93.314 Total				191,333	0	
93.318	Protecting and Improving Health Globally: Building		3600	292,530	0	
93.318			3650	145,958	47,678	
Federal Program 93.318 Total				438,488	47,678	
93.323	Epidemiology and Laboratory Capacity for Infectio		3030	1,305,907	37,500	

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 93.323 Total				1,305,907	37,500	
93.324	State Health Insurance Assistance Program		1600	993,238	0	
Federal Program 93.324 Total				993,238	0	
93.331	Partnerships to Improve Community Health	CDIP3869	3600	37,620	0	PT
93.331		CDIP3869 AM02	3600	71,815	0	PT
Federal Program 93.331 Total				109,435	0	
93.336	Behavioral Risk Factor Surveillance System		3030	150,277	0	
Federal Program 93.336 Total				150,277	0	
93.352	Construction Support		3600	(949,645)	0	
Federal Program 93.352 Total				(949,645)	0	
93.358	Advanced Education Nursing Traineeships		3650	132,000	0	
Federal Program 93.358 Total				132,000	0	
93.359	Nurse Education, Practice and Retention Grants		3600	952,425	7,454	
93.359		E4915 491423 AM	3600	(37)	0	PT
Federal Program 93.359 Total				952,388	7,454	
93.369	AcI Independent Living State Grants		3000	284,800	251,347	
93.369			3150	86,825	0	
Federal Program 93.369 Total				371,625	251,347	
93.392	Health & Human Services Dept		3600	(1,923)	0	
Federal Program 93.392 Total				(1,923)	0	
93.408	ARRA - Nurse Faculty Loan Program		3600	(7,890)	0	
93.408			3600	120,236	0	OL
Federal Program 93.408 Total				112,346	0	
93.424	Non-Aca/Pphf-Building Capacity of the Public Healt	CDC7001-3-0093-1	3600	10,000	0	PT
Federal Program 93.424 Total				10,000	0	
93.433	AcI National Institute on Disability, Independent		3600	4,672,043	258,017	
93.433		90DP0037-02-00	3600	6,284	0	PT
93.433			3650	123,819	18,061	
Federal Program 93.433 Total				4,802,146	276,078	
93.441	Indian Self-Determination	C15-11 PO#24824 AM01	3600	37,151	0	PT

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.441	Indian Self-Determination	C16-01 PO#25789	3600	40,938	0	PT
Federal Program 93.441 Total				78,089	0	
93.448	Food Safety and Security Monitoring Project		3030	263,590	0	
93.448			4950	313,471	0	
Federal Program 93.448 Total				577,061	0	
93.464	Act Assistive Technology		3600	814,402	0	
Federal Program 93.464 Total				814,402	0	
93.500	Pregnancy Assistance Fund Program		3030	1,673,300	691,732	
Federal Program 93.500 Total				1,673,300	691,732	
93.505	Affordable Care Act (Aca) Maternal, Infant, and Ea		3570	9,995,199	7,402,783	
Federal Program 93.505 Total				9,995,199	7,402,783	
93.511	Affordable Care Act Grants to States Health Prem R		1050	385,948	0	
Federal Program 93.511 Total				385,948	0	
93.514	Affordable Care Act - Expan of Physican Asssts Trng		3600	374,368	0	
Federal Program 93.514 Total				374,368	0	
93.516	Affordable Care Act - Public Health Train CTR Prg		3600	601,461	156,076	
Federal Program 93.516 Total				601,461	156,076	
93.517	Affordable Care Act Aging & Disability Rsrc Center		3000	499,234	304,711	
Federal Program 93.517 Total				499,234	304,711	
93.521	the Affordable Care Act: Building Epidemiology, La		3030	1,200,374	0	
Federal Program 93.521 Total				1,200,374	0	
93.524	Building Capacity of the Public Health System to I	0782016	3600	80,803	24,837	PT
Federal Program 93.524 Total				80,803	24,837	
93.539	Pphf Capacity Building Assistance to Strengthen Pu		3030	2,211,549	67,165	
Federal Program 93.539 Total				2,211,549	67,165	
93.542	Health Promotion and Disease Prevention Research C		3600	37,173	2,719	
Federal Program 93.542 Total				37,173	2,719	
93.556	Promoting Safe and Stable Families		3000	6,483,285	0	
93.556		KC263200	3700	31,347	0	PT

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 93.556 Total				6,514,632	0	
93.563	Child Support Enforcement		3000	112,070,781	27,365,426	
Federal Program 93.563 Total				112,070,781	27,365,426	
93.566	Refugee and Entrant Assistance_state Administered		1070	79,642	0	
93.566			3000	11,316,985	0	
Federal Program 93.566 Total				11,396,627	0	
93.568	Low-Income Home Energy Assistance		1030	52,508,090	47,708,203	
Federal Program 93.568 Total				52,508,090	47,708,203	
93.569	Community Services Block Grant		1030	7,983,841	7,300,723	
Federal Program 93.569 Total				7,983,841	7,300,723	
93.576	Refugee and Entrant Assistance_discretionary Grant		3000	1,070,861	1,070,861	
93.576		1565-40154	6990	41,266	0	PT
Federal Program 93.576 Total				1,112,127	1,070,861	
93.579	U.S. Repatriation		3000	501	0	
Federal Program 93.579 Total				501	0	
93.584	Refugee and Entrant Assistance_targeted Assistance		3000	1,224,055	0	
Federal Program 93.584 Total				1,224,055	0	
93.586	State Court Improvement Program		0550	618,721	0	
Federal Program 93.586 Total				618,721	0	
93.590	Community-Based Child Abuse Prevention Grants		3570	645,975	255,223	
Federal Program 93.590 Total				645,975	255,223	
93.597	Grants to States for Access and Visitation Program		3000	174,817	172,212	
Federal Program 93.597 Total				174,817	172,212	
93.599	Chafee Education and Training Vouchers Program		3000	640,988	0	
Federal Program 93.599 Total				640,988	0	
93.600	Head Start		3570	189,297	0	
93.600			3600	4,078,851	1,050,902	
93.600		2015100226	3600	372,601	0	PT
93.600		2016030075	3600	2,166	0	PT
93.600			3700	1,890,600	0	

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.600	Head Start	Grant #90HC0013	3700	2,000		0 PT
93.600			6990	20,737,229		0
93.600		09441	6990	247,510		0 PT
93.600		1516 Early Head Start	6990	219,881		0 PT
93.600		1516 Head Start	6990	84,650		0 PT
93.600		1550	6990	182,047		0 PT
93.600		Early Headstart	6990	117,478		0 PT
93.600		Headstart	6990	150,767		0 PT
93.600		LOA 8924	6990	104,731		0 PT
Federal Program 93.600 Total				28,379,808	1,050,902	
93.603	Adoption and Legal Guardianship Incentive Payments		3000	500,000		0
Federal Program 93.603 Total				500,000	0	
93.605	Family Connection Grants	UW BUD# 669544	3600	23,431		0 PT
Federal Program 93.605 Total				23,431	0	
93.609	the Affordable Care Act ? Medicaid Adult Quality G		3000	29,726		0
Federal Program 93.609 Total				29,726	0	
93.612	Native American Programs	UW BUD# 634491	3600	29,042		0 PT
Federal Program 93.612 Total				29,042	0	
93.617	Voting Access for Individuals With Disabilities_gr		0850	2,433		0
Federal Program 93.617 Total				2,433	0	
93.624	Aca - State Innovation Models: Funding for Model		1070	13,919,544	4,312,904	
Federal Program 93.624 Total				13,919,544	4,312,904	
93.626	Affordable Care Act Ship and Adrc Counseling		3000	11,881		0
Federal Program 93.626 Total				11,881	0	
93.628	Affordable Care Act Implementn Support ST Demo Int		3000	380,839		0
Federal Program 93.628 Total				380,839	0	
93.630	Developmental Disabilities Basic Support and Advoc		1030	1,260,232	360,559	
Federal Program 93.630 Total				1,260,232	360,559	
93.631	Developmental Disabilities Projects of National Si		1030	80,814	21,243	
Federal Program 93.631 Total				80,814	21,243	

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.632	University Centers for Excellence In Developmental		3600	545,299	0	
Federal Program 93.632 Total				545,299	0	
93.638	Aca-Transforming Clinical Practice Initiative: Pra		3030	896,546	489,872	
93.638			3600	1,717,522	25,845	
Federal Program 93.638 Total				2,614,068	515,717	
93.639	Aca-Transforming Clinical Practice Initiative: Sup	UW BUD# 633794	3600	213,752	0	PT
Federal Program 93.639 Total				213,752	0	
93.643	Children's Justice Grants to States		3000	320,114	0	
Federal Program 93.643 Total				320,114	0	
93.645	Stephanie Tubbs Jones Child Welfare Services Progr		3000	4,933,519	0	
93.645		#1C096100 Amend #3	3700	25,412	0	PT
93.645		1C100800	3700	183,235	0	PT
93.645		Letter of Agreement	3700	10,739	0	PT
Federal Program 93.645 Total				5,152,905	0	
93.648	Child Welfare Research Training Or Demonstration	1400328 AM01	3600	21,703	0	PT
93.648		1400328 AM02	3600	60,723	0	PT
Federal Program 93.648 Total				82,426	0	
93.652	Adoption Opportunities		3600	406,650	152,726	
93.652		UW BUD# 631320	3600	27,154	0	PT
Federal Program 93.652 Total				433,804	152,726	
93.658	Foster Care Title Iv-E		3000	97,206,900	0	
93.658		KC247400	3700	30,223	0	PT
93.658		KC247500	3700	20,106	0	PT
93.658		KC247500 Amend #3	3700	7,329	0	PT
93.658		KC247600	3700	18,844	1,909	PT
93.658		KC247600 Amend #3	3700	4,222	0	PT
93.658		KC247700	3700	127,576	5,534	PT
93.658		KC247700 Amend #3	3700	1,283	0	PT
93.658		KC255500 Amend #1	3700	14	0	PT
93.658		KC261200	3700	120,920	0	PT
93.658		KC261400	3700	850,999	68,759	PT
Federal Program 93.658 Total				98,388,416	76,202	

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.659	Adoption Assistance		3000	48,105,134		0
Federal Program 93.659 Total				48,105,134		0
93.667	Social Services Block Grant		3000	39,233,238		0
Federal Program 93.667 Total				39,233,238		0
93.669	Child Abuse and Neglect State Grants		3000	646,225		0
Federal Program 93.669 Total				646,225		0
93.670	Child Abuse and Neglect Discretionary Activities	UW BUD# 665529	3600	15,236		0 PT
Federal Program 93.670 Total				15,236		0
93.671	Family Violence Prevention and Services/Grants For		3000	1,957,811	1,867,154	
Federal Program 93.671 Total				1,957,811	1,867,154	
93.674	Chafee Foster Care Independence Program		3000	3,119,794	2,369,819	
93.674		1C096000 Amend #2	3700	1,131		0 PT
Federal Program 93.674 Total				3,120,925	2,369,819	
93.719	ARRA - Advance Interoperable Health Information Te	ERS# 36154	3600	8,448		0 PT
Federal Program 93.719 Total				8,448		0
93.721	ARRA - Health Information Technology Professionals		6990	387,862		0
Federal Program 93.721 Total				387,862		0
93.724	ARRA - Prevention and Wellness ? Communities Putti	D40396D TOB1591	3600	(454)		0 PT
Federal Program 93.724 Total				(454)		0
93.733	Capacity Building Assist Strenthen Ph Immuniz		3030	1,647,858	32,752	
Federal Program 93.733 Total				1,647,858	32,752	
93.734	Empowering Older Adults & Adults With Disabilities		3000	101,669	94,660	
93.734		UW BUD# 637296	3600	5,172		0 PT
Federal Program 93.734 Total				106,841	94,660	
93.735	State Public Health Approaches for Ensuring Quitli		3030	411,250	376,625	
Federal Program 93.735 Total				411,250	376,625	
93.745	Pphf: Health Care Surveillance/Health Statistics		3030	119,190		0
Federal Program 93.745 Total				119,190		0
93.752	Cancer Prevention and Control Prog		3030	4,357,502	3,822,243	

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Federal Program 93.752 Total				4,357,502	3,822,243	
93.753	Child Lead Poisoning Prevention Surveillance Finan		3030	273,179	0	
Federal Program 93.753 Total				273,179	0	
93.757	State and Local Public Health Actions to Prevent O		3030	5,103,367	2,190,900	
Federal Program 93.757 Total				5,103,367	2,190,900	
93.758	Preventive Health and Health Services Block Grant		3030	1,447,366	607,089	
93.758		300421927	3650	8,894	0	PT
Federal Program 93.758 Total				1,456,260	607,089	
93.767	Children's Health Insurance Program		1070	106,759,979	0	
93.767			3000	4,785,342	0	
Federal Program 93.767 Total				111,545,321	0	
93.791	Money Follows the Person Rebalancing Demonstration		3000	19,848,697	223,625	
Federal Program 93.791 Total				19,848,697	223,625	
93.800	Organized Approaches to Increase Colorectal Cancer		3030	609,995	382,753	
Federal Program 93.800 Total				609,995	382,753	
93.808	Increasing the Implementation of Evidence-Based CA		3030	94,695	0	
Federal Program 93.808 Total				94,695	0	
93.810	Paul Coverdell National Acute Stroke Program Natio		3030	479,441	258,067	
Federal Program 93.810 Total				479,441	258,067	
93.815	Domestic Ebola Supplement to the Epidemiology And		3030	552,139	93,489	
Federal Program 93.815 Total				552,139	93,489	
93.817	Hospital Preparedness Program (Hpp) Ebola Prepared		3030	804,896	692,309	
Federal Program 93.817 Total				804,896	692,309	
93.822	Health Careers Opportunity Program		3600	143,973	0	
Federal Program 93.822 Total				143,973	0	
93.884	Grants for Primary Care Training and Enhancement		3600	618,040	0	
Federal Program 93.884 Total				618,040	0	
93.889	National Bioterrorism Hospital Preparedness Progra		3030	3,932,212	2,603,312	
Federal Program 93.889 Total				3,932,212	2,603,312	

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.913	Grants to States for Operation of Offices of Rural		3030	162,371	80,000	
	Federal Program 93.913 Total			162,371	80,000	
93.917	HIV Care Formula Grants		3030	1,289,211	0	
	Federal Program 93.917 Total			1,289,211	0	
93.924	Ryan White HIV/AIDS Dental Reimbursements\communit		3600	21,532	0	
	Federal Program 93.924 Total			21,532	0	
93.939	HIV Prevention Activities_non-Governmental Organiz		3600	1,116,960	325,800	
	Federal Program 93.939 Total			1,116,960	325,800	
93.940	HIV Prevention Activities_health Department Based		3030	3,862,974	2,739,479	
	Federal Program 93.940 Total			3,862,974	2,739,479	
93.941	HIV Demonstration, Research, Public and Profession		3030	341,168	337,122	
	Federal Program 93.941 Total			341,168	337,122	
93.944	Human Immunodeficiency Virus (Hiv)/Acquired Immuno		3030	1,795,448	1,028,364	
	Federal Program 93.944 Total			1,795,448	1,028,364	
93.945	Assistance Programs for Chronic Disease Prevention		3030	1,596,372	137,217	
93.945		11095SUB	3600	606	0	PT
93.945		11313SUB	3600	5,954	0	PT
93.945		WFUHS 114516	3600	21,009	0	PT
	Federal Program 93.945 Total			1,623,941	137,217	
93.946	Cooperative Agreements to Support State-Based Safe		3030	147,619	0	
	Federal Program 93.946 Total			147,619	0	
93.958	Block Grants for Community Mental Health Services		3000	11,286,558	4,805,792	
93.958			6990	48,000	0	
	Federal Program 93.958 Total			11,334,558	4,805,792	
93.959	Block Grants for Prevention and Treatment of Subst		3000	32,816,042	13,010,377	
	Federal Program 93.959 Total			32,816,042	13,010,377	
93.969	Pphf Geriatric Education Centers		3600	638,526	127,511	
	Federal Program 93.969 Total			638,526	127,511	
93.977	Preventive Health Services_sexually Transmitted DI		3030	2,988,874	1,250,451	
93.977			3600	1,075,131	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.977	Preventive Health Services_sexually Transmitted DI	13010103000000ST	3600	57,977	0	PT
Federal Program 93.977 Total				4,121,982	1,250,451	
93.991	Preventive Health and Health Services Block Grant	15-07-1-01-113-0 AM01	3600	105,699	0	PT
Federal Program 93.991 Total				105,699	0	
93.994	Maternal and Child Health Services Block Grant To		3030	9,996,861	6,229,736	
Federal Program 93.994 Total				9,996,861	6,229,736	
93.U01	HHS - Unknown CFDA Number	0000724839 AM03	3600	2,395	0	PT
93.U01		0000724839 AM04	3600	8,054	0	PT
Federal Program 93.U01 Total				10,449	0	
93.U02	HHS - Unknown CFDA Number	0000800279AM01P50CA097	3600	11,843	0	PT
Federal Program 93.U02 Total				11,843	0	
93.U03	HHS - Unknown CFDA Number	0000825528	3600	8,545	0	PT
Federal Program 93.U03 Total				8,545	0	
93.U04	HHS - Unknown CFDA Number	1 F30 CA 192475-01	3600	5,478	0	
Federal Program 93.U04 Total				5,478	0	
93.U05	HHS - Unknown CFDA Number	200201142026MOD000004	3600	62,227	0	
Federal Program 93.U05 Total				62,227	0	
93.U06	HHS - Unknown CFDA Number	200-2014-61285	3600	36,690	0	
93.U06		200-2014-61285 MOD02	3600	572,811	0	
Federal Program 93.U06 Total				609,501	0	
93.U07	HHS - Unknown CFDA Number	HHSN268200736195CMOD11	3600	30,391	0	
93.U07		HHSN268200736195CMOD12	3600	1,406	0	
Federal Program 93.U07 Total				31,797	0	
93.U08	HHS - Unknown CFDA Number	HHSN268201100037C AM07	3600	4,630,662	0	
93.U08		HHSN268201100037C AM08	3600	734,433	0	
93.U08		HHSN268201100037CAM012	3600	3,879,012	0	
93.U08		HHSN268201100037CMOD10	3600	3,286,354	0	
Federal Program 93.U08 Total				12,530,461	0	
93.U09	HHS - Unknown CFDA Number	HHSN268201200036CMOD08	3600	216,369	125,456	
Federal Program 93.U09 Total				216,369	125,456	

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 Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.U10	HHS - Unknown CFDA Number	HHSN268201300005CMOD05	3600	857,926		0
93.U10		HHSN268201300005CMOD06	3600	1,154,955	51,627	
93.U10		HHSN268201300005CMOD07	3600	34,803		0
Federal Program 93.U10 Total				2,047,684	51,627	
93.U11	HHS - Unknown CFDA Number	HHSN268201500003I	3600	186,973		0
93.U11		HHSN268201500003IHHSN2	3600	3,334,977	1,883,237	
Federal Program 93.U11 Total				3,521,950	1,883,237	
93.U12	HHS - Unknown CFDA Number	HHSN268201500018C	3600	8,273		0
Federal Program 93.U12 Total				8,273	0	
93.U13	HHS - Unknown CFDA Number	HHSN271201200663P AM03	3600	34,151		0
Federal Program 93.U13 Total				34,151	0	
93.U14	HHS - Unknown CFDA Number	HHSN271201500051C	3600	43,506		0
Federal Program 93.U14 Total				43,506	0	
93.U15	HHS - Unknown CFDA Number	HHSN271201500767P	3600	57,225		0
Federal Program 93.U15 Total				57,225	0	
93.U16	HHS - Unknown CFDA Number	HHSN272201000024CMOD04	3600	32,412	25,901	
Federal Program 93.U16 Total				32,412	25,901	
93.U17	HHS - Unknown CFDA Number	HHSN272201300010CMOD02	3600	39,956		0
93.U17		HHSN272201300010CMOD03	3600	2,762,239		0
Federal Program 93.U17 Total				2,802,195	0	
93.U18	HHS - Unknown CFDA Number	HHSN272201300023C COA1	3600	2,306,041	1,224,328	
Federal Program 93.U18 Total				2,306,041	1,224,328	
93.U19	HHS - Unknown CFDA Number	HHSN272201400016C AM02	3600	428,362		0
Federal Program 93.U19 Total				428,362	0	
93.U20	HHS - Unknown CFDA Number	HHSN272201400049CMOD02	3600	970,859	294,780	
Federal Program 93.U20 Total				970,859	294,780	
93.U21	HHS - Unknown CFDA Number	HHSN272201401165PREQ35	3600	21,446		0
Federal Program 93.U21 Total				21,446	0	
93.U22	HHS - Unknown CFDA Number	HHSN2752013000251MOD04	3600	41,830		0
93.U22		HHSN2752013000251	3600	116,723		0

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.U22	HHS - Unknown CFDA Number	HHSN275201300025I AM01	3600	466,579		0
93.U22		HHSN275201300025IMOD03	3600	26,432		0
93.U22		HHSN275201300025ITO4	3600	214,993		0
Federal Program 93.U22 Total				866,557		0
93.U23	HHS - Unknown CFDA Number	HHSN276201100008C AM09	3600	3,029		0
93.U23		HHSN276201100008CMOD15	3600	11,799		0
93.U23		HHSN276201100008CMOD16	3600	1,523,511	56,949	
Federal Program 93.U23 Total				1,538,339		56,949
93.U24	HHS - Unknown CFDA Number	HHSN276201400658P	3600	10,773		0
Federal Program 93.U24 Total				10,773		0
93.U25	HHS - Unknown CFDA Number	HHSN276201500661P	3600	18,583		0
Federal Program 93.U25 Total				18,583		0
93.U26	HHS - Unknown CFDA Number	N01-HC-95159 MOD41	3600	356,446		67,027
93.U26		N01HC95159MOD40OPTYR11	3600	(588)		0
Federal Program 93.U26 Total				355,858		67,027
93.U27	HHS - Unknown CFDA Number	80-0730	3600	32,319		0
Federal Program 93.U27 Total				32,319		0
93.U28	HHS - Unknown CFDA Number	000500918-T005-SC003	3600	3,632		0 PT
93.U28		000500918-T008-SC001	3600	8,863		0 PT
93.U28		000500918-T010-SC009	3600	2,670		0 PT
93.U28		000500918T004SC005AM00	3600	98,245		0 PT
Federal Program 93.U28 Total				113,410		0
93.U29	HHS - Unknown CFDA Number	0024031-6 AM02	3600	17,301		0 PT
93.U29		0024031-6 AM03	3600	129,117		0 PT
93.U29		0024031-6 AM04	3600	11,153		0 PT
93.U29		0024031-6 AM05	3600	54,570		0 PT
Federal Program 93.U29 Total				212,141		0
93.U30	HHS - Unknown CFDA Number	WFUHS 33000 AM04	3600	58,801		0 PT
93.U30		WFUHS 33000 AM09	3600	145,803		0 PT
93.U30		WFUHS 33000 AM11	3600	21		0 PT
93.U30		WFUHS33000SULLIVANAM07	3600	14,349		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 Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 93.U30 Total				218,974	0	
93.U31	HHS - Unknown CFDA Number	HHSN268201300071CPH24A	3600	13,812	0	PT
93.U31		HHSN268201300071CX2AM0	3600	19,740	0	PT
Federal Program 93.U31 Total				33,552	0	
93.U32	HHS - Unknown CFDA Number	HHSN268201500021C	3600	10,776	0	PT
93.U32		HHSN268201500021C (I)	3600	17,077	0	PT
Federal Program 93.U32 Total				27,853	0	
93.U33	HHS - Unknown CFDA Number	45676	3600	46,813	0	PT
Federal Program 93.U33 Total				46,813	0	
93.U34	HHS - Unknown CFDA Number	AMENDMENT 1	3600	2,133	0	PT
Federal Program 93.U34 Total				2,133	0	
93.U35	HHS - Unknown CFDA Number	HHSN272201000006I	3600	1,166,160	0	PT
Federal Program 93.U35 Total				1,166,160	0	
93.U36	HHS - Unknown CFDA Number	UWNMR-13598-4	3600	140,753	0	PT
93.U36		UWPPG-13598-4	3600	798,853	0	PT
Federal Program 93.U36 Total				939,606	0	
93.U37	HHS - Unknown CFDA Number	2014-17	3600	14,269	0	PT
93.U37		2015-32	3600	34,567	0	PT
Federal Program 93.U37 Total				48,836	0	
93.U38	HHS - Unknown CFDA Number	SUBCONTRACT UW#2	3600	141,615	54,263	PT
93.U38		SUBCONTRACT UW#2 MOD01	3600	320,065	13,263	PT
Federal Program 93.U38 Total				461,680	67,526	
93.U39	HHS - Unknown CFDA Number	C13-223 MOD01	3600	34,754	0	PT
Federal Program 93.U39 Total				34,754	0	
93.U40	HHS - Unknown CFDA Number	PO#323870 AM01	3600	98,797	0	PT
Federal Program 93.U40 Total				98,797	0	
93.U41	HHS - Unknown CFDA Number	0002 AM02	3600	(20,323)	0	PT
93.U41		0003HHSD2002013M53943B	3600	(11,932)	0	PT
Federal Program 93.U41 Total				(32,255)	0	
93.U42	HHS - Unknown CFDA Number	UW BUD# 633218	3600	43,634	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.U42	HHS - Unknown CFDA Number	UW BUD# 669187	3600	1,859		0 PT
Federal Program 93.U42 Total				45,493		0
93.U43	HHS - Unknown CFDA Number	0000848434	3600	52,890		0 PT
93.U43		0000865655HHSN26820160	3600	4,878		0 PT
Federal Program 93.U43 Total				57,768		0
93.U44	HHS - Unknown CFDA Number	2014138348 MOD01	3600	13,825		0 PT
93.U44		2015157233	3600	32,192		0 PT
93.U44		2015181380 TO01	3600	3,079		0 PT
93.U44		HHSN272200800004C	3600	(2)		0 PT
Federal Program 93.U44 Total				49,094		0
93.U45	HHS - Unknown CFDA Number	80799HHS A290201000025I	3600	50,766		0 PT
93.U45		HHS A290201000025L AM01	3600	36,452		0 PT
93.U45		PROJ80784HHS A290201000	3600	45,785		0 PT
Federal Program 93.U45 Total				133,003		0
93.U46	HHS - Unknown CFDA Number	P1090 PO#2002565212	3600	8,067		0 PT
Federal Program 93.U46 Total				8,067		0
93.U47	HHS - Unknown CFDA Number	HHSN272201500011C	3600	181,732		0 PT
Federal Program 93.U47 Total				181,732		0
93.U48	HHS - Unknown CFDA Number	225183 MOD01	3600	43,526		0 PT
Federal Program 93.U48 Total				43,526		0
93.U49	HHS - Unknown CFDA Number	AM03	3600	13,597		0 PT
Federal Program 93.U49 Total				13,597		0
93.U50	HHS - Unknown CFDA Number	1003915-UW	3600	3		0 PT
93.U50		1004354-UWA	3600	50,505		0 PT
93.U50		1004354_UWA AM01	3600	253,600		0 PT
93.U50		1008695_UW	3600	15,499		0 PT
93.U50		1008888_UW	3600	17,345		0 PT
93.U50		1008888_UW AM01	3600	1,902		0 PT
Federal Program 93.U50 Total				338,854		0
93.U51	HHS - Unknown CFDA Number	DHH15420106611CRTAM02	3600	(367)		0 PT
Federal Program 93.U51 Total				(367)		0

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.U52	HHS - Unknown CFDA Number	9920160019	3600	40,049	0	PT
Federal Program 93.U52 Total				40,049	0	0
93.U53	HHS - Unknown CFDA Number	UWNMR-13597-3	3600	40,838	0	PT
93.U53		UWPPG-13597-3	3600	255,204	0	PT
Federal Program 93.U53 Total				296,042	0	0
93.U54	HHS - Unknown CFDA Number	UW BUD# 630146	3600	19,846	0	PT
93.U54		UW BUD# 630270	3600	3,157	0	PT
93.U54		UW BUD# 630817	3600	1,453	0	PT
93.U54		UW BUD# 633172	3600	53,393	0	PT
93.U54		UW BUD# 633174	3600	18,101	0	PT
93.U54		UW BUD# 633450	3600	2,820	0	PT
93.U54		UW BUD# 637759	3600	73,062	0	PT
Federal Program 93.U54 Total				171,832	0	0
93.U55	HHS - Unknown CFDA Number	MOD06	3600	27,637	0	PT
Federal Program 93.U55 Total				27,637	0	0
93.U56	HHS - Unknown CFDA Number	000438814TO2SC001AM01	3600	7,208	0	PT
93.U56		000501394-005 AM02	3600	141,821	0	PT
Federal Program 93.U56 Total				149,029	0	0
93.U57	HHS - Unknown CFDA Number	10313800-004	3600	51,239	0	PT
Federal Program 93.U57 Total				51,239	0	0
93.U58	HHS - Unknown CFDA Number	1600258POSR00004052AM0	3600	37,018	0	PT
93.U58		TASK 1, PO# SR00004028	3600	1,826	0	PT
93.U58		TASK1413375POSR0000404	3600	4,822	0	PT
93.U58		TASK313369POSR00004051	3600	101,563	0	PT
93.U58		TASK913373POSR00004049	3600	32,950	0	PT
93.U58		TO713371POSR00004050	3600	33,062	0	PT
Federal Program 93.U58 Total				211,241	0	0
93.U59	HHS - Unknown CFDA Number	1400290 AM01	3600	35,130	0	PT
Federal Program 93.U59 Total				35,130	0	0
93.U60	HHS - Unknown CFDA Number	N01CN201200013C3092101	3600	10,511	0	PT
93.U60		RS20122159-06 AM001	3600	456,901	83	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 93.U60 Total				467,412	83	
93.U61	HHS - Unknown CFDA Number	416495-G AM01	3600	38,413	0	PT
Federal Program 93.U61 Total				38,413	0	
93.U62	HHS - Unknown CFDA Number	416504	3600	131,101	0	PT
93.U62		SA 416768 MOD03	3600	219,814	0	PT
Federal Program 93.U62 Total				350,915	0	
93.U63	HHS - Unknown CFDA Number	WFUHS 30225 AM04	3600	810,730	0	PT
Federal Program 93.U63 Total				810,730	0	
93.U64	HHS - Unknown CFDA Number	6049.03-S04 MOD03	3600	57,545	0	PT
93.U64		6049.03-S06 MOD01	3600	30,961	0	PT
Federal Program 93.U64 Total				88,506	0	
93.U65	HHS - Unknown CFDA Number	TO02PROJ602002MOD02	3600	9,180	0	PT
93.U65		TO2PROJ602002MOD01	3600	3,517	0	PT
Federal Program 93.U65 Total				12,697	0	
93.U66	HHS - Unknown CFDA Number	2015030061	3600	15	0	PT
Federal Program 93.U66 Total				15	0	
93.U67	HHS - Unknown CFDA Number	HHSN276201100008CMOD00	3600	5,602	0	
Federal Program 93.U67 Total				5,602	0	
93.U68	HHS - Unknown CFDA Number	5 F32 GM 19929-02	3600	539	0	
Federal Program 93.U68 Total				539	0	
93.U69	HHS - Unknown CFDA Number	46181	3650	17,752	0	PT
Federal Program 93.U69 Total				17,752	0	
Dept of Health & Human Services Total				942,617,585	283,834,953	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Corp for National & Community Service

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
94.002	Retired and Senior Volunteer Program		3750	60,056	0	
94.002			6990	51,973	0	
Federal Program 94.002 Total				112,029	0	
94.003	State Commissions		1050	324,165	0	
94.003		WSU003219	3650	1,621	0	PT
Federal Program 94.003 Total				325,786	0	
94.006	Americorps		1050	13,838,585	2,994,210	
94.006		480200	3600	27,744	0	PT
94.006			3800	610,854	0	
94.006			6990	148,078	0	
Federal Program 94.006 Total				14,625,261	2,994,210	
94.013	Volunteers In Service to America		3800	9,465	0	
Federal Program 94.013 Total				9,465	0	
94.021	Volunteer Generation Fund		1050	357,133	350,665	
Federal Program 94.021 Total				357,133	350,665	
Corp for National & Community Service Total				15,429,674	3,344,875	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Programs Not Clustered

Executive Office of the President

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
95.001	High Intensity Drug Trafficking Areas Program		2250	1,394,364	0	
95.001		K10186-TFM5	2250	92	0	PT
95.001		K11309-TF09	2250	2,188	0	PT
95.001		9003000093	3600	24,067	0	PT
95.001		9004000062	3600	30,000	0	PT
Federal Program 95.001 Total				1,450,711	0	
95.005	Drug Court Training and Technical Assistance	AM01	3600	47,291	0	PT
Federal Program 95.005 Total				47,291	0	
Executive Office of the President Total				1,498,002	0	

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Federal Programs Not Clustered

Social Security Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
96.008	Social Security - Work Incentives Planning and Ass		5400	25,451		0
Federal Program 96.008 Total				25,451		0
Social Security Administration Total				25,451		0

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Federal Programs Not Clustered

Dept of Homeland Security

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
97.005	State and Local Homeland Security Training Program	FEMA 10466	6990	11,617		0 PT
	Federal Program 97.005 Total			11,617		0
97.008	Non-Profit Security Program		2450	121,545	121,544	
	Federal Program 97.008 Total			121,545	121,544	
97.012	Boating Safety Financial Assistance		4650	2,115,092		0
	Federal Program 97.012 Total			2,115,092		0
97.023	Community Assistance Program State Support Service		4610	168,980		0
	Federal Program 97.023 Total			168,980		0
97.029	Flood Mitigation Assistance		2450	770,696	717,731	
	Federal Program 97.029 Total			770,696	717,731	
97.036	Disaster Grants - Public Assistance (Presidential)		2450	17,913,849	14,829,608	
	Federal Program 97.036 Total			17,913,849	14,829,608	
97.039	Hazard Mitigation Grant		2450	5,667,672	5,298,608	
	Federal Program 97.039 Total			5,667,672	5,298,608	
97.041	National Dam Safety Program		4610	97,700		0
	Federal Program 97.041 Total			97,700		0
97.042	Emergency Management Performance Grants		2450	6,514,749	3,665,549	
	Federal Program 97.042 Total			6,514,749	3,665,549	
97.043	State Fire Training Systems Grants		2250	259,228		0
	Federal Program 97.043 Total			259,228		0
97.045	Cooperating Technical Partners		3600	147,357		0
97.045			4610	120,070		0
97.045			4900	139,081		0
	Federal Program 97.045 Total			406,508		0
97.046	Fire Management Assistance Grant		2450	432,703	94,966	
	Federal Program 97.046 Total			432,703	94,966	
97.047	Pre-Disaster Mitigation		2450	3,079,035	2,976,038	
	Federal Program 97.047 Total			3,079,035	2,976,038	
97.056	Port Security Grant Program		2250	91,729		0

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Federal Programs Not Clustered

Dept of 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
97.056	Port Security Grant Program	K10875-PRD2	2250	1,315		0 PT
97.056			4050	1,310,444		0
Federal Program 97.056 Total				1,403,488		0
97.061	Centers for Homeland Security	2015-01722-02	3600	35,256		0 PT
97.061		2015-01722-03	3600	56,443		0 PT
97.061		PO484663-01	3600	91,992		0 PT
97.061		R0288152 PO484663	3600	6,398		0 PT
97.061		S11198.05 MOD05	3600	33,363		0 PT
97.061		50503678050	3650	20,351		0 PT
Federal Program 97.061 Total				243,803		0
97.065	Homeland Security Advanced Research Projects Agenc	130389	3650	45,762		0 PT
Federal Program 97.065 Total				45,762		0
97.067	Homeland Security Grant Program	K11678-SG85	2250	2,115		0 PT
97.067			2450	13,538,692	10,913,044	
Federal Program 97.067 Total				13,540,807	10,913,044	
97.110	Severe Repetitive Loss Program		2450	236,930	231,237	
Federal Program 97.110 Total				236,930	231,237	
97.130	National Nuclear Forensics Expertise Development P	MUSC13003	3650	(4,607)		0 PT
Federal Program 97.130 Total				(4,607)		0
97.U01	Homeland Security - Unknown CFDA Number	AM02	3600	27,422		0 PT
Federal Program 97.U01 Total				27,422		0
97.U02	Homeland Security - Unknown CFDA Number	505092-78051	3600	68,599		0 PT
Federal Program 97.U02 Total				68,599		0
97.U03	Homeland Security - Unknown CFDA Number	BN15-0073	3600	16,542		0 PT
Federal Program 97.U03 Total				16,542		0
97.U04	Homeland Security - Unknown CFDA Number	14-DHS-1100 AM02	3600	576,933		0 PT
Federal Program 97.U04 Total				576,933		0
97.U05	Homeland Security - Unknown CFDA Number	HSHQDC13CB0013MODP02	3600	50,247		0
97.U05		HSHQDC13CB0013MODP03	3600	658,057	266,579	
Federal Program 97.U05 Total				708,304	266,579	

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Dept of Homeland Security

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
97.U06	Homeland Security - Unknown CFDA Number	HSHQDC-15-C-B0033	3600	256,388	0	
97.U06		HSHQDC15CB0033AMP00001	3600	239,436	173,854	
Federal Program 97.U06 Total				495,824	173,854	
97.U07	Homeland Security - Unknown CFDA Number	150445	3650	60,822	0	PT
Federal Program 97.U07 Total				60,822	0	
97.U08	Homeland Security - Unknown CFDA Number	HSBP1011P00893	3650	5,976	0	
Federal Program 97.U08 Total				5,976	0	
Dept of Homeland Security Total				54,985,979	39,288,758	

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Federal Programs Not Clustered

U.S. Agency for International Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
98.001	Usaid Foreign Assistance for Programs Overseas		3600	1,907,778	818,924	
98.001		00008193 AM05	3600	59,061		0 PT
98.001		00008193 AM07	3600	156,455		0 PT
98.001		00449784111052AM02	3600	23,785		0 PT
98.001		201121454-17 AM02	3600	25,530		0 PT
98.001		3312021492452359LMOD01	3600	21,914		0 PT
98.001		44827833POS9000468AM00	3600	64,034		0 PT
98.001		FY15-AMDI-TASCHA-01	3600	111,053		0 PT
98.001		IMA0420162USHINDIUWASH	3600	13,758		0 PT
98.001		SH1425 AM01	3600	42,074		0 PT
98.001		SR1405 AM02	3600	58,333		0 PT
98.001			3650	839,633	157,920	
98.001		20140373901	3650	16,811		0 PT
98.001		45136419276	3650	3,779		0 PT
Federal Program 98.001 Total				3,343,998	976,844	
98.U01	US Agency for Internat Develop - Unknown CFDA Numb	A138-2015-02-UW	3600	68,466		0 PT
Federal Program 98.U01 Total				68,466	0	
98.U02	US Agency for Internat Develop - Unknown CFDA Numb	401UW MOD01	3600	16,445		0 PT
Federal Program 98.U02 Total				16,445	0	
98.U03	US Agency for Internat Develop - Unknown CFDA Numb	SH1113 AM11	3600	38,738		0 PT
Federal Program 98.U03 Total				38,738	0	
98.U04	US Agency for Internat Develop - Unknown CFDA Numb	ORC11640200529697CRTAM	3600	53,274		0 PT
Federal Program 98.U04 Total				53,274	0	
U.S. Agency for International Development Total				3,520,921	976,844	

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Federal Programs Not Clustered

Undetermined Fed Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
99.U01	Unknown Fed Agency Unknown CFDA Number	PS 6243102	3600	16,992	0	PT
Federal Program 99.U01 Total				16,992	0	
99.U02	Unknown Fed Agency Unknown CFDA Number	09-097QQ-UW	3600	17,736	0	PT
Federal Program 99.U02 Total				17,736	0	
99.U03	Unknown Fed Agency Unknown CFDA Number	2013HI314001APS6192921	3600	30,189	0	PT
Federal Program 99.U03 Total				30,189	0	
Undetermined Fed Agency Total				64,917	0	
Federal Programs Not Clustered Total				3,563,551,202	843,959,257	

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Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.001	Agricultural Research_basic and Applied Research		3600	224,895	0	
Federal Program 10.001 Total				224,895	0	
Agricultural Research Service Total				224,895	0	
10.200	Grants for Agricultural Research, Special Research		3600	716,263	367,125	
10.200			3650	552,892	367,534	
10.200		201302570019CHASTAGNER	3650	(466)	0	PT
10.200		20130257011WSU	3650	(186)	0	PT
10.200		20140287810WSU	3650	32,302	0	PT
10.200		20140287818WSU	3650	21,443	0	PT
10.200		20140287819WSU	3650	2,863	0	PT
10.200		20140287820WSU	3650	45,480	0	PT
10.200		20140287829WSU	3650	12,136	0	PT
10.200		20150258701WSU	3650	22,424	0	PT
10.200		20150258715WSU	3650	5,541	0	PT
10.200		20150258718WSU	3650	8,523	0	PT
10.200		20150258726WSU	3650	38,105	0	PT
10.200		5731FBSMITHGRANATS	3650	11,312	0	PT
10.200		AFE742346	3650	921	0	PT
10.200		BJKP365B003	3650	573	0	PT
10.200		G140261	3650	133,554	0	PT
Federal Program 10.200 Total				1,603,680	734,659	
10.202	Cooperative Forestry Research		3600	449,499	0	
10.202			3650	482,653	0	
Federal Program 10.202 Total				932,152	0	
10.203	Payments to Agricultural Experiment Stations Under		3650	4,599,267	0	
Federal Program 10.203 Total				4,599,267	0	
10.207	Animal Health and Disease Research		3650	97,905	0	
Federal Program 10.207 Total				97,905	0	
10.212	Small Business Innovation Research	UW BUD# 669887	3600	47,420	0	PT
10.212		11781801	3650	32,571	0	PT
Federal Program 10.212 Total				79,991	0	
10.215	Sustainable Agriculture Research and Education	110892012	3650	13,138	0	PT

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Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.215	Sustainable Agriculture Research and Education	12083302	3650	112,598	0	PT
10.215		120833032	3650	7,039	0	PT
10.215		120833036	3650	24,404	0	PT
10.215		130676002	3650	72,975	0	PT
10.215		130676022	3650	1,308	0	PT
10.215		130676026	3650	8,193	0	PT
10.215		140867029	3650	79,985	0	PT
10.215		140867032	3650	17,100	0	PT
10.215		14086704268	3650	1,040	0	PT
Federal Program 10.215 Total				337,780	0	
10.227	1994 Institutions Research Program	28751MOD1NIFA201338424	3600	(41)	0	PT
10.227		UW BUD# 630823	3600	5,955	0	PT
10.227		28751	3650	846	0	PT
10.227		28753	3650	1,253	0	PT
10.227		WSU002241	3650	(6,853)	0	PT
10.227		WSU002537	3650	1,033	0	PT
10.227		28750	3800	13,853	0	PT
Federal Program 10.227 Total				16,046	0	
National Institute of Food and Agriculture Total				7,666,821	734,659	
10.250	Agricultural and Rural Economic Research		3650	110,307	0	
Federal Program 10.250 Total				110,307	0	
Economic Research Service Total				110,307	0	
10.307	Organic Agriculture Research and Extension Initiat		3650	372,434	96,631	
10.307		14082302	3650	79,142	0	PT
10.307		C0440AA	3650	(1)	0	PT
Federal Program 10.307 Total				451,575	96,631	
10.310	Agriculture and Food Research Initiative (Afri)		3600	9,970,758	8,075,356	
10.310		416211-UW AM001	3600	28,450	0	PT
10.310		4500001195 AM02	3600	3,585	0	PT
10.310		612K032 AM01	3600	56,434	0	PT
10.310		KFS5259950PO11522AM01	3600	1,217	0	PT
10.310		UNR1550PR2013670192136	3600	58,062	0	PT
10.310			3650	15,910,381	6,132,818	

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Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.310	Agriculture and Food Research Initiative (Afri)	101474002	3650	412,294	0	PT
10.310		102117659	3650	152,522	0	PT
10.310		15115	3650	25	0	PT
10.310		20101571807	3650	198,661	0	PT
10.310		20101573903	3650	56,552	0	PT
10.310		20122309005	3650	173,587	0	PT
10.310		20140634401	3650	5,181	0	PT
10.310		2563210212002	3650	124,575	0	PT
10.310		29034SUB51751	3650	21,558	0	PT
10.310		5000676	3650	38,389	0	PT
10.310		BJKL03SB002	3650	1,353,708	0	PT
10.310		BJKP55SB02	3650	16,206	0	PT
10.310		BKK123SB002	3650	6,760	0	PT
10.310		C000315874	3650	36,281	0	PT
10.310		RC101749WSU	3650	(7,058)	0	PT
10.310		RC104967WSU	3650	121,026	0	PT
10.310		S110072	3650	361,664	0	PT
10.310		S110072	3650	107,892	107,892	PT
10.310		S15183	3650	2,426	0	PT
10.310		SUB2011128	3650	34,916	0	PT
10.310		SUB2011128	3650	21,418	21,418	PT
10.310		U0720BA	3650	8,442	0	PT
10.310			3760	20,000	0	
10.310		202569WWU	3800	37,167	0	PT
Federal Program 10.310 Total				29,333,079	14,337,484	
National Institute of Food and Agriculture Total				29,784,654	14,434,115	
10.652	Forestry Research		3600	10,695	0	
10.652			3650	26,576	0	
10.652			3800	41,183	0	
Federal Program 10.652 Total				78,454	0	
10.680	Forest Health Protection		3600	17,733	0	
10.680		A106307 (WA-007)	3600	45,008	0	PT
10.680		A97911	3600	3,513	0	PT
10.680			3650	20,405	0	

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Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 10.680 Total				86,659		0
Forest Service Total				165,113		0
Dept of Agriculture Total				37,951,790	15,168,774	

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Research and Development

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.417	Sea Grant Support		3600	3,796,550	396,098	
11.417		47485269POS9000494002	3600	59,425	11,255	PT
Federal Program 11.417 Total				3,855,975	407,353	
11.420	Coastal Zone Management Estuarine Research Reserve		4610	845,148	0	
Federal Program 11.420 Total				845,148	0	
11.427	Fisheries Development and Utilization Research And		3600	215,950	0	
11.427		H003990003PRIMENA14NMF	3600	(10)	0	PT
11.427		NA15NMF4270318	3600	4,828	0	PT
11.427			4770	128,482	0	
Federal Program 11.427 Total				349,250	0	
11.431	Climate and Atmospheric Research		3600	752,286	0	
11.431		16-04 AM01	3600	7,506	0	PT
11.431		NA226B-D AM04	3600	8,528	0	PT
11.431		NA291A-B	3600	23,711	0	PT
11.431		Z15-22317 MOD01	3600	9,943	0	PT
Federal Program 11.431 Total				801,974	0	
11.432	National Oceanic and Atmospheric Administration (N)		3600	20,259,700	48,785	
Federal Program 11.432 Total				20,259,700	48,785	
11.467	Meteorologic and Hydrologic Modernization Developm		2450	266,074	0	
Federal Program 11.467 Total				266,074	0	
11.468	Applied Meteorological Research		3600	381,270	0	
Federal Program 11.468 Total				381,270	0	
11.472	Unallied Science Program	12-85-10 AM04	3600	67,990	0	PT
11.472		1301	3600	15,040	0	PT
11.472		1304	3600	88,513	0	PT
11.472		1321	3600	243	0	PT
11.472		1402	3600	71,494	0	PT
11.472		1408	3600	36,879	0	PT
11.472		1509A	3600	63,375	0	PT
11.472		1511A	3600	17,425	0	PT
11.472		1515A	3600	19,775	0	PT
11.472		1525	3600	54,756	0	PT

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Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.472	Unallied Science Program	1530	3600	12,153	0	PT
11.472		1532	3600	77,981	0	PT
11.472		1533	3600	92,298	0	PT
11.472		F6423 AM01	3600	98,891	0	PT
11.472		G82/F5182-01 AM02	3600	64,799	0	PT
11.472		G84/F5384-01 AM01	3600	44,969	0	PT
11.472		PROJECT #1421	3600	4,374	0	PT
11.472		1427C	3800	3,794	0	PT
11.472		1533	3800	13,123	0	PT
11.472		G83/FS183-04	3800	1,293	0	PT
11.472		PROJECT 1427	3800	59,820	0	PT
11.472			4770	542,069	0	
Federal Program 11.472 Total				1,451,054	0	
National Oceanic and Atmospheric Administration (N Total)				28,210,445	456,138	
11.609	Measurement & Engineering Research & Stand		1030	183,937	0	
11.609			3600	56,385	0	
11.609			3650	18,103	0	
11.609			3700	37,740	0	
Federal Program 11.609 Total				296,165	0	
National Institute of Standards and Technology (Ni Total)				296,165	0	
Dept of Commerce Total				28,506,610	456,138	

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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
12.300	Basic and Applied Scientific Research		3600	18,359,916	1,532,351	
12.300		1141207-236198 AM12	3600	61,015		0 PT
12.300		1141221-293180 AM04	3600	56,316		0 PT
12.300		15-ONR-1029 AM02	3600	70,051		0 PT
12.300		2 GG007783 AM07	3600	212,549		0 PT
12.300		557493 AM04	3600	137,901		0 PT
12.300		60647113-107808 AM07	3600	128,017		0 PT
12.300		A101081 AM03	3600	55,727		0 PT
12.300		G-22069-1 AM01	3600	85,754		0 PT
12.300		N000141110450UWAMOD09	3600	46,170		0 PT
12.300		S140003POAC21505AM03	3600	50,914		0 PT
12.300			3650	1,060,115	87,666	
12.300		126522001	3650	3,130		0 PT
12.300		PO10060234	3650	32,007		0 PT
12.300			3800	101,828		0
12.300			4770	956,479		0
Federal Program 12.300 Total				21,417,889	1,620,017	
12.350	Department of Defense HIV/AIDS Prevention Program		3600	801,460		0
Federal Program 12.350 Total				801,460	0	
Department of the Navy, Office of the Chief of Nav Total				22,219,349	1,620,017	
12.351	Basic Scientific Research - Combating Weapons Of		3600	3,097,611	831	
12.351		UTA11-000762 AM03	3600	3,099		0 PT
12.351		UTA11-000762 AM05	3600	104,218		0 PT
12.351			3650	1,673,711	72,601	
12.351		SUB0000083	3650	61,134		0 PT
Federal Program 12.351 Total				4,939,773	73,432	
Office of the Secretary of Defense Total				4,939,773	73,432	
12.420	Military Medical Research and Development		3600	9,554,549	3,294,115	
12.420		0000787570 AM002	3600	(1,138)		0 PT
12.420		0000814873	3600	47,731		0 PT
12.420		0000814873 AM01	3600	153,197		0 PT
12.420		0000814876	3600	118,594		0 PT
12.420		0000843084	3600	12,241		0 PT
12.420		0000843085	3600	6,806		0 PT

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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 Medical Research and Development	0000863149	3600	62,077	0	PT
12.420		0258-0701-4609	3600	3,362	0	PT
12.420		10033316	3600	54,897	0	PT
12.420		10291495 AM011	3600	58,422	0	PT
12.420		10291495 AM012	3600	213,522	0	PT
12.420		3003179988	3600	11,729	0	PT
12.420		3003179988 AM02	3600	115,974	0	PT
12.420		3003346129 AM02	3600	24,418	0	PT
12.420		3093 / PO #851000	3600	9,235	0	PT
12.420		364271-SUB 2 A6	3600	351,206	0	PT
12.420		535819PRW81XWH1110639	3600	24,705	0	PT
12.420		8455SC	3600	25,970	0	PT
12.420		8455SC AM01	3600	132,957	0	PT
12.420		ARM333AM04W81XWH111081	3600	252,985	0	PT
12.420		MIC.UW01.0911 AM04	3600	45,135	0	PT
12.420		MSRC-FY16-01	3600	60,512	0	PT
12.420		PE141UW1 MOD02	3600	3,640	0	PT
12.420		PO #10291495-010	3600	103,857	0	PT
12.420		PO 2002505331	3600	1,225	0	PT
12.420		PO# 10313249-004	3600	31,507	0	PT
12.420		PO# 2002478756	3600	43,666	0	PT
12.420		PO#2000859125 MOD05	3600	(85)	0	PT
12.420		PO#2000859125 MOD07	3600	12,684	0	PT
12.420		PT108802-SC104833 AM02	3600	21,620	0	PT
12.420		PT108802-SC104833 AM03	3600	62,555	0	PT
12.420		PT108802-SC104833-S1	3600	124,442	30,924	PT
12.420		PT108802SC104833S1AM04	3600	351,590	18,516	PT
12.420		R01477 AM05	3600	441,251	220,760	PT
12.420		UFDSP00010722	3600	144,394	0	PT
12.420		V-1204-01 MOD01	3600	99,649	0	PT
12.420		VUMC37447 MOD02	3600	29	0	PT
12.420		W81XWH0920194AM02SEPSI	3600	7,375	0	PT
12.420		WFUHS441002BGU02AM01	3600	10,568	0	PT
12.420			3650	238,694	0	
12.420		84425C	3650	114,688	0	PT
12.420			3700	156,552	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 12.420 Total				13,308,987	3,564,315	
U.S. Army Medical Command Total				13,308,987	3,564,315	
12.431	Basic Scientific Research		3600	3,532,719	694,523	
12.431		11-IARPA-1009 MOD07	3600	13,321		0 PT
12.431		16-S07	3600	14,358		0 PT
12.431		201301077-03 AM06	3600	218,570		0 PT
12.431		2014-2015-009	3600	63,047		0 PT
12.431		3003766303	3600	54,122		0 PT
12.431		5710003984	3600	149,446		0 PT
12.431		C13J11497J00210AM05	3600	92,687		0 PT
12.431			3650	454,600	44,460	
12.431		20150616603	3650	13,332		0 PT
12.431		S15216	3650	90,317		0 PT
Federal Program 12.431 Total				4,696,519	738,983	
U.S. Army Materiel Command Total				4,696,519	738,983	
12.630	Basic, Applied, and Advanced Research In Science A		3600	78,099		0
12.630		UW BUD# 662250	3600	45,162		0 PT
12.630			3650	94,080		0
Federal Program 12.630 Total				217,341	0	
Office of the Secretary of Defense Total				217,341	0	
12.800	Air Force Defense Resch Sciences Program		3600	5,140,684	2,526,741	
12.800		1150128-346283 AM03	3600	36,923		0 PT
12.800		2 (GG006552) AM04	3600	152,542		0 PT
12.800		60814399-114411 AM03	3600	99,762		0 PT
12.800		61129790-119334	3600	114,696		0 PT
12.800		RB250-G3 AM11	3600	193,964		0 PT
12.800		SP0022325PROJ0007154AM	3600	118,405		0 PT
12.800		SUB0000043PRFA95500910	3600	12,335		0 PT
12.800		UTA15-001301 AM01	3600	33,565		0 PT
12.800		UW BUD# 666087	3600	134,639		0 PT
12.800		UW BUD# 668748	3600	187,375		0 PT
12.800			3650	466,487	94,128	
12.800		UTA14_000245	3650	94,849		0 PT

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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
12.800	Air Force Defense Resch Sciences Program		3800	5,628	0	
Federal Program 12.800 Total				6,791,854	2,620,869	
Department of the Air Force, Materiel Command Total				6,791,854	2,620,869	
12.902	Information Security Grant Program		3600	160,614	0	
Federal Program 12.902 Total				160,614	0	
National Security Agency Total				160,614	0	
12.910	Research and Technology Development		3600	3,336,851	921,839	
12.910		1150114-293607 AM04	3600	88,994	0	PT
12.910		14544 MOD02	3600	128,182	0	PT
12.910		251658 AM05	3600	66,078	0	PT
12.910		564000	3600	162,673	0	PT
12.910		564000 AM02	3600	165,818	0	PT
12.910		67102239	3600	265,433	0	PT
12.910		D15AP00007	3600	47,144	0	PT
12.910		JHU-UW-100 TO03	3600	68,852	0	PT
12.910		UTA15-001252 AM02	3600	133,764	0	PT
12.910		WA00394311/OSP2016165	3600	25,064	0	PT
12.910			3650	426,225	39,760	
Federal Program 12.910 Total				4,915,078	961,599	
Advanced Research Projects Agency Total				4,915,078	961,599	
12.RD	DOD - Unknown CFDA Number	C130156FED	2250	169,920	0	
12.RD		Multiple	3600	31,001,094	541,880	
		N00024-10-D-6318/0041			0	PT
		N66001-15-C-4009			0	PT
		W912HQ-11-C-0053 P08			0	PT
		HDTRA1-13-C-0092			0	PT
12.RD		WA-S-2014-015-1	3600	83,736	0	PT
12.RD		00008727	3600	59,200	0	PT
12.RD		0330130010227201503	3600	44,972	0	PT
12.RD		1295-S-TA153	3600	1,907	0	PT
12.RD		14016	3600	242	0	PT
12.RD		15-S26-6-4-C1 MOD01	3600	19,627	0	PT
12.RD		15-S2606-04-C21 MOD01	3600	50,334	0	PT
12.RD		15-SUBC-440-0000323022	3600	44,054	0	PT
12.RD		15-USG-1064 MOD03	3600	180,447	0	PT
12.RD		15020-504519-DS	3600	36,055	0	PT
12.RD		15024	3600	16,433		

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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.RD	DOD - Unknown CFDA Number	168-000045 MOD01	3600	19,190	0	PT
12.RD		191-16-C-0003 MOD1	3600	18,808	0	PT
12.RD		1990377-350157 AM01	3600	26,632	0	PT
12.RD		2001977042 MOD04	3600	77,095	0	PT
12.RD		2002927679	3600	9,002	0	PT
12.RD		3003270965	3600	78,293	0	PT
12.RD		3115-SC001 AM02	3600	124,183	0	PT
12.RD		741-UW-2015	3600	39,778	0	PT
12.RD		930600	3600	721	0	PT
12.RD		AM04	3600	44,115	0	PT
12.RD		APS-14-02 MOD07	3600	47,053	0	PT
12.RD		BD517407 AM01	3600	29,640	0	PT
12.RD		BD517407A AM02	3600	71,353	0	PT
12.RD		CRFR-009-02-01 MOD01	3600	75,980	0	PT
12.RD		FA8650-12-C5203 AM06	3600	190,052	0	PT
12.RD		GRANT PT100068 AM03	3600	28,527	0	PT
12.RD		HDTRA1-11-C-0026 AM09	3600	22,763	0	PT
12.RD		HDTRA1-11-C-0026 AM10	3600	400,000	0	PT
12.RD		K000886-00-S06 MOD08	3600	85,919	0	PT
12.RD		P.O. 15-03	3600	2,372	0	PT
12.RD		PO P0095291	3600	(3,469)	0	PT
12.RD		RM102A-B AM06	3600	200,453	0	PT
12.RD		RM119A-A AM02	3600	78,850	0	PT
12.RD		RNG200317-UW	3600	11,597	0	PT
12.RD		S16-17 MOD01	3600	11,697	0	PT
12.RD		T72595 CO01	3600	98,920	0	PT
12.RD		TAI-15-0831	3600	25,000	0	PT
12.RD		UW BUD# 630621	3600	22,741	0	PT
12.RD		UW BUD# 633115	3600	134,323	0	PT
12.RD		UW BUD# 633939	3600	1,489	0	PT
12.RD		UW BUD# 635368	3600	15,225	0	PT
12.RD		UW BUD# 637678	3600	13,454	0	PT
12.RD		UW BUD# 638300	3600	(80,657)	0	PT
12.RD		UW BUD# 669807	3600	155,020	0	PT
12.RD		UW OSP# A81377 AM02	3600	7,407	0	PT
12.RD		UW02052016	3600	5,000	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.RD	DOD - Unknown CFDA Number	V0622A-A AM03	3600	66,501	0	PT
12.RD		W81XWH-11-1-0835 AM01	3600	132,457	0	PT
12.RD		W81XWH1020090 MOD03	3600	2,187	0	PT
12.RD		W9113M07S4BASEMOD07	3600	(23,886)	0	PT
12.RD		149000002	3650	120,229	0	PT
12.RD		2001520332	3650	183,379	0	PT
12.RD		2002688433	3650	278,756	0	PT
12.RD		ARM211	3650	55,696	0	PT
12.RD		HU0001161TS0	3650	32,881	0	PT
12.RD		WSU002917	3650	154,733	0	PT
12.RD		W911S8-15-2-0003 911S8-16-2-0006	4770	97,799	0	
12.RD		W911S816D0002 W911S810D0022	6990	275,166	0	
Federal Program 12.RD Total				35,172,445	541,880	
DOD Contract Number Only Provided Total				35,172,445	541,880	
Dept of Defense Total				92,421,960	10,121,095	

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Research and Development

Housing & Urban Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
14.008	Transformation Initiative: Choice Neighborhoods		3000	29,388		0
Federal Program 14.008 Total				29,388		0
Office of Policy Development and Research Total				29,388		0
Housing & Urban Development Total				29,388		0

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Research and Development

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.650	Research Grants (Generic)		3600	29,326	(124)	
15.650			3650	90,011	0	
15.650			4770	72,172	0	
Federal Program 15.650 Total				191,509	(124)	
15.669	Cooperative Landscapte Conservation		3600	28,097	0	
15.669		USFWS F12AP00833	3600	(663)	0	PT
15.669			4770	35,275	0	
Federal Program 15.669 Total				62,709	0	
Fish and Wildlife Service Total				254,218	(124)	
15.805	Assistance to State Water Resources Research Insti		3650	107,085	27,500	
Federal Program 15.805 Total				107,085	27,500	
15.807	Earthquake Hazards Reduction Program		3600	902,403	0	
15.807			3750	157,525	0	
Federal Program 15.807 Total				1,059,928	0	
15.808	U.S. Geological Survey_ Research and Data Collecti		3600	345,806	0	
15.808			3650	99,122	0	
15.808			3700	34,644	0	
15.808			4610	59,171	0	
Federal Program 15.808 Total				538,743	0	
15.812	Cooperative Research Units Program		3600	366,113	0	
Federal Program 15.812 Total				366,113	0	
U.S. Geological Survey Total				2,071,869	27,500	
15.945	Cooperative Research & Training Pgrom Resources Na		3600	649,856	0	
15.945			3750	59,279	0	
15.945			3800	333,239	0	
Federal Program 15.945 Total				1,042,374	0	
National Park Service Total				1,042,374	0	
Dept of the Interior Total				3,368,461	27,376	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.560	National Institute of Justice Research, Evaluation		2250	41,564	0	
16.560			3600	678,558	104,359	
16.560		09356	3600	34,342	0	PT
16.560		09469	3600	55,995	0	PT
16.560		PRIME2013VACX0007AM01	3600	8,608	0	PT
16.560			3650	64,092	0	
16.560		4972WSUNII0055	3650	48,517	0	PT
Federal Program 16.560 Total				931,676	104,359	
16.562	Criminal Justice Research and Development Graduate		3600	40,301	0	
Federal Program 16.562 Total				40,301	0	
National Institute of Justice Total				971,977	104,359	
Dept of Justice Total				971,977	104,359	

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 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
20.109	Air Transportation Centers of Excellence		3600	540,298	81,388	
20.109			3650	602,203	0	
Federal Program 20.109 Total				1,142,501	81,388	
Federal Aviation Administration (Faa) Total				1,142,501	81,388	
20.200	Highway Research and Development Program		3600	155,512	0	
20.200			3650	369,394	98,777	
20.200		KLK572B001	3650	20,612	0	PT
20.200			3700	281,326	0	
Federal Program 20.200 Total				826,844	98,777	
Federal Highway Administration (FHWA) Total				826,844	98,777	
20.514	Public Transportation Research		4050	71,840	71,840	
Federal Program 20.514 Total				71,840	71,840	
Federal Transit Administration (FTA) Total				71,840	71,840	
20.761	Biobased Transportation Research	T0013GA	3650	197,645	0	PT
Federal Program 20.761 Total				197,645	0	
Federal Motor Carrier Safety Administration Total				197,645	0	
20.931	Transportation Planning, Research and Education		6990	16,152	0	
Federal Program 20.931 Total				16,152	0	
Research and Innovative Technology Administration Total				16,152	0	
Dept of Transportation Total				2,254,982	252,005	

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Research and Development

National Aeronautics & Space Admin

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.003	Exploration		3600	11,703	0	
Federal Program 43.003 Total				11,703	0	
43.009	Cross Agency Support		3600	122,791	35,915	
43.009		1305058Z1 AM02	3600	10,215	0	PT
43.009			3650	68,229	0	
Federal Program 43.009 Total				201,235	35,915	
National Aeronautic & Space Administration Total				212,938	35,915	
National Aeronautics & Space Admin Total				212,938	35,915	

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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
47.041	Engineering Grants		3600	13,324,145	1,646,767	
47.041		0190 G SA465	3600	74,648		0 PT
47.041		02-S150242 AM01	3600	36,690		0 PT
47.041		2015-04522-04	3600	15,850		0 PT
47.041		3002732486	3600	14,567		0 PT
47.041		44771-7473 AM22	3600	12,563		0 PT
47.041		44771-7473 AM24	3600	470,916		0 PT
47.041		44771-7473 AM28	3600	44,945		0 PT
47.041		EEC-1445076	3600	26,881		0 PT
47.041		IIP-1127360	3600	(20,096)		0 PT
47.041		IIP-1330971	3600	25,254		0 PT
47.041		NSF1330459-SUB1 AM02	3600	58,108		0 PT
47.041		R3D381 AM03	3600	346,530		0 PT
47.041		S1738A-A AM01	3600	29,025		0 PT
47.041		UTA14-000587 AM01	3600	54,989		0 PT
47.041		UTA15-000857	3600	34,811		0 PT
47.041		UW BUD# 633391	3600	16,813		0 PT
47.041		W000684659	3600	7,124		0 PT
47.041			3650	2,856,853	146,525	
47.041		3003760323	3650	18,876		0 PT
47.041		410151649	3650	46,633		0 PT
47.041		A120044S007	3650	20,536		0 PT
47.041		260118A	6990	11,061		0 PT
Federal Program 47.041 Total				17,527,722	1,793,292	
47.049	Mathematical and Physical Sciences		3600	17,427,519	3,129,447	
47.049		00008651	3600	31,332		0 PT
47.049		00008651 AM01	3600	20,925		0 PT
47.049		00008789 AM02	3600	91,726		0 PT
47.049		202054 AM04	3600	32,255		0 PT
47.049		75-1096379	3600	49,750		0 PT
47.049		C14D11736(D01999)AM01	3600	196,546		0 PT
47.049		C14D11736(D01999)AM02	3600	184,043		0 PT
47.049		CHECK # 2551227	3600	6,345		0 PT
47.049		N51948C AM02	3600	1,942,621		0 PT
47.049		PHY-1219444	3600	3,118		0 PT

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National Science Foundation

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47.049	Mathematical and Physical Sciences	RC104177UW MOD01	3600	116,962		0 PT
47.049		T261090FORMERLYT082877	3600	(1,944)		0 PT
47.049		T439664 AM03	3600	72,657		0 PT
47.049			3650	2,413,897	115,338	
47.049			3700	63,351		0
47.049		#3-8-710-949	3700	2,993		0 PT
47.049			3750	117,480	42,412	
47.049		NSF#PHY0808790	3750	11,127		0 PT
47.049			3800	1,356,603		0
Federal Program 47.049 Total				24,139,306	3,287,197	
47.050	Geosciences		3600	23,489,368	924,080	
47.050		07-UWA-SAGE AM03	3600	52,835		0 PT
47.050		14-NSF-1031 AM02	3600	107,523		0 PT
47.050		14386AM03PRNSF1338810	3600	72,283		0 PT
47.050		20(GG009393)	3600	32,179		0 PT
47.050		201224982-01 AM02	3600	43,652		0 PT
47.050		208991B AM06	3600	36,506		0 PT
47.050		340038-55900 MOD03	3600	24,952		0 PT
47.050		4 (GG002456) AM10	3600	36,488		0 PT
47.050		49092217	3600	1,133		0 PT
47.050		49092217 AMO1	3600	3,109		0 PT
47.050		55591530 AM01	3600	116,984		0 PT
47.050		59691543	3600	(374)		0 PT
47.050		59691543 AM001	3600	44,138		0 PT
47.050		60838422PRIMEEAR103346	3600	27,996		0 PT
47.050		61125317-112715	3600	44,180		0 PT
47.050		97578	3600	24,263		0 PT
47.050		A101293	3600	55,200		0 PT
47.050		G-3624-12 AM06	3600	171,523		0 PT
47.050		GSTCN0106S2 AM08	3600	350,252		0 PT
47.050		GSTCN0106S6-UW AM08	3600	73,528		0 PT
47.050		KK1641	3600	7,469		0 PT
47.050		P.O. T344A85 MOD01	3600	3,870		0 PT
47.050		P.O. T344A85 MOD02	3600	1		0 PT
47.050		RB701-G1 AM01	3600	6,805		0 PT

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.050	Geosciences	S1604	3600	46,841	0	PT
47.050		SA 9-09	3600	4,994,629	0	PT
47.050		SA 9-09 MOD 12	3600	35,184	0	PT
47.050		SA 9-09 MOD 45	3600	1,738,203	0	PT
47.050		SA 9-09 MOD 50	3600	4,352,117	0	PT
47.050		SUB0000005 AM02	3600	1,496,263	0	PT
47.050		SUB0000035 MOD01	3600	36,774	0	PT
47.050		T344B85 MOD02	3600	3,889	0	PT
47.050		T354A85 MOD01	3600	42,088	0	PT
47.050		Z15-13632 MOD01	3600	76,849	0	PT
47.050		Z1621925PRIMEAGS154103	3600	86,763	0	PT
47.050			3650	989,346	6,026	
47.050		3002608135	3650	64,039	0	PT
47.050		IBK289S8001	3650	6,256	0	PT
47.050		IBK289SB001	3650	95,503	0	PT
47.050			3750	495,740	0	
47.050		1251874#006	3750	2,099	0	PT
47.050		S10-EAR1261833-S2/EAR1	3750	126,221	0	PT
47.050			3800	590,648	0	
47.050		FP33389	3800	263	0	PT
47.050		T350A77/BA-77	3800	6,651	0	PT
47.050			6990	80,106	0	
Federal Program 47.050 Total				40,192,335	930,106	
47.070	Computer and Information Science and Engineering		3600	15,250,193	177,871	
47.070		1549807 MOD04	3600	131,725	0	PT
47.070		27338Z4338001IIS144152	3600	38,129	0	PT
47.070		340051-55900 MOD01	3600	43,115	0	PT
47.070		58007-9069 AM05	3600	14,342	0	PT
47.070		60167194-106431-A AM01	3600	263,942	0	PT
47.070		68874 AM01	3600	46,281	0	PT
47.070		JHU-UW-100 TO 1/MOD01	3600	152,405	0	PT
47.070		POSTDOC002	3600	219,940	0	PT
47.070		RA978-G8	3600	(1)	0	PT
47.070		SP0027430PROJ0007182AM	3600	133,065	0	PT
47.070			3650	2,042,279	129,915	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.070	Computer and Information Science and Engineering	0000013311	3650	1,326	0	PT
47.070		RC104385WSU	3650	40,085	0	PT
47.070		Z0051A-B	3650	34,016	0	PT
47.070		15-203230-00-00	3800	56,417	0	PT
Federal Program 47.070 Total				18,467,259	307,786	
47.074	Biological Sciences		3600	5,774,585	23,395	
47.074		14-02	3600	100,982	0	PT
47.074		2014.0001 AM02	3600	44,972	0	PT
47.074		478640-19124	3600	4,087	0	PT
47.074		5-37598 AM01	3600	9,749	0	PT
47.074		61-2075UW AM03	3600	2,448	0	PT
47.074		61-2075UW AM06	3600	10,387	0	PT
47.074		61-2075UW AM10	3600	34,420	0	PT
47.074		61-2075UW AM12	3600	177,909	0	PT
47.074		612075UW AM14	3600	135,282	0	PT
47.074		S11-274-001	3600	4,087	0	PT
47.074		S1713A-AAAM01	3600	9,565	0	PT
47.074			3650	5,961,340	1,739,809	
47.074		40041375306	3650	31,813	0	PT
47.074		4004270375306	3650	12,500	0	PT
47.074			3700	13,454	0	
47.074			3750	70,087	0	
47.074			3760	186,043	0	
47.074			3800	532,116	0	
47.074			6990	15,420	0	
Federal Program 47.074 Total				13,131,246	1,763,204	
47.075	Social, Behavioral, and Economic Sciences		3600	2,516,110	696,233	
47.075		13007301A01PO000134381	3600	493	0	PT
47.075		2472202922SO2SES106919	3600	10,675	0	PT
47.075		31-177622SA-01 MOD1	3600	(4)	0	PT
47.075		PO 10321094-004	3600	2,912	0	PT
47.075		SP27415103774SO1AM01	3600	59,972	0	PT
47.075			3650	436,109	0	
47.075		UFDSP00010947	3650	5,127	0	PT
47.075			3800	90,714	0	

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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 47.075 Total				3,122,108	696,233	
47.076	Education and Human Resources		3600	16,868,665	1,219,246	
47.076		0375400001	3600	23,303	0	PT
47.076		2015-01 (1417757)	3600	312,737	0	PT
47.076		2015-1287E	3600	30,416	0	PT
47.076		201ERV282 AM02	3600	33,523	0	PT
47.076		2327-013631 AM02	3600	64,910	0	PT
47.076		DRL-0941014	3600	18,480	0	PT
47.076		FY16455001AM01HRD14324	3600	85,296	0	PT
47.076		MUSC13-081 AM04	3600	11,026	0	PT
47.076		NSF DRL-1223730	3600	24,339	0	PT
47.076		RC101209UW AM04	3600	35,136	0	PT
47.076		S-DRL-1224135-UW1 AM01	3600	(26)	0	PT
47.076		S-DUE-1238253-UW1 AM04	3600	15,637	0	PT
47.076		S1666A-AAAM01	3600	54,588	0	PT
47.076		UR ACCT#5-23450 AM03	3600	8,467	0	PT
47.076			3650	2,382,034	269,653	
47.076		415909G	3650	40,820	0	PT
47.076		502391	3650	22,035	0	PT
47.076		KCTPS615	3650	110,000	0	PT
47.076		RC101209WSU	3650	82,321	0	PT
47.076		WSU003046	3650	6,667	0	PT
47.076		WSU003308	3650	9,703	0	PT
47.076			3700	159,956	0	
47.076			3750	358,598	1,534	
47.076		DUE-1125331	3750	16,133	0	PT
47.076		RA10026223	3760	9,363	0	PT
47.076			3800	1,332,620	0	
47.076		NEXTGEN STEM TP-1	3800	9,667	0	PT
47.076		none	3800	4,200	0	PT
47.076			6990	4,923,892	43,140	
47.076		11052-015	6990	661	0	PT
47.076		IT3A	6990	43,472	0	PT
47.076		IT3Z	6990	1,000	0	PT
47.076		21213-4	6990	1,534	0	PT

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National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.076	Education and Human Resources	763689	6990	3,213	0	PT
47.076		DUE 1304405	6990	49,640	0	PT
Federal Program 47.076 Total				27,154,026	1,533,573	
47.078	Polar Programs		3600	2,355,524	141,459	
47.078		FY2011-025-M7 MOD07	3600	203,651	0	PT
47.078			3750	45,582	0	
47.078			3800	53,396	0	
Federal Program 47.078 Total				2,658,153	141,459	
47.079	Office of International Science and Engineering		3600	19,998	0	
47.079		S1315A-C AM05	3600	68,362	0	PT
47.079		USB1-31156-XX-13 MOD01	3600	16,687	0	PT
47.079			3650	93,004	6,493	
47.079			3750	13,117	0	
Federal Program 47.079 Total				211,168	6,493	
47.080	Office of Cyberinfrastructure		3600	146,903	0	
47.080		2010-07196-04 AM04	3600	2,360	0	PT
47.080		2010-07196-04 AM06	3600	62,281	0	PT
Federal Program 47.080 Total				211,544	0	
47.082	ARRA - Trans-NSF Recovery Act Research Supp		3600	(3,465)	0	
47.082			3650	23,036	0	
Federal Program 47.082 Total				19,571	0	
National Science Foundation Total				146,834,438	10,459,343	
National Science Foundation Total				146,834,438	10,459,343	

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Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.034	Surveys, Studies, Research, Investigations, Demons		4610	815,195	173,083	
Federal Program 66.034 Total				815,195	173,083	
Office of Air and Radiation Total				815,195	173,083	
66.509	Science to Achieve Results (Star) Research Program		3600	2,906,872	476,407	
66.509		UW BUD# 666526	3600	52,655	0	PT
66.509			3650	206,754	0	
66.509		1125215081534	3650	54,043	0	PT
66.509		112521-5081532	3800	24,249	0	PT
Federal Program 66.509 Total				3,244,573	476,407	
66.511	Office of Research and Development Consolidated Re	4945-RFA13-1/14-6	3600	181,773	64,968	PT
Federal Program 66.511 Total				181,773	64,968	
66.514	Science to Achieve Results (Star) Fellowship Progr		3600	22,467	0	
66.514			3650	35,002	0	
Federal Program 66.514 Total				57,469	0	
Office of Research and Development Total				3,483,815	541,375	
Environmental Protection Agency Total				4,299,010	714,458	

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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	Office of Science Financial Assistance		3600	18,298,999	981,437	
81.049		104575	3600	15,000		0 PT
81.049		1553756	3600	7,302		0 PT
81.049		2003-07059-05 AM02	3600	40,448		0 PT
81.049		20030705905A6929AM03	3600	120,899		0 PT
81.049		44978 AM003	3600	10,225		0 PT
81.049		889186-874J AM11	3600	113,314		0 PT
81.049		95248	3600	(1,684)		0 PT
81.049		96339	3600	34,231		0 PT
81.049		A004527504	3600	29,602		0 PT
81.049		A004527504 AM02	3600	159,488		0 PT
81.049		G140-15-W5072 AM01	3600	229,511		0 PT
81.049		UW BUD# 637066	3600	53,335		0 PT
81.049			3650	2,326,149	45,718	
81.049		10216	3650	27,809		0 PT
81.049		23009-WS	3650	286,958		0 PT
81.049		2512150123011	3650	45,117		0 PT
81.049		740058874P	3650	21,583		0 PT
81.049		A003127004	3650	134,046		0 PT
81.049		DDPSC21705WS	3650	484		0 PT
81.049		WSU002926	3650	47,113		0 PT
81.049		Subaward 0190 G MA598	3700	15,428		0 PT
Federal Program 81.049 Total				22,015,357	1,027,155	
Headquarters Office Total				22,015,357	1,027,155	
81.057	University Coal Research		3600	141,523	71,812	
Federal Program 81.057 Total				141,523	71,812	
Office of Fossil Energy Total				141,523	71,812	
81.086	Conservation Research and Development		3600	(19,500)		0
81.086		UW BUD# 635079	3600	3,576		0 PT
81.086		20126127	3650	52,921		0 PT
81.086		1997-004-00; 68052	3700	69,054		0 PT
81.086		BPA 1997-004-00; 71839	3700	7,668		0 PT
81.086		BPA 2007-246-00; 68608	3700	107,979		0 PT
81.086		BPA 2007-246-00; 72418	3700	19,406		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 81.086 Total				241,104	0	
81.087	Renewable Energy Research and Development		3600	1,323,164	140,408	
81.087		1010	3600	39,998	0	PT
81.087		60213273-51077-K AM06	3600	123,642	0	PT
81.087		60213274-51077-L AM07	3600	117,970	0	PT
81.087		CA-14004	3600	97,186	0	PT
81.087		CA-14004 AM01	3600	76,746	0	PT
81.087		G0107A-A AM08	3600	20,471	0	PT
81.087		G0107A-A AM09	3600	7,717	0	PT
81.087		G0107K-A AM02	3600	1,791	0	PT
81.087		G0152A-B	3600	234,802	0	PT
81.087		G0152A-B AM01	3600	226,640	0	PT
81.087		MA140025	3600	10,897	0	PT
81.087		MA140025 AM02	3600	205,632	0	PT
81.087		PO# 0007101424	3600	230,308	0	PT
81.087		Z13-13583 MOD03	3600	2,984	0	PT
81.087		06S131617	3650	84,031	0	PT
81.087		16777	3650	539,164	0	PT
81.087		4010115801	3650	73,259	0	PT
81.087		Q01691	3650	(60,932)	0	PT
81.087		DE-EE0006725	3800	19,684	0	PT
Federal Program 81.087 Total				3,375,154	140,408	
Energy Efficiency and Renewable Energy Total				3,616,258	140,408	
81.089	Fossil Energy Research and Development		3600	217,339	0	
81.089		424K340 UW	3600	7,090	0	PT
81.089		LGFC3100-2050	3600	58,638	0	PT
Federal Program 81.089 Total				283,067	0	
Office of Fossil Energy Total				283,067	0	
81.104	Environmental Remediation and Waste Processing And		6990	1,135,215	0	
Federal Program 81.104 Total				1,135,215	0	
Office of Bilingual Education and Minority Language Total				1,135,215	0	
81.113	Defense Nuclear Nonproliferation Research		3650	176,918	49,489	

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Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 81.113 Total				176,918	49,489	
National Nuclear Security Administration Total				176,918	49,489	
81.135	Advanced Research Projects Agency - Energy		3600	2,190,865	411,179	
81.135		3002985435	3600	468,383	0	PT
81.135		G0135BAAM01DEAR0000439	3600	90,474	0	PT
81.135		12006903B00	3650	7,559	0	PT
81.135		4012006C	3650	14,342	0	PT
81.135		653029807	3650	3,929	0	PT
81.135		916520936	3650	37,619	0	PT
Federal Program 81.135 Total				2,813,171	411,179	
Electricity Delivery & Energy Reliab 1000 Total				2,813,171	411,179	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		2450	755,870	435,330	
81.214			4610	3,038,356	453,831	
Federal Program 81.214 Total				3,794,226	889,161	
Savannah River Operations Office Total				3,794,226	889,161	
Dept of Energy Total				33,975,735	2,589,204	

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Research and Development

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.022	Overseas Programs - Doctoral Dissertation Research		3600	77,430	0	
Federal Program 84.022 Total				77,430	0	
Office of Postsecondary Education Total				77,430	0	
84.133	National Institute on Disability and Rehabilitatio	H133A120037 MOD01	3600	2,054	0	PT
Federal Program 84.133 Total				2,054	0	
Office of Special Education and Rehabilitative Ser Total				2,054	0	
84.220	Centers for International Business Education		3600	306,494	0	
Federal Program 84.220 Total				306,494	0	
Office of Postsecondary Education Total				306,494	0	
84.305	Education Research, Development and Dissemination		3600	442,515	0	
84.305		01105-03230 MOD03	3600	75,979	0	PT
84.305		03664 MOD02	3600	212,747	0	PT
84.305		29338SUB51803	3600	54,980	0	PT
84.305		3423-019337	3600	310,507	0	PT
84.305		5101680	3600	126,232	0	PT
84.305		GM10155 150694	3600	4,473	0	PT
84.305			3650	484,198	141,103	
84.305		411162670	3650	43,570	0	PT
84.305		618101104345	3650	50,482	0	PT
Federal Program 84.305 Total				1,805,683	141,103	
Office of Educational Research and Improvement Total				1,805,683	141,103	
84.324	Research In Special Education		3600	255,022	49,882	
84.324		0391600101	3600	26,002	0	PT
84.324		G1500085	3600	178,141	0	PT
84.324		RS20110522-13	3600	49	0	PT
84.324		RS20110522-14	3600	73,599	0	PT
84.324		RS20120590-09	3600	20	0	PT
84.324		RS20120590-15 AM01	3600	432,875	0	PT
84.324		UFDSP00010173 AM04	3600	15,676	0	PT
Federal Program 84.324 Total				981,384	49,882	
Office of Special Education and Rehabilitative Ser Total				981,384	49,882	
Dept of Education Total				3,173,045	190,985	

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.061	Innovations In Applied Public Health Research		3600	4,994	0	
93.061		1R43CA189320-01A	3600	35,721	0	PT
93.061		UW BUD# 634510	3600	14,675	0	PT
Federal Program 93.061 Total				55,390	0	
Centers for Disease Control and Prevention Total				55,390	0	
93.103	Food and Drug Administration_research		3600	94,979	18,082	
93.103		416542-G AM01	3600	8,116	0	PT
93.103		416769-G	3600	43,998	0	PT
93.103			3650	140,780	0	
Federal Program 93.103 Total				287,873	18,082	
Food and Drug Administration Total				287,873	18,082	
93.113	Environmental Health		3600	7,947,367	545,383	
93.113		00000544 AM05	3600	57,770	0	PT
93.113		00008559AM02POBB004803	3600	47,003	0	PT
93.113		10014724405R01ES023863	3600	282,114	0	PT
93.113		1019929 AM02	3600	141,861	0	PT
93.113		1553 G MC571 AM06	3600	19,395	0	PT
93.113		2002301818 AM03	3600	498,801	0	PT
93.113		3RY74	3600	22,216	0	PT
93.113		54235481 AM01	3600	13,752	0	PT
93.113		TO141096MA75501MOD09	3600	(789)	0	PT
93.113		UW BUD# 634134	3600	21,567	0	PT
93.113		UW BUD# 634383	3600	13,899	0	PT
93.113		WU-15-190 MOD01	3600	47,126	0	PT
93.113		WU-16-168/PO#2928661A	3600	16,053	0	PT
93.113		WU13183MOD5PO2917435WA	3600	34,560	0	PT
93.113			3650	1,854,375	45,406	
93.113		153405523	3650	10,239	0	PT
Federal Program 93.113 Total				11,027,309	590,789	
93.121	Oral Diseases and Disorders Research		3600	6,284,092	955,406	
93.121		000412838-031	3600	181,215	0	PT
93.121		10705SUB MOD03	3600	3,358	0	PT
93.121		10775SUB MOD02	3600	105,002	0	PT
93.121		10775SUBPRI2R01DE01822	3600	65,762	0	PT

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.121	Oral Diseases and Disorders Research	11242SUB	3600	180,740	0	PT
93.121		11291SUBPR5R01DE022438	3600	7,165	0	PT
93.121		1350 G SA445 AM02	3600	219,750	0	PT
93.121		1350 G TD145	3600	11,325	0	PT
93.121		2015140870	3600	24,602	0	PT
93.121		416624 AM01	3600	105,457	0	PT
93.121		43408029 AM02	3600	134,352	0	PT
93.121		5032965 AM02	3600	7,087	0	PT
93.121		5032965 MOD03	3600	40,232	0	PT
93.121		BMC4312AM01R56DE024350	3600	(275)	0	PT
93.121		OOS100254-UW AM05	3600	90,580	0	PT
93.121		P004221601 AM01	3600	17,451	0	PT
93.121		RES509541	3600	120,315	71,795	PT
93.121		RES510204 AM01	3600	261,898	59,463	PT
93.121		ULRF 13-1116	3600	18,164	0	PT
93.121		UW BUD# 633652	3600	40,825	0	PT
93.121		UWASH023608-2455 AM01	3600	2,421	0	PT
93.121		UWPC-15542-A	3600	117,722	0	PT
93.121		UWPC-15542-A AMO1	3600	5,960	0	PT
93.121		UWPC-15542-B	3600	189,988	0	PT
Federal Program 93.121 Total				8,235,188	1,086,664	
National Institutes of Health Total				19,262,497	1,677,453	
93.135	Centers for Research and Demonstration for Health		3600	2,522,139	358,256	
93.135		5 U48 DP005010-02	3600	3,441	0	PT
Federal Program 93.135 Total				2,525,580	358,256	
93.136	Injury Prevention and Control Research and State A		3600	409,664	270,072	
Federal Program 93.136 Total				409,664	270,072	
Centers for Disease Control and Prevention Total				2,935,244	628,328	
93.143	Niehs Superfund Hazardous Substances_basic Researc		3600	1,565,045	130,501	
93.143		15102 MOD01	3600	45,636	0	PT
93.143		5R43ES02009903MOD01	3600	(333)	0	PT
Federal Program 93.143 Total				1,610,348	130,501	
National Institutes of Health Total				1,610,348	130,501	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.155	Rural Health Research Centers		3600	715,524	23,766	
93.155		UA9RH26027-02-00	3600	10,202		0 PT
93.155		UA9RH26027-03-01	3600	39,876		0 PT
Federal Program 93.155 Total				765,602	23,766	
Health Resources and Services Administration Total				765,602	23,766	
93.172	Human Genome Research		3600	15,847,314	3,166,244	
93.172		00009075 AM01	3600	113,456		0 PT
93.172		10462SUB MOD04	3600	5,783		0 PT
93.172		111595	3600	23,167		0 PT
93.172		2000752483 AM02	3600	(167,153)		0 PT
93.172		2014201550 MOD02	3600	95,977		0 PT
93.172		2014201721	3600	(645)		0 PT
93.172		2014201725 MOD02	3600	2,419		0 PT
93.172		2015156720 MOD01	3600	17,253		0 PT
93.172		2015181895 MOD01	3600	337,207		0 PT
93.172		2016151695	3600	21,600		0 PT
93.172		4500001599 AM002	3600	18,674		0 PT
93.172		A00343914RFS2016063MOD	3600	130,343		0 PT
93.172		OOS100285UWAM04UM1HG00	3600	425,572		0 PT
93.172		OOS100285UWAM054UM1HG0	3600	37,392		0 PT
93.172		PO NO 5-52235	3600	52,520		0 PT
93.172		TBI AM03	3600	156,945		0 PT
93.172		TBIAM02PRIME5U41HG0074	3600	28,000		0 PT
93.172		UM1-UWASH-1	3600	22,860		0 PT
93.172		VUMC57005	3600	271,964		0 PT
93.172		WA00226505RFS2015053AM	3600	28,630		0 PT
93.172		WU-16-203 AM01	3600	666,984		0 PT
93.172		WU-16-370	3600	88,736		0 PT
93.172		WU15329AM01PO2927550A	3600	167,279		0 PT
Federal Program 93.172 Total				18,392,277	3,166,244	
93.173	Research Related to Deafness and Communication DIS		3600	7,491,388	320,913	
93.173		1004469_UWA MOD01	3600	9,057		0 PT
93.173		1005685_UWA AM01	3600	8,183		0 PT
93.173		184791/207424 AM04	3600	9,126		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.173	Research Related to Deafness and Communication DIS	2740-018251 AM01	3600	270,215	0	PT
93.173		7R01DC01307402REVR0178	3600	34,886	0	PT
93.173		SP0011426PROJ0003112AM	3600	20,750	0	PT
93.173			3650	766,285	90,681	
Federal Program 93.173 Total				8,609,890	411,594	
National Institutes of Health Total				27,002,167	3,577,838	
93.186	National Research Service Award In Primary Care Me		3600	291,939	0	
Federal Program 93.186 Total				291,939	0	
Health Resources and Services Administration Total				291,939	0	
93.213	Research and Training In Complementary and Alterna		3600	3,135,131	884,960	
93.213		2014101502 MOD03	3600	27,505	0	PT
93.213		2014158800 MOD02	3600	101,433	0	PT
93.213		2034787	3600	60,343	0	PT
93.213		H34B11-01 (4) AM04	3600	(21,179)	0	PT
93.213			3650	361	317	
93.213		125087	3650	72,613	0	PT
93.213			3750	145,578	0	
Federal Program 93.213 Total				3,521,785	885,277	
National Institutes of Health Total				3,521,785	885,277	
93.225	National Research Service Awards_health Services R		3600	393,910	0	
Federal Program 93.225 Total				393,910	0	
93.226	Research on Healthcare Costs, Quality and Outcomes		3600	4,277,953	587,343	
93.226		1005779_UWA	3600	9,539	0	PT
93.226		11123SUB MOD01	3600	20,523	0	PT
93.226		11319SUB	3600	13,993	0	PT
93.226		2014194266	3600	48,657	0	PT
93.226		2015130488 MOD 02	3600	225,542	59,398	PT
93.226		2015137183 MOD01	3600	143,268	0	PT
93.226		2015180723	3600	147,689	0	PT
93.226		2016126899	3600	31,702	0	PT
93.226		2016144659	3600	3,890	0	PT
93.226		60031412 UW A02	3600	4,615	0	PT
93.226		60040293UW AM-A03	3600	45,669	0	PT

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93.226	Research on Healthcare Costs, Quality and Outcomes	AHRQ-001	3600	45,101	0	PT
93.226		AM05	3600	37,675	0	PT
93.226		FP047367-B AM03	3600	2,300	0	PT
93.226		FP047367-B AM04	3600	87,177	0	PT
93.226		N86441 AM04	3600	19,016	0	PT
93.226		WA00212183RFS2015015AM	3600	4,764	0	PT
93.226		WA00405155OSP2016050AM	3600	54,168	0	PT
93.226			3650	22,846	0	
Federal Program 93.226 Total				5,246,087	646,741	
Agency for Health Care Policy and Research Total				5,639,997	646,741	
93.233	National Center on Sleep Disorders Research	108591 AM01	3600	30,286	0	PT
93.233		108591 AM02	3600	9,718	0	PT
93.233		113170 AM03	3600	5,499	0	PT
93.233			3650	773,564	0	
93.233		15002499	3650	18,489	0	PT
93.233		20130078701	3650	21,113	0	PT
93.233		565843	3650	8,148	0	PT
Federal Program 93.233 Total				866,817	0	
93.242	Mental Health Research Grants		3600	18,058,168	1,048,203	
93.242		0000823455	3600	3,822	0	PT
93.242		0000834931 AM01	3600	72,533	0	PT
93.242		0000863417	3600	45,107	0	PT
93.242		00021507-1	3600	1,315	0	PT
93.242		0255-6412-4609 AM01	3600	3,857	0	PT
93.242		0255-6413-4609	3600	58,139	0	PT
93.242		10955SUB MOD01	3600	79,150	0	PT
93.242		10955SUB MOD02	3600	111,368	0	PT
93.242		12-NIH-1091 AM05	3600	120,483	0	PT
93.242		14-716-UW AM01	3600	119,109	0	PT
93.242		15111832 AM01	3600	61,291	0	PT
93.242		16-3015	3600	29,543	0	PT
93.242		2000 G TD994	3600	8,737	0	PT
93.242		201121762-03 AM04	3600	660,706	0	PT
93.242		201121762-03 AM05	3600	358,257	0	PT

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93.242	Mental Health Research Grants	201223026-01 AM02	3600	17,603	0	PT
93.242		2015-3228 AM01	3600	13,659	0	PT
93.242		2033849PRIME7R01MH0943	3600	(2,467)	0	PT
93.242		222572 AM 3	3600	152,026	0	PT
93.242		223004 A.01	3600	30,122	0	PT
93.242		4R25MH099132-02	3600	2	0	PT
93.242		5033749 AM03	3600	18,163	0	PT
93.242		5R25MH099132-03	3600	14,497	0	PT
93.242		60166636 AM002	3600	110,863	0	PT
93.242		67277131	3600	30,804	0	PT
93.242		7945 AM02	3600	59,391	0	PT
93.242		89255SC	3600	45,429	0	PT
93.242		M15A12179 (A10304)	3600	38,715	0	PT
93.242		M16A12223 (A10393)	3600	632,906	0	PT
93.242		NIH-3P-UW-01	3600	11,081	0	PT
93.242		R752	3600	2,695	0	PT
93.242		T092029 AM03	3600	119,538	0	PT
93.242		T264309 AM02	3600	23,723	17,019	PT
93.242		T453149 AM04	3600	244,316	210,813	PT
93.242		TUL-HSC-487-13/14 AM01	3600	48,015	0	PT
93.242		TUL-HSC-487-13/14 AM02	3600	280,555	0	PT
93.242		UW BUD# 632998	3600	27,381	0	PT
93.242		UW BUD# 634035	3600	19,249	0	PT
93.242		UW BUD# 636241	3600	176,403	0	PT
93.242		WU-12-281-MOD-6 AM06	3600	18,155	0	PT
93.242			3650	672,629	366,014	
93.242		0000505700	3650	89,458	0	PT
93.242		5R01MH041256-28	3650	22,928	0	PT
93.242		5R01MH04125625	3650	(935)	0	PT
Federal Program 93.242 Total				22,708,489	1,642,049	
National Institutes of Health Total				23,575,306	1,642,049	
93.262	Occupational Safety and Health Program		2350	636,339	0	
93.262			3600	5,510,493	704,761	
93.262		500326-78050 MOD03	3600	236,087	0	PT
93.262			3650	121,822	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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93.262	Occupational Safety and Health Program	1005580WSU	3650	21,668	0	PT
93.262		1005580WSUBUTTERFIELD	3650	9,799	0	PT
93.262		300170303	3650	33,464	0	PT
93.262		Subrec #3001-612-01	3700	61,278	18,515	PT
93.262		Subrec #3001-612-01	3700	166,158	81,318	PT
Federal Program 93.262 Total				6,797,108	804,594	
Centers for Disease Control and Prevention Total				6,797,108	804,594	
93.272	Alcohol National Research Service Awards for Resea		3600	1,913	0	
Federal Program 93.272 Total				1,913	0	
93.273	Alcohol Research Programs		3600	8,353,188	977,987	
93.273		1002432_UW AM02	3600	14,263	0	PT
93.273		1002432_UWA AM03	3600	37,199	0	PT
93.273		11236SUB MOD01	3600	14,472	0	PT
93.273		2014187143	3600	2,240	0	PT
93.273		4046 MOD06	3600	5,926	0	PT
93.273		4332-UW-DHHS-2529 AM06	3600	72,699	0	PT
93.273		69951-10233 AM02	3600	50,183	0	PT
93.273		9132-8389 AM01	3600	26,239	0	PT
93.273		R-12-0031 AM05	3600	13,175	0	PT
93.273		R-12-0031 AM06	3600	78,196	0	PT
93.273		SA0000512	3600	9,080	0	PT
93.273			3650	889,892	97,235	
93.273		1002567WSU	3650	273,448	0	PT
Federal Program 93.273 Total				9,840,200	1,075,222	
93.279	Drug Abuse and Addiction Research Programs	B02B20	3000	67,793	0	PT
93.279		B02D50	3000	8,579	0	PT
93.279			3600	15,120,074	1,165,856	
93.279		0000856278	3600	382,656	0	PT
93.279		00390391243543AM03	3600	10,191	0	PT
93.279		10030628 AM01	3600	(2,988)	0	PT
93.279		10030628 AM04	3600	23,000	0	PT
93.279		10796SUB MOD01	3600	(64)	0	PT
93.279		11062SUB MOD01	3600	11,575	0	PT
93.279		274008-UW AM01	3600	10,741	0	PT

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93.279	Drug Abuse and Addiction Research Programs	3RW19 AMO1	3600	27,237	0	PT
93.279		4457 AM01	3600	46,675	0	PT
93.279		559642100311709445AM03	3600	179,716	0	PT
93.279		5R01DA025651 MOD05	3600	84,942	0	PT
93.279		61875882AM017P01DA0357	3600	151,227	0	PT
93.279		661877 AM01	3600	53,768	0	PT
93.279		MOD02PRIME5R01DA025651	3600	300	0	PT
93.279		MOD03PRIME5R01DA025651	3600	1	0	PT
93.279		R25DA033211 #4472 AM01	3600	17,874	0	PT
93.279		R25DA033211 #4472 AM02	3600	4,277	0	PT
93.279		R267 AM01	3600	193,862	0	PT
93.279		R86202 AM02	3600	24,403	0	PT
93.279		R908941 AM02	3600	23,050	0	PT
93.279		SR00002142 AM04	3600	10,443	0	PT
93.279			3650	946,694	34,396	
93.279		13400212645	3650	129,956	0	PT
93.279		23400212645	3650	21,177	0	PT
93.279		534602	3650	29,082	0	PT
93.279			3800	148,950	0	
Federal Program 93.279 Total				17,725,191	1,200,252	
93.282	Mental Health National Research Service Awards For		3600	6,713	0	
Federal Program 93.282 Total				6,713	0	
National Institutes of Health Total				27,574,017	2,275,474	
93.283	Centers for Disease Control and Prevention_investi	1472014	3600	139,077	109,834	PT
93.283		UW BUD# 633821	3600	111,685	0	PT
93.283		UW BUD# 633822	3600	176,254	0	PT
93.283		UW BUD# 634284	3600	35,157	0	PT
Federal Program 93.283 Total				462,173	109,834	
Centers for Disease Control and Prevention Total				462,173	109,834	
93.286	Discovery and Applied Research for Technological I		3600	7,303,658	16,483	
93.286		00007673 AM03	3600	(236)	0	PT
93.286		60041595-47512-A AM04	3600	38,482	0	PT
93.286		A78130 AM01	3600	112,733	0	PT
93.286		T087260 AM01	3600	12,925	0	PT

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93.286	Discovery and Applied Research for Technological I		3650	645,890	0	
Federal Program 93.286 Total				8,113,452	16,483	
93.307	Minority Health and Health Disparities Research		3600	1,805,315	264,064	
93.307		2015140008 MOD03	3600	116,441	0	PT
93.307		227351	3600	2,365	0	PT
93.307		N004207301 AM01	3600	16,828	0	PT
93.307		SR-2016-13	3600	25,276	16,969	PT
93.307			3650	1,449,008	551,514	
Federal Program 93.307 Total				3,415,233	832,547	
93.310	Trans-NIH Research Support		3600	6,575,509	755,753	
93.310		1 UH2 TR 000966-01	3600	(340)	0	PT
93.310		3003130741 AM01	3600	6,311	0	PT
93.310		56102215500000695AM03	3600	1,856	0	PT
93.310		56102225500000695AM01	3600	189,356	0	PT
93.310		6366-S03 MOD01	3600	76,496	0	PT
93.310		PRIME 5R24TW008907-05	3600	46,646	0	PT
Federal Program 93.310 Total				6,895,834	755,753	
93.333	Health & Human Services Dept	WSU003306	3650	1,183	0	PT
Federal Program 93.333 Total				1,183	0	
93.350	National Center for Advancing Translational Scienc		3600	15,550,880	3,444,446	
93.350		A93420 AM01	3600	104,534	0	PT
93.350		NOR0002	3600	2,502	0	PT
Federal Program 93.350 Total				15,657,916	3,444,446	
93.351	Research Infrastructure Programs		3600	25,237,046	275,053	
93.351		14-007879-A01 AM03	3600	4,652	0	PT
93.351		T248414 AM01	3600	(10,268)	0	PT
93.351		T425277	3600	269,276	0	PT
93.351			3650	538,297	160,299	
Federal Program 93.351 Total				26,039,003	435,352	
93.361	Nursing Research		3600	2,420,562	446,586	
93.361		1215008 AM06	3600	73,449	0	PT
93.361		20001433044 AM03	3600	(699)	0	PT
93.361		2001433044 AM04	3600	17,348	0	PT

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93.361	Nursing Research	203-8769	3600	8,894	0	PT
93.361		217966 AM04	3600	25,035	0	PT
93.361		3RZ321R01NR01524101A1	3600	98,826	0	PT
93.361		5600848534 AM03	3600	38,273	0	PT
Federal Program 93.361 Total				2,681,688	446,586	
93.389	National Center for Research Resources		3600	11,524	0	
Federal Program 93.389 Total				11,524	0	
93.393	Cancer Cause and Prevention Research		3600	10,654,881	2,443,568	
93.393		0000778568 AM01	3600	(1,286)	0	PT
93.393		0000807983	3600	1,327	0	PT
93.393		0000813160	3600	4,471	0	PT
93.393		00008134355U01CA163304	3600	5,744	0	PT
93.393		0000813441	3600	14,342	0	PT
93.393		0000813573	3600	6,448	0	PT
93.393		0000813737	3600	4,000	0	PT
93.393		0000813739	3600	9,447	0	PT
93.393		0000813871	3600	2,328	0	PT
93.393		00008267711R21CA187401	3600	32,376	0	PT
93.393		0000827986	3600	12,499	0	PT
93.393		0000838135	3600	10,638	0	PT
93.393		0000838728	3600	29,720	0	PT
93.393		0000840204 AM01	3600	6,032	0	PT
93.393		0000843708	3600	9,660	0	PT
93.393		0000843712	3600	22,002	0	PT
93.393		0000843716	3600	47,063	0	PT
93.393		0000843939	3600	14,352	0	PT
93.393		0000844742	3600	18,568	0	PT
93.393		0000845123	3600	37,559	0	PT
93.393		0000845125	3600	16,753	0	PT
93.393		0000845127PR1U01CA1993	3600	11,589	0	PT
93.393		0000845617 AM01	3600	71,339	0	PT
93.393		00008461655U01CA137088	3600	14,485	0	PT
93.393		0000850611	3600	28,595	0	PT
93.393		0000850612	3600	13,056	0	PT
93.393		0000850613	3600	47,166	0	PT

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93.393	Cancer Cause and Prevention Research	0000852803 AM01	3600	10,921		0 PT
93.393		0000853128	3600	9,319		0 PT
93.393		0000854661	3600	20,007		0 PT
93.393		0000859538	3600	15,025		0 PT
93.393		0000869435	3600	1,624		0 PT
93.393		000508050-006 AM01	3600	5,447		0 PT
93.393		000813459	3600	7,217		0 PT
93.393		1006132_UWA AM01	3600	44,709		0 PT
93.393		1006132UWA1R01CA190144	3600	197,689		0 PT
93.393		11042SUB MOD01	3600	132,739		0 PT
93.393		115-9341-UW-02	3600	5,791		0 PT
93.393		115-9341-UW-02 AM01	3600	29,327		0 PT
93.393		116071-5089696	3600	8,028		0 PT
93.393		16-837	3600	51,751		0 PT
93.393		2015-3204	3600	13,185		0 PT
93.393		2015154248	3600	17,791		0 PT
93.393		217156AM07PRIME5U01CA1	3600	105,172	67,039	PT
93.393		2269691U01CA19933601	3600	49,102		0 PT
93.393		321072PO961593RSUBAM01	3600	83,873		0 PT
93.393		812098	3600	86,090		0 PT
93.393		8322SC	3600	(1,044)		0 PT
93.393		CA154292-04-UW MOD01	3600	11,506		0 PT
93.393			3650	129,234		0
93.393		410261491	3650	36,107		0 PT
93.393		VUMC38944	3650	451		0 PT
Federal Program 93.393 Total				12,216,215	2,510,607	
93.394	Cancer Detection and Diagnosis Research		3600	8,409,412	1,224,657	
93.394		0000808609	3600	(7)		0 PT
93.394		0000812247	3600	(8,892)		0 PT
93.394		0000814856 AM01	3600	4,429		0 PT
93.394		0000822210	3600	9,333		0 PT
93.394		0000829362	3600	12,302		0 PT
93.394		0000830696 AM01	3600	143,092		0 PT
93.394		0000831942	3600	143,779		0 PT
93.394		0000831942 AM01	3600	16,226		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.394	Cancer Detection and Diagnosis Research	00008322391U01CA186157	3600	22,035		0 PT
93.394		00008345115P01CA091955	3600	6,396		0 PT
93.394		0000834543	3600	102,387		0 PT
93.394		0000838053	3600	96,082		0 PT
93.394		0000840241	3600	89,249		0 PT
93.394		0000843914	3600	25,254		0 PT
93.394		0000854977	3600	7,329		0 PT
93.394		0000865387	3600	22,006		0 PT
93.394		0000869941	3600	197		0 PT
93.394		11241SUB	3600	20,821		0 PT
93.394		13121644-03	3600	6,036		0 PT
93.394		156543 AM03	3600	1,208		0 PT
93.394		16030350-03 AM01	3600	82,849		0 PT
93.394		1671	3600	36,035		0 PT
93.394		5710004063	3600	26,756		0 PT
93.394		66102045500000433MOD04	3600	42,895		0 PT
93.394		66102055500000433AM05	3600	162,878		0 PT
93.394		K001416-00-S01 MOD1	3600	196,753		0 PT
93.394		N002338901 AM03	3600	13,193		0 PT
93.394		RES509934 MOD02	3600	64,833		0 PT
93.394		W000420810PO1001081261	3600	101,710		0 PT
93.394		X1301200WASH	3600	16,429		0 PT
93.394		X130120WASH AM01	3600	8,873		0 PT
93.394			3650	47,618		0
Federal Program 93.394 Total				9,929,496	1,224,657	
93.395	Cancer Treatment Research		3600	3,070,283	701,088	
93.395		0000755851 AM03	3600	41,561		0 PT
93.395		0000796556	3600	(11,412)		0 PT
93.395		0000809212	3600	583		0 PT
93.395		0000809694	3600	467		0 PT
93.395		0000810455	3600	11,443		0 PT
93.395		0000811335	3600	16,375		0 PT
93.395		0000811336	3600	658		0 PT
93.395		0000811343	3600	2,272		0 PT
93.395		0000811368	3600	1,250		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.395	Cancer Treatment Research	00008127675U01CA154967	3600	(120,503)		0 PT
93.395		0000815540	3600	17,894		0 PT
93.395		0000816866	3600	1,895		0 PT
93.395		0000821535	3600	5,783		0 PT
93.395		0000821555	3600	1,760		0 PT
93.395		0000822384	3600	37,326		0 PT
93.395		0000826175	3600	(25,328)		0 PT
93.395		0000831752 AM02	3600	58,351		0 PT
93.395		0000832627	3600	949		0 PT
93.395		0000834633	3600	54,075		0 PT
93.395		0000834633 AM01	3600	3,773		0 PT
93.395		0000838692	3600	123,895		0 PT
93.395		0000840349	3600	257,971		0 PT
93.395		0000840352	3600	14,689		0 PT
93.395		0000840356	3600	23,808		0 PT
93.395		0000840357	3600	7,932		0 PT
93.395		0000841392	3600	6,476		0 PT
93.395		0000842821 AM001	3600	61,170		0 PT
93.395		00008433595U01CA154967	3600	26,800		0 PT
93.395		0000843416 AM01	3600	1,027,445		0 PT
93.395		0000852517	3600	8,052		0 PT
93.395		0000853451	3600	123,349		0 PT
93.395		0000854063	3600	16,897		0 PT
93.395		0000857569	3600	7,710		0 PT
93.395		0000857570	3600	51,739		0 PT
93.395		0000859909	3600	41,885		0 PT
93.395		1004041_UW AM02	3600	30,029		0 PT
93.395		1004041_UW AM03	3600	10,661		0 PT
93.395		1181	3600	17,772		0 PT
93.395		2014.0008 AM01	3600	80,705		0 PT
93.395		226691	3600	2,388		0 PT
93.395		63987962	3600	55,450		0 PT
93.395		9009627UWAAM015U10CA18	3600	48,279		0 PT
93.395		9500080215-XX	3600	2,400		0 PT
93.395		C00048480-1	3600	34,844		0 PT
93.395		CHECK 1928	3600	30,542		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.395	Cancer Treatment Research	FP15221SUB38302961705R	3600	12,162		0 PT
93.395		FP17296_SUB01_02	3600	107,917		0 PT
93.395		FP18225_SUB02_01 AM01	3600	406,462		0 PT
93.395		FY15307902	3600	2,232		0 PT
93.395		R01 CA189163 AM08	3600	1,580		0 PT
93.395		U10CA180820-01-WASH2	3600	15,000		0 PT
93.395		U10CA180820-02-WASH4	3600	9,992		0 PT
93.395		U10CA18082001WASH1AM01	3600	17,352		0 PT
93.395		U10CA18082001WASH1AM02	3600	3,910		0 PT
93.395		UNI19876901PO64511155A	3600	28,410		0 PT
93.395		UOFWASH KOH - YR 2	3600	6,999		0 PT
93.395		UW OSP #A102568	3600	42,867		0 PT
93.395		UW-NSABP P1 AM04	3600	25,776		0 PT
93.395		UWASH - NCORP-01	3600	2,201		0 PT
93.395			3650	614,114	200,084	
Federal Program 93.395 Total				6,579,317	901,172	
93.396	Cancer Biology Research		3600	1,993,063	23,713	
93.396		0000790544 AM02	3600	30,815		0 PT
93.396		0000829763	3600	15,423		0 PT
93.396		0000863494P4R01CA17684	3600	7,098		0 PT
93.396		01028032 AM02	3600	241,227		0 PT
93.396		01028036 AM02	3600	333,420		0 PT
93.396		01028786 AM03	3600	29,859		0 PT
93.396		UWCMNIH10402251AM05	3600	48,812		0 PT
93.396		WA00329124/RFS2016027	3600	52,866		0 PT
Federal Program 93.396 Total				2,752,583	23,713	
93.397	Cancer Centers Support Grants		3600	162,436	57,736	
93.397		0000782689 AM01	3600	(8,981)		0 PT
93.397		0000782902 AM02	3600	36,337		0 PT
93.397		0000783707 AM02	3600	37,010		0 PT
93.397		0000812308	3600	13,398		0 PT
93.397		0000812312	3600	4,500		0 PT
93.397		0000812422	3600	20,342		0 PT
93.397		0000812768 AM01	3600	61,981		0 PT
93.397		00008132205P50CA138293	3600	26,149		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.397	Cancer Centers Support Grants	00008133665P50CA138293	3600	25,246	0	PT
93.397		0000813368	3600	5,831	0	PT
93.397		00008133975P50CA138293	3600	4,319	0	PT
93.397		0000813931	3600	(1)	0	PT
93.397		0000813993	3600	1,679	0	PT
93.397		0000822968 AM01	3600	28,978	0	PT
93.397		00008239825P50CA097186	3600	1,898	0	PT
93.397		00008239835P50CA097186	3600	8,378	0	PT
93.397		0000826423 AM01	3600	24,057	0	PT
93.397		0000826436	3600	8,034	0	PT
93.397		0000826437	3600	14,409	0	PT
93.397		00008264385P50CA097186	3600	7,943	0	PT
93.397		0000826854 AM01	3600	108,754	0	PT
93.397		0000826863 AM01	3600	419,656	0	PT
93.397		0000826864	3600	(55,240)	0	PT
93.397		0000826886 AM01	3600	61,506	0	PT
93.397		0000826897 AM01	3600	22,956	0	PT
93.397		0000826898 AM01	3600	11,968	0	PT
93.397		0000826900 AM01	3600	59,388	0	PT
93.397		0000826903 AM01	3600	21,530	0	PT
93.397		0000826908 AM01	3600	11,951	0	PT
93.397		0000827210	3600	17,545	0	PT
93.397		0000827536 AM01	3600	51,849	0	PT
93.397		00008303532P30CA015704	3600	5,654	0	PT
93.397		0000830356	3600	1,544	0	PT
93.397		0000830357	3600	2,480	0	PT
93.397		00008303582P30CA015704	3600	9,554	0	PT
93.397		0000830360	3600	3,178	0	PT
93.397		0000830370	3600	12,989	0	PT
93.397		0000830372	3600	30,538	0	PT
93.397		0000830374	3600	76,720	0	PT
93.397		0000830375	3600	31,970	0	PT
93.397		0000830660	3600	1,813	0	PT
93.397		00008317532P30CA015704	3600	247	0	PT
93.397		00008335642P30CA015704	3600	19,913	0	PT
93.397		0000833832	3600	20,961	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.397	Cancer Centers Support Grants	0000833993	3600	6,549	0	PT
93.397		0000834885	3600	14,983	0	PT
93.397		0000834886	3600	9,300	0	PT
93.397		0000839925 AM01	3600	39,550	0	PT
93.397		0000843207	3600	166,839	0	PT
93.397		0000843208	3600	67,653	0	PT
93.397		0000848013	3600	189,499	0	PT
93.397		0000848023 AM01	3600	28,490	0	PT
93.397		0000848032 AM01	3600	16,730	0	PT
93.397		0000851939	3600	100,967	0	PT
93.397		0000852077	3600	69,370	0	PT
93.397		0000852220	3600	5,004	0	PT
93.397		00008530085P50CA097186	3600	1,985	0	PT
93.397		0000857267	3600	55,592	0	PT
93.397		0000857269	3600	14,483	0	PT
93.397		0000857271	3600	62,224	0	PT
93.397		0000857274	3600	174,894	0	PT
93.397		0000857276	3600	101,596	0	PT
93.397		0000857277	3600	46,747	0	PT
93.397		0000857574	3600	11,579	0	PT
93.397		0000857693	3600	16,041	0	PT
93.397		0000857695	3600	21,729	0	PT
93.397		0000859681	3600	28,289	0	PT
93.397		0000859687	3600	49,636	0	PT
93.397		0000860953	3600	9,136	0	PT
93.397		0000861670	3600	738	0	PT
93.397		0000867274	3600	1,028	0	PT
93.397		0000867278	3600	483	0	PT
93.397		0000868056	3600	21,230	0	PT
93.397		000830355	3600	23,700	0	PT
93.397		2P30CA015704	3600	13,766	0	PT
93.397		5 P30 CA 015704-39	3600	18,513	0	PT
93.397		5U54CA14215705UWASHAM0	3600	103	0	PT
93.397		GMO150904 AM01	3600	22,331	0	PT
93.397		UW BUD# 633180	3600	35,612	0	PT
93.397		UW BUD# 633295	3600	18,790	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.397	Cancer Centers Support Grants	UW BUD# 634938	3600	2,183	0	PT
Federal Program 93.397 Total				2,900,709	57,736	
93.398	Cancer Research Manpower		3600	2,972,837	93,757	
93.398		3R25TW009710-01S1	3600	20,353	0	PT
Federal Program 93.398 Total				2,993,190	93,757	
93.399	Cancer Control		3600	6,518	0	
93.399		0000804602	3600	1	0	PT
93.399		0000804602 AM01	3600	5,704	0	PT
93.399		0000804602 AM02	3600	9,145	0	PT
93.399		0000804677 AM01	3600	5,645	0	PT
93.399		3002149613 AM05	3600	79,589	0	PT
93.399		3002149613 MOD06	3600	164,027	0	PT
93.399		RES510272	3600	13,689	0	PT
Federal Program 93.399 Total				284,318	0	
National Institutes of Health Total				100,471,661	10,742,809	
93.508	Affordable Care Act Tribal Maternal, infant & Early	A71880 MOD06	3600	31,015	0	PT
Federal Program 93.508 Total				31,015	0	
93.564	Child Support Enforcement Research		3000	803,375	0	
Federal Program 93.564 Total				803,375	0	
Administration for Children and Families Total				834,390	0	
93.610	Health Care Innovation Awards (Hcia)	UW BN 66-9370	3600	27,423	0	PT
Federal Program 93.610 Total				27,423	0	
Centers for Medicare and Medicaid Services Total				27,423	0	
93.647	Social Services Research and Demonstration		3600	260,730	0	
Federal Program 93.647 Total				260,730	0	
Administration for Children and Families Total				260,730	0	
93.701	ARRA - Trans-NIH Recovery Act Research Support		3600	88	0	
93.701		325011.300001.80180	3600	4,599	0	PT
Federal Program 93.701 Total				4,687	0	
93.837	Cardiovascular Diseases Research		3600	37,267,727	10,327,225	

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.837	Cardiovascular Diseases Research	0000833600	3600	241,290	0	PT
93.837		0000845484	3600	56,975	0	PT
93.837		0000856841	3600	319,659	0	PT
93.837		0000872675	3600	5,931	0	PT
93.837		000501008-001 AM03	3600	667,331	0	PT
93.837		000505311-001	3600	7,569	0	PT
93.837		000512650-001	3600	10,293	0	PT
93.837		00319741246181AM02	3600	35,517	0	PT
93.837		0045050 (126180-2)	3600	21,421	0	PT
93.837		0050470 (127391-1)	3600	15,384	0	PT
93.837		0255-7511-4609 AM02	3600	53,944	0	PT
93.837		0255-7865-4609 AM01	3600	295,881	0	PT
93.837		0255-7866-4609	3600	302,994	0	PT
93.837		0255-7875-4609 AM01	3600	11,245	0	PT
93.837		1(GG010998-01)	3600	10,371	0	PT
93.837		1005000-UW AM02	3600	36,302	0	PT
93.837		1005000-UW AM03	3600	19,504	0	PT
93.837		101330A PO# SR00003732	3600	136,904	0	PT
93.837		101330AAM02	3600	92,865	0	PT
93.837		10575 PO# SR00003368	3600	107,249	0	PT
93.837		105963 AM07	3600	54,667	0	PT
93.837		112042019-7665825	3600	5,880	0	PT
93.837		11351SUB	3600	39,148	0	PT
93.837		12_8044_UW_14	3600	5	0	PT
93.837		15060903-04	3600	57,849	0	PT
93.837		15081136025U34HL115015	3600	25,487	0	PT
93.837		20105301_U WASH	3600	8,884	0	PT
93.837		2011D000881	3600	3,971	0	PT
93.837		2014193674 MOD01	3600	86,713	0	PT
93.837		2016-01075-01-01	3600	21,557	0	PT
93.837		24225SUB50868 AM04	3600	4,713	0	PT
93.837		28557SUB51628 MOD02	3600	9,075	0	PT
93.837		3001290982 AM05	3600	606	0	PT
93.837		3003106193 AM01	3600	26,126	0	PT
93.837		3610650473002POP030916	3600	43,127	0	PT
93.837		382200755-0319A AM03	3600	20,258	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.837	Cardiovascular Diseases Research	4-0756 AM02	3600	62,533	0	PT
93.837		566406	3600	136,425	0	PT
93.837		5R01HL09455504AM09	3600	30	0	PT
93.837		60048444	3600	29,290	0	PT
93.837		69768-10333 AM01	3600	2,328	0	PT
93.837		7738SC AM02	3600	(1,327)	0	PT
93.837		7738SCAM045UM1HL119089	3600	363,888	0	PT
93.837		827-UW-2015	3600	2,963	0	PT
93.837		9102SC AM01	3600	268,483	0	PT
93.837		HH4023 AM02	3600	88,628	0	PT
93.837		M13A11482A08800AM05	3600	97,848	0	PT
93.837		M14A11708A09355AM01	3600	15,446	0	PT
93.837		M14A11810(A09626) AM02	3600	147,880	0	PT
93.837		MUSC14-019 AMO2	3600	6,628	0	PT
93.837		P663626611	3600	8,886	0	PT
93.837		PO# 1001197016 AM03	3600	87,963	0	PT
93.837		PO#1001197016	3600	(233)	0	PT
93.837		PS#224978	3600	22,996	0	PT
93.837		RES509831	3600	36,894	0	PT
93.837		SPS162060Site070AM3	3600	1,781	0	PT
93.837		T088768 AM04	3600	14,044	0	PT
93.837		UW BUD# 660839	3600	9,088	0	PT
93.837		UW BUD# 669766	3600	13,489	0	PT
93.837		UW-15014	3600	110,017	0	PT
93.837		VUMC 55484	3600	24,191	0	PT
93.837		WFUHS 113865 REV AM06	3600	7,746	0	PT
93.837		WFUHS 114486	3600	51,178	0	PT
93.837		WFUHS 114806	3600	3,731	0	PT
93.837		WFUHS114064WASHINGTONA	3600	864	0	PT
93.837		WU-15-258 AM01	3600	45,218	0	PT
93.837		WU162675R01HL11830503R	3600	44,688	0	PT
93.837			3650	611,457	165,650	
93.837		3011860	3650	36,572	0	PT
93.837		KA150030	3650	41,711	0	PT
93.837		RS2012229608	3650	26,632	0	PT

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
Federal Program 93.837 Total				42,544,378	10,492,875	
93.838	Lung Diseases Research		3600	5,436,742	900,976	
93.838		0000758955 AM03	3600	57,004	0	PT
93.838		0000758955 AM04	3600	51,738	0	PT
93.838		0000760233 AM05	3600	1,166	0	PT
93.838		0035200 (123815)	3600	54,755	0	PT
93.838		0041577	3600	62,129	0	PT
93.838		1 (GG007619)	3600	(335)	0	PT
93.838		1(GG007619-03)	3600	27,587	0	PT
93.838		1090409-334683 AM02	3600	265,127	0	PT
93.838		112127.5048790 AM03	3600	33,316	0	PT
93.838		2001502917 AM04	3600	(311)	0	PT
93.838		2020101001UWASH7R56HL1	3600	35,815	0	PT
93.838		2032352 AM03	3600	102,312	0	PT
93.838		3 (GG007619-02) AM01	3600	34,941	0	PT
93.838		4(GG010919) PO#G10047	3600	23,328	0	PT
93.838		49854772 AM01	3600	166,057	0	PT
93.838		8893SC AM01	3600	22,430	0	PT
93.838		IN-4687706UW AM01	3600	3,803	0	PT
93.838		PRIME 5U01HL123009-03	3600	4,909	0	PT
93.838		TO140660MOD08MASTER243	3600	36,385	7,347	PT
93.838		UW BUD# 668529	3600	(232)	0	PT
93.838		WAS-183185	3600	7,266	0	PT
Federal Program 93.838 Total				6,425,932	908,323	
93.839	Blood Diseases and Resources Research		3600	4,704,185	409,148	
93.839		0000791419 AM02	3600	109,219	0	PT
93.839		0000808695	3600	810	0	PT
93.839		0000835309 AM01	3600	156,926	0	PT
93.839		0000843750	3600	153,121	0	PT
93.839		0000846587	3600	13,757	0	PT
93.839		0000866878	3600	48,752	0	PT
93.839		000502659-001 AM01	3600	79,258	0	PT
93.839		000502659-001 AM02	3600	3,057	0	PT
93.839		10628SUB MOD04	3600	69,372	0	PT
93.839		11288SUB MOD1	3600	34,574	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.839	Blood Diseases and Resources Research	113440	3600	22,006	0	PT
93.839		75103107	3600	72,516	0	PT
93.839		802-UW-2015	3600	90,468	0	PT
93.839		802-UW-2016	3600	43,242	0	PT
93.839		832074PRIME1R01HL12658	3600	23,716	0	PT
93.839		863604PRIME5R01HL12658	3600	1,344	0	PT
93.839		UW BUD# 631569	3600	82,638	0	PT
93.839		UW BUD# 634828	3600	29,699	0	PT
93.839		UW-15014-B	3600	12,759	0	PT
Federal Program 93.839 Total				5,751,419	409,148	
93.846	Arthritis, Musculoskeletal and Skin Diseases Resea		3600	7,960,302	1,051,310	
93.846		3002095759 AM04	3600	176	0	PT
93.846		UW BUD# 669777	3600	1,240	0	PT
93.846			3650	1,705,031	224,585	
Federal Program 93.846 Total				9,666,749	1,275,895	
93.847	Diabetes, Digestive, and Kidney Diseases Extramura		3600	23,860,106	2,831,324	
93.847		00008131555R24DK099808	3600	80,802	0	PT
93.847		00087051242781AM01	3600	(2,799)	0	PT
93.847		0047227	3600	18,105	0	PT
93.847		0047227 (126609-2)	3600	394,870	0	PT
93.847		0255-7481-4609 AM01	3600	268,118	12,489	PT
93.847		0255-7513-4609 AM03	3600	1,215	0	PT
93.847		08786002-314329 AM02	3600	17,432	0	PT
93.847		08786003-316585 AM03	3600	9,514	0	PT
93.847		10019509-04, AM06	3600	85,775	0	PT
93.847		1004965_UWA	3600	70	0	PT
93.847		1004965_UWA AM01	3600	48,111	0	PT
93.847		1004965UWAMARCOVINAAM0	3600	4,229	0	PT
93.847		109748 AM03	3600	16,834	0	PT
93.847		109748 AM04	3600	49,892	0	PT
93.847		11-1041Z02D AM04	3600	13,416	0	PT
93.847		11096SUB	3600	15,341	0	PT
93.847		11096SUB MOD 1	3600	167,100	0	PT
93.847		11097SUB	3600	16,283	0	PT
93.847		11097SUB MOD01	3600	15,060	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	11107SUB	3600	2,275	0	PT
93.847		111345 AM01	3600	7,009	0	PT
93.847		11326SUB	3600	789,388	0	PT
93.847		11334SUB	3600	13,191	0	PT
93.847		12-D18 AM11	3600	172,831	0	PT
93.847		13-D14 AM01	3600	452,738	0	PT
93.847		1553GPC5391DP3DK094311	3600	33,517	0	PT
93.847		16-924	3600	6,182	0	PT
93.847		1987203-15	3600	32,550	28,605	PT
93.847		1987203-15	3600	148,325	71,599	PT
93.847		1987203-15 AM01	3600	13,332	0	PT
93.847		1987203-15 AM03	3600	306,460	0	PT
93.847		2014-3113 AM01	3600	63,589	0	PT
93.847		223192 AM02	3600	34,875	0	PT
93.847		224804 AM01	3600	50,569	0	PT
93.847		226142	3600	38,389	0	PT
93.847		25034-52 AM02	3600	71,773	0	PT
93.847		25034-87	3600	10,943	0	PT
93.847		25732755U24DK07616909	3600	11,907	0	PT
93.847		3003481941	3600	3,061	0	PT
93.847		3108591R01DK10295201A1	3600	16,905	0	PT
93.847		310859AM015R01DK102952	3600	15,604	0	PT
93.847		320928 AM1	3600	41,239	0	PT
93.847		3209280512-P AM02	3600	1,464	0	PT
93.847		38947675 AM003	3600	287,153	0	PT
93.847		41-114-1 AM01	3600	51,201	0	PT
93.847		5-33711	3600	24,445	0	PT
93.847		5007632-SERV AM04	3600	2,208	0	PT
93.847		5033426 AM02	3600	1,389	0	PT
93.847		5033574 AM02	3600	(1,079)	0	PT
93.847		5033574 AM04	3600	770	0	PT
93.847		5034378 AM01	3600	744	0	PT
93.847		5034378AM025U01DK09223	3600	11,629	0	PT
93.847		5601076008 AM01	3600	11,314	0	PT
93.847		566608 AM02	3600	9,940	0	PT
93.847		566916	3600	10,108	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	5674551U01DK10689201	3600	54,300		0 PT
93.847		597-SUB AM01	3600	56,767		0 PT
93.847		600100 C.02	3600	13,653		0 PT
93.847		6119-1276-00-AM MOD01	3600	4,520		0 PT
93.847		6119-1276-00-AM MOD02	3600	22,365		0 PT
93.847		6119-1295-00-AD	3600	866		0 PT
93.847		6119-1295-00-AD MOD 01	3600	28,969		0 PT
93.847		6119-1295-00-Z	3600	158,552		0 PT
93.847		6163-1005-00-AD MOD01	3600	165,678		0 PT
93.847		6163-1005-00-Z MOD01	3600	13,470		0 PT
93.847		6163-1005-00-Z MOD02	3600	1,675		0 PT
93.847		625-SUB	3600	29,726	6,973	PT
93.847		650002 A.01	3600	13,730		0 PT
93.847		8002SC AM02	3600	244,670		0 PT
93.847		8263	3600	3,362		0 PT
93.847		8379SC AM01	3600	12,952		0 PT
93.847		85285270X0813200MOD05	3600	9,764		0 PT
93.847		8786-01-310844 AMO1	3600	8,821		0 PT
93.847		A92614	3600	11,085		0 PT
93.847		FY14106101	3600	15,141		0 PT
93.847		FY15106101	3600	49,022		0 PT
93.847		GMO-111131 AM03	3600	11,578		0 PT
93.847		GMO161128PORGC00000007	3600	53,229		0 PT
93.847		GMO161129PORGC00000007	3600	1,153		0 PT
93.847		KS141-UW-3	3600	2,844		0 PT
93.847		KS141-UW-4	3600	618,931		0 PT
93.847		M15A11842A10137AM01	3600	136,781		0 PT
93.847		OOS030112_UOW	3600	40,200		0 PT
93.847		RES508618 AM03	3600	31,115		0 PT
93.847		RES5092695U01DK0941570	3600	(29,527)		0 PT
93.847		RES509454	3600	596		0 PT
93.847		RES509454 AM01	3600	722		0 PT
93.847		RES509472 AM01	3600	52,994		0 PT
93.847		RES5094721DP3DK1044380	3600	6,062		0 PT
93.847		RES510022 AM02	3600	290,483		0 PT
93.847		RSTFD0000655460	3600	311,295		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	S-DPP1516-JB02	3600	305,608	0	PT
93.847		S-DPP1617-JB02	3600	209,643	0	PT
93.847		SONOMOTIONS BIRAGREEMEN	3600	31,685	0	PT
93.847		SUB-520	3600	(2,035)	0	PT
93.847		UW BUD# 631861	3600	7,041	0	PT
93.847		UW BUD# 636393	3600	464,829	0	PT
93.847		UW BUD# 636394	3600	115,574	0	PT
93.847		UW BUD# 636401	3600	16,310	0	PT
93.847		UW BUD# 636413	3600	72,551	0	PT
93.847		UW BUD# 636416	3600	35,805	0	PT
93.847		UW BUD# 636423	3600	14,471	0	PT
93.847		UW BUD# 668640	3600	102,835	0	PT
93.847		VUMC 44130 AM02	3600	227,756	0	PT
93.847		VUMC42466 AM01	3600	243	0	PT
93.847		W000649521	3600	14,830	0	PT
93.847		WFUHS 118225	3600	16,756	0	PT
93.847		WFUHS 118225 AM02	3600	29,412	0	PT
93.847		WFUHS 118247	3600	56,124	0	PT
93.847		WFUHS1145801UC4DK10817	3600	47,990	0	PT
93.847		WU-15-112-MOD-2 AM02	3600	37,637	0	PT
93.847			3650	1,680,056	0	
93.847		561624	3650	13,601	0	PT
Federal Program 93.847 Total				33,773,678	2,950,990	
93.848	Health & Human Services Dept		3600	(18,561)	0	
93.848		PRIME 5 R44 DK 068936	3600	(6,014)	0	PT
Federal Program 93.848 Total				(24,575)	0	
93.853	Extramural Research Programs In the Neurosciences		3600	23,689,207	3,936,454	
93.853		0010073A AM01	3600	39,840	0	PT
93.853		0010073A AM02	3600	9,417	0	PT
93.853		0030451 (123192-3)	3600	(27)	0	PT
93.853		0030451 (126270-3)	3600	17,462	0	PT
93.853		0030451(126270) AM03	3600	33,827	0	PT
93.853		01028180 AM03	3600	16,515	0	PT
93.853		0255-6612-4609 AM01	3600	126,024	0	PT
93.853		0255-6612-4609 AM02	3600	47,858	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.853	Extramural Research Programs In the Neurosciences	0255-6613-4609 AM03	3600	272,476	0	PT
93.853		10316345-004	3600	11,113	0	PT
93.853		111178-5088518 AM01	3600	30,386	0	PT
93.853		11360SUB	3600	7,013	0	PT
93.853		115-9241-01 AM02	3600	1,175	0	PT
93.853		2 (GG008136-02)	3600	11,997	0	PT
93.853		567147	3600	28,985	0	PT
93.853		60030115 UW AM05	3600	188,648	0	PT
93.853		6495SC AM07	3600	5,486	0	PT
93.853		7891SC AM01	3600	7,757	0	PT
93.853		7891SC AM02	3600	77,768	0	PT
93.853		7891SC AM03	3600	45,815	0	PT
93.853		7891SC MOD02	3600	242,726	0	PT
93.853		9008346_UWHMC AM03	3600	28,288	0	PT
93.853		AAIRC0023A AM05	3600	43,648	0	PT
93.853		H38B11-01 AM04	3600	7,073	0	PT
93.853		N004688501	3600	7,392	0	PT
93.853		N004688501 AM001	3600	5,917	0	PT
93.853		NS044163UNIVOFWAAM02	3600	292	0	PT
93.853		NS044163UNIVOFWAAM03	3600	80,622	0	PT
93.853		P0033442 MOD1	3600	50,539	0	PT
93.853		PRIME5R01NS03592914	3600	25,100	0	PT
93.853		SA-33842	3600	11,227	0	PT
93.853		SUB0000037	3600	38,284	0	PT
93.853		SUB0000037 AM01	3600	276,425	0	PT
93.853		T234837 AM03	3600	192,846	0	PT
93.853		T270085 AM05	3600	7,545	0	PT
93.853		T475438 AM07	3600	12,129	0	PT
93.853		U01NS091951-129515 AM1	3600	6,699	0	PT
93.853		UW BUD# 633444	3600	33,615	0	PT
93.853				3650	972,730	137,187
93.853		1005874WSU	3650	46,068	0	PT
Federal Program 93.853 Total				26,757,907	4,073,641	
93.855	Allergy and Infectious Diseases Research		3600	60,777,974	11,247,590	
93.855		0000797859	3600	(2,084)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	0000800547 AM01	3600	1,137	0	PT
93.855		0000806449 AM01	3600	(34,299)	0	PT
93.855		0000807902	3600	(10,305)	0	PT
93.855		0000809500	3600	(15)	0	PT
93.855		0000809531	3600	(14)	0	PT
93.855		0000813156 AM01	3600	151,336	0	PT
93.855		0000814754	3600	3,324	0	PT
93.855		0000815762	3600	6,861	0	PT
93.855		0000818299	3600	7,500	0	PT
93.855		0000818720	3600	(42,488)	0	PT
93.855		0000819229 AM01	3600	97,501	0	PT
93.855		0000819236	3600	55,900	0	PT
93.855		0000819238 AM01	3600	162,083	0	PT
93.855		0000819240 AM01	3600	5,913	0	PT
93.855		0000819382	3600	9,232	0	PT
93.855		0000819438	3600	45,703	0	PT
93.855		0000820484	3600	116,259	0	PT
93.855		0000820485	3600	228,351	0	PT
93.855		0000820929 AM01	3600	(19,455)	0	PT
93.855		0000821515	3600	117,858	0	PT
93.855		0000821971	3600	566,843	0	PT
93.855		0000829587	3600	108,190	0	PT
93.855		0000829992 AM02	3600	39,982	0	PT
93.855		0000836230	3600	238,299	0	PT
93.855		0000836486 AM01	3600	610,282	0	PT
93.855		0000839163	3600	30,876	0	PT
93.855		0000840936	3600	103,456	0	PT
93.855		0000841007	3600	49,226	0	PT
93.855		0000841008	3600	21,637	0	PT
93.855		0000841012	3600	494,451	0	PT
93.855		0000841014	3600	523,622	0	PT
93.855		0000841158	3600	40,468	0	PT
93.855		0000841198	3600	7,109	0	PT
93.855		0000841668 AM01	3600	332,251	0	PT
93.855		0000842087	3600	81,569	0	PT
93.855		0000842699	3600	68,518	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	0000843814	3600	10,179	0	PT
93.855		0000844570	3600	56,501	0	PT
93.855		0000846680	3600	169,377	0	PT
93.855		0000851169	3600	10,625	0	PT
93.855		0000851480	3600	231,975	0	PT
93.855		0000851480 AM01	3600	574,852	0	PT
93.855		0000852255	3600	9,343	0	PT
93.855		00008525425UM1AI068615	3600	63,382	0	PT
93.855		0000852674	3600	180,242	0	PT
93.855		0000852751	3600	248,033	0	PT
93.855		0000852765	3600	5,874	0	PT
93.855		0000853478	3600	244,449	0	PT
93.855		0000853481	3600	205,194	0	PT
93.855		0000853512	3600	27,911	0	PT
93.855		0000854760	3600	188,506	0	PT
93.855		0000854761	3600	179,890	0	PT
93.855		0000855050	3600	35,627	0	PT
93.855		0000858200	3600	58,384	0	PT
93.855		0000858277	3600	36,049	0	PT
93.855		0000859888	3600	179,947	0	PT
93.855		0000860703	3600	20,588	0	PT
93.855		0000860704	3600	29,182	0	PT
93.855		0000865524	3600	143,667	0	PT
93.855		0000870411	3600	5,754	0	PT
93.855		000397076-012 AM03	3600	21,991	0	PT
93.855		000397076-012 AM04	3600	(3,858)	0	PT
93.855		000397076-012 AM06	3600	193,642	19,668	PT
93.855		000397076-012 AM08	3600	719,598	0	PT
93.855		000421524-002 AM03	3600	311	0	PT
93.855		000421524-002 AM04	3600	150,024	0	PT
93.855		000503356SP002016A01	3600	134,085	0	PT
93.855		000504515SP001002AMA01	3600	16,516	0	PT
93.855		1 (GG008377-12)	3600	86,680	0	PT
93.855		1 (GG008377-13) AM01	3600	579,275	0	PT
93.855		101981164	3600	1,661	0	PT
93.855		101981164AM01PO5601020	3600	134,908	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	10330SUB MOD05	3600	57,156	0	PT
93.855		10590SUB MOD03	3600	291,752	0	PT
93.855		10592SUB MOD06	3600	53,243	3,275	PT
93.855		10888SUB MOD03	3600	10,016	0	PT
93.855		109668-5066267 AM01	3600	13,610	0	PT
93.855		10972SUB MOD01	3600	48,016	0	PT
93.855		10972SUB MOD02	3600	17,414	0	PT
93.855		109927	3600	122,528	0	PT
93.855		109927 MOD04	3600	196,047	0	PT
93.855		109930	3600	111,792	0	PT
93.855		10995SUB MOD01	3600	98,132	0	PT
93.855		10995SUB MOD04	3600	158,216	0	PT
93.855		110007 AM03	3600	14,887	0	PT
93.855		110007 AM04	3600	18,141	0	PT
93.855		110208 MOD03	3600	348,558	0	PT
93.855		110238 AM1	3600	5,755	0	PT
93.855		110668 MOD01	3600	98,566	(2,400)	PT
93.855		11069SUBMOD025R01AI100	3600	717	0	PT
93.855		11070SUB MOD02	3600	76,333	0	PT
93.855		11110SUB MOD01	3600	33,278	0	PT
93.855		11122SUB	3600	(166,635)	0	PT
93.855		111670 MOD01	3600	140,280	0	PT
93.855		11229SUB	3600	20,548	0	PT
93.855		11229SUB MOD01	3600	11,917	0	PT
93.855		112668	3600	198,076	0	PT
93.855		1559 G TA522	3600	171,613	0	PT
93.855		1559 G TA522 AM01	3600	120,951	0	PT
93.855		18907	3600	22,033	0	PT
93.855		1R41AI116114-01	3600	58,056	0	PT
93.855		1U01AI11552001UWASHING	3600	46,103	0	PT
93.855		2001317198 MOD 08	3600	517,126	0	PT
93.855		2001317198 MOD07	3600	(6,010)	0	PT
93.855		2002078835 AM02	3600	7,079	0	PT
93.855		2002131141 MOD02	3600	3,794	0	PT
93.855		201209PRIMEUM1AI104681	3600	4,500	0	PT
93.855		201223949-01 AM03	3600	201,157	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	201223949-01 AM04	3600	16,649	0	PT
93.855		22206046C AM02	3600	25,410	0	PT
93.855		222060631R21AII1983501	3600	72,558	0	PT
93.855		31084M	3600	37,929	0	PT
93.855		3210515228	3600	84,312	0	PT
93.855		4642 AM01	3600	191,160	0	PT
93.855		4658 (IU19AII20249)	3600	229,551	0	PT
93.855		490K066 AM02	3600	6,510	0	PT
93.855		5-33047 AM02	3600	37,062	0	PT
93.855		5-33051 AM02	3600	(14,007)	0	PT
93.855		5033047 MOD03	3600	379,359	0	PT
93.855		5101969	3600	18,586	0	PT
93.855		5103106	3600	32,003	0	PT
93.855		568523	3600	4,039	0	PT
93.855		578K071	3600	6,335	0	PT
93.855		578K071 AM01	3600	104,091	0	PT
93.855		5U01AII1552002UWY2	3600	32,221	0	PT
93.855		SUM1AII06701-03	3600	168,662	0	PT
93.855		60036897 AM02	3600	81,661	0	PT
93.855		60052605 AM03	3600	56,763	0	PT
93.855		717-7121089UW	3600	(4,782)	0	PT
93.855		7828SC AM01	3600	32,433	0	PT
93.855		8204 (IU01AII15497-01)	3600	42,483	0	PT
93.855		8233	3600	67,755	0	PT
93.855		8929SC5R13AII0263004	3600	15,000	0	PT
93.855		9264SC	3600	86,901	0	PT
93.855		9323	3600	(267,824)	0	PT
93.855		9331	3600	189,577	0	PT
93.855		9390	3600	132,651	0	PT
93.855		971/0080.0173 AM07	3600	28,433	0	PT
93.855		AM02	3600	8,554	0	PT
93.855		CRA-2013-021 AM02	3600	23,773	0	PT
93.855		FP059178-B AM01	3600	13,898	0	PT
93.855		FY14ITN052 AM01	3600	349	0	PT
93.855		FY15.284.002 AMD4	3600	32,549	0	PT
93.855		FY15109845	3600	106,101	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.855	Allergy and Infectious Diseases Research	FY15109846	3600	75,689	0	PT
93.855		FY15ITN177	3600	6,942	0	PT
93.855		GMO-130301 AM02	3600	106,027	0	PT
93.855		GMO130301 AM03	3600	151,103	0	PT
93.855		GR700507UW AM01	3600	26,238	0	PT
93.855		H004614601 AM01	3600	19,159	0	PT
93.855		IN4689724UW AM06	3600	48,982	0	PT
93.855		PO# 14-267 AM02	3600	547,601	0	PT
93.855		PO#2002131144	3600	28,281	0	PT
93.855		RES509563	3600	169,593	0	PT
93.855		RES5105305U01AII156420	3600	187,163	0	PT
93.855		RES510939	3600	32,102	0	PT
93.855		SP0007967PROJ0002212AM	3600	13,403	0	PT
93.855		SP0026886PROJ0007064AM	3600	410,147	0	PT
93.855		SUL1847-02 AM02	3600	152,181	0	PT
93.855		T1461603	3600	491,459	0	PT
93.855		TONHP031	3600	9,722	0	PT
93.855		UFDSP00010839AM01R21AI	3600	22,146	0	PT
93.855		UW BUD# 668898	3600	8,453	0	PT
93.855		UW BUD# 669902	3600	58,745	0	PT
93.855		UW OSP #A96847	3600	71,728	0	PT
93.855		UWPC-15517-A AMO1	3600	10,285	0	PT
93.855		WA00123686RFS2014033AM	3600	(2,887)	0	PT
93.855		"	3650	2,691,170	0	
93.855		11087SUB	3650	10,537	0	PT
93.855		11088SUB	3650	2,060	0	PT
93.855		11307SUB	3650	82,492	0	PT
93.855		11310SUB	3650	265,981	0	PT
93.855		157717157715	3650	117,077	0	PT
93.855		ABK855 SB 001	3650	67,393	0	PT
93.855		H004942302	3650	34,653	0	PT
93.855			3760	4,000	0	
Federal Program 93.855 Total				81,068,490	11,268,133	
93.859	Biomedical Research and Research Training		3600	31,035,951	2,589,244	
93.859		0000806995	3600	5,909	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.859	Biomedical Research and Research Training	0000815002	3600	139		0 PT
93.859		0000815017	3600	100		0 PT
93.859		0000837085	3600	11,519		0 PT
93.859		0000838327 AM01	3600	150,822		0 PT
93.859		0000838464	3600	150,804		0 PT
93.859		0000841785	3600	22,856		0 PT
93.859		0244-04 AM02	3600	6,611		0 PT
93.859		12_8036_UWASH_01	3600	14,405		0 PT
93.859		15520410513040804BMOD0	3600	669,480		0 PT
93.859		2002735434	3600	19,580		0 PT
93.859		2002735434 AM02	3600	3,216		0 PT
93.859		2015-01763-01-00	3600	38,243		0 PT
93.859		2015.0001 AM01	3600	46,762		0 PT
93.859		3002887843 AM03	3600	90,356		0 PT
93.859		3003101111 AM01	3600	6,254		0 PT
93.859		3003101111 AM02	3600	109,140		0 PT
93.859		48299071 AM02	3600	29,201		0 PT
93.859		5033659 AM02	3600	88,159		0 PT
93.859		5103989	3600	4,301		0 PT
93.859		C15A11965A09991AM01	3600	(5)		0 PT
93.859		FY16.752.001/2-5-55988	3600	(270)		0 PT
93.859		FY167520025R01GM088186	3600	(1)		0 PT
93.859		JCVII14001MOD02R01GM095	3600	19,608		0 PT
93.859		PRIME 1R44GM1113438-01	3600	155,805		0 PT
93.859		R960652	3600	11,868		0 PT
93.859		R960652 AM01	3600	106,879		0 PT
93.859		S51110000020434 AM01	3600	(1,550)		0 PT
93.859		UFDSP00010190 AM03	3600	275,495		0 PT
93.859		UFDSP00010832	3600	21,823		0 PT
93.859		VUMC554951P50GM1153050	3600	84,238		0 PT
93.859			3650	1,610,155	47,924	
93.859		1R01GM11125401	3650	149,271		0 PT
93.859		36122808110734102	3650	36,436		0 PT
93.859		54076616	3650	55,122		0 PT
93.859		FY15652002	3650	35,322		0 PT
93.859		WU11306	3650	17,059		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.859	Biomedical Research and Research Training		3700	117,898	0	
93.859		UFDSP00010731 Amend #6	3700	2,899	0	PT
93.859			3800	119,388	0	
93.859		EMAILED SEATTLE	6990	43,646	0	PT
Federal Program 93.859 Total				35,364,894	2,637,168	
93.865	Child Health and Human Development Extramural Rese		3600	22,062,251	2,513,036	
93.865		0000783262 AM02	3600	(20,213)	0	PT
93.865		0000783376 AM01	3600	(10,022)	(10,616)	PT
93.865		0000783378	3600	(55,485)	0	PT
93.865		0000796350 AM01	3600	58,029	0	PT
93.865		0000796350 AM02	3600	2,555	0	PT
93.865		0000796353 AM02	3600	103,690	12,000	PT
93.865		0000798538 AM02	3600	1,626	0	PT
93.865		0019692	3600	227,328	47,741	PT
93.865		0019692 (124457-5)	3600	2,414	8,880	PT
93.865		0024922 (125803-5)	3600	17,812	0	PT
93.865		10255SUB MOD04	3600	2,640	0	PT
93.865		10893SUB MOD01	3600	15,129	0	PT
93.865		10893SUB MOD02	3600	27,445	0	PT
93.865		10988SUB MOD02	3600	27,872	0	PT
93.865		11042SUB MOD02	3600	21,958	0	PT
93.865		11312SUB MOD01	3600	120,262	0	PT
93.865		11348SUB MOD04	3600	21,401	0	PT
93.865		11349SUB	3600	54,990	0	PT
93.865		11362SUB	3600	1,771	0	PT
93.865		114119-5060443 AM02	3600	2,769	0	PT
93.865		130474	3600	91,246	0	PT
93.865		1920 G RA131 AM03	3600	60,857	0	PT
93.865		201224693-05	3600	11,592	0	PT
93.865		2015154245	3600	33,433	0	PT
93.865		2015207256	3600	77,220	0	PT
93.865		3003294837 AM01	3600	110,418	(1,248)	PT
93.865		3003879380 AM01	3600	4,358	0	PT
93.865		361155-UW	3600	28,388	0	PT
93.865		5 R01 HD 061400-05	3600	25,666	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.865	Child Health and Human Development Extramural Rese	5-33193 AM04	3600	(4,633)		0 PT
93.865		5033193	3600	485,520		0 PT
93.865		5600716840 AM04	3600	203,424		0 PT
93.865		5R01HD006140003MOD01	3600	2,201		0 PT
93.865		60499579-47273 AM02	3600	3,236		0 PT
93.865		83884PR2R01HD03996111A	3600	3		0 PT
93.865		8703SC	3600	17,243		0 PT
93.865		8703SC AM01	3600	54,871		0 PT
93.865		ACCT 66619X AM05	3600	(271)		0 PT
93.865		F7432-02 AM04	3600	39,710		0 PT
93.865		KK1602	3600	42,084		0 PT
93.865		RC103679UW AM02	3600	7,033		0 PT
93.865		RNG200508-2-UW	3600	1,404		0 PT
93.865		S-MFM1415-JB13	3600	8,155		0 PT
93.865		S-MFM1516-JB13	3600	9,001		0 PT
93.865		UW BUD# 667936	3600	(10,309)		0 PT
93.865			3650	2,515,407	338,276	
93.865		3453212003506	3650	82,719		0 PT
93.865		5600653614	3650	113,112		0 PT
Federal Program 93.865 Total				26,699,310	2,908,069	
93.866	Aging Research		3600	19,849,884	3,054,989	
93.866		00000817	3600	13,200		0 PT
93.866		00000826 AM01	3600	90,755		0 PT
93.866		00000844 AM01	3600	65,229		0 PT
93.866		0000783776 AM01	3600	2,339		0 PT
93.866		00122001223816AM04	3600	277,733		0 PT
93.866		1536 AM05	3600	422		0 PT
93.866		1540R22 AM03	3600	66,611		0 PT
93.866		2 (GG010623) AM01	3600	15,205		0 PT
93.866		2014134622 MOD02	3600	89,051		0 PT
93.866		3002473402 AM03	3600	13,373		0 PT
93.866		3003549222 AM01	3600	19,519		0 PT
93.866		3003801558 AM04	3600	156,532		0 PT
93.866		31594C AM01	3600	6,114		0 PT
93.866		4500001378 AM03	3600	68,292		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.866	Aging Research	4500001902 AM001	3600	83,420	0	PT
93.866		4500002121 AM002	3600	7,715	0	PT
93.866		5005011SERVAM045R01AG0	3600	96,162	0	PT
93.866		541K575 MOD02	3600	15,255	0	PT
93.866		566914	3600	74,689	0	PT
93.866		568785100478771466801	3600	13,308	0	PT
93.866		60766183-113156 MOD02	3600	56,594	0	PT
93.866		64137955	3600	25,091	0	PT
93.866		AG006781-27A1-UW MOD01	3600	442,209	0	PT
93.866		AG006781-27A1-UW MOD03	3600	472,337	0	PT
93.866		AG006781-28-UW	3600	164,279	0	PT
93.866		FY13001007FY15001006AM	3600	7	0	PT
93.866		FY13001007FY15001011AM	3600	112	0	PT
93.866		FY13001007FY16001014AM	3600	7,352	0	PT
93.866		FY16.001.015	3600	21,005	0	PT
93.866		N003448801 AM02	3600	9,656	0	PT
93.866		PE148A-UW-1 AM02	3600	46,769	0	PT
93.866		RC105335G AM01	3600	50,370	0	PT
93.866		T493998 AM01	3600	7,702	0	PT
93.866		UW BUD# 632858	3600	2,517	0	PT
93.866		UW BUD# 632864	3600	13,384	1,016	PT
93.866		VUMC 40785 AM02	3600	78,489	0	PT
93.866		WFUHS 110918 AM02	3600	37,690	0	PT
93.866			3650	1,048,770	243,404	
93.866		765335874P	3650	63,740	0	PT
93.866		FY16001015	3650	21,199	0	PT
Federal Program 93.866 Total				23,594,080	3,299,409	
93.867	Vision Research		3600	13,737,904	1,129,789	
93.867		00007517 AM05	3600	(32,834)	0	PT
93.867		00007517 AM06	3600	83,806	0	PT
93.867		1 (GG010289) AM02	3600	17,460	0	PT
93.867		1002605_UW AM03	3600	112,194	0	PT
93.867		2002745508 AM02	3600	593	0	PT
93.867		2002745508 AM03	3600	2,285	0	PT
93.867		39543216 AM03	3600	83,581	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.867	Vision Research	N640615302 AM07	3600	18,293		0 PT
93.867		N640615302 AM08	3600	61,883		0 PT
93.867		PO#10317338-004	3600	14,439		0 PT
93.867		PROTOCOL #U SITE 47	3600	33,879		0 PT
93.867		R22567	3600	47,916		0 PT
93.867		R7747G18AM011PN2EY0182	3600	(46,962)		0 PT
93.867		UWAEY023533 AM03	3600	350		0 PT
Federal Program 93.867 Total				14,134,787	1,129,789	
93.879	Medical Library Assistance		3600	2,060,685	187,419	
93.879		00404781240953AMO2	3600	17,762		0 PT
93.879		PO#0000633810	3600	31,644		0 PT
93.879		RSTFD0000691705 AM01	3600	6,942		0 PT
Federal Program 93.879 Total				2,117,033	187,419	
National Institutes of Health Total				307,878,769	41,540,859	
93.933	Demonstration Projects for Indian Health	560101-20-415	3600	142,420		0 PT
93.933		SCF2013-087	3600	11,480		0 PT
93.933		SCF2013-087 Y3	3600	49,902		0 PT
93.933		U261IHS00360400SA04AM0	3600	(450)		0 PT
93.933		UW BUD# 634830	3600	2,924		0 PT
93.933		UW BUD# 635076	3600	574		0 PT
Federal Program 93.933 Total				206,850	0	
Indian Health Service Total				206,850	0	
93.989	International Research and Research Training		3600	2,603,214	423,497	
93.989		A1056245D43TW00976302	3600	72,331		0 PT
93.989		A105850 AM01	3600	146,575		0 PT
93.989		A96818	3600	39,290		0 PT
93.989		P-HERT YEAR 1	3600	78,554		0 PT
93.989		PRIME 5R24TW008889-05	3600	77,138		0 PT
93.989		UW BUD# 675047	3600	(58)		0 PT
93.989		VUMC 40785 AM04	3600	7,021		0 PT
Federal Program 93.989 Total				3,024,065	423,497	
National Institutes of Health Total				3,024,065	423,497	
Dept of Health & Human Services Total				532,485,334	65,127,102	

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Research and Development

Social Security Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
96.007	Social Security Research and Demonstration	UW BUD# 633214	3600	24,625	0	PT
Federal Program 96.007 Total				24,625	0	
Social Security Administration Total				24,625	0	
Social Security Administration Total				24,625	0	

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Research and Development

U.S. Agency for International Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
98.RD	US Agency for International Development - Unknown	127278001	3650	2,474	0	PT
98.RD		20140022312	3650	43,142	0	PT
98.RD		20150078901	3650	1,949,039	0	PT
98.RD		410600008000044906	3650	63,034	0	PT
98.RD		RC102095	3650	112,606	0	PT
Federal Program 98.RD Total				2,170,295	0	
US Agency for International Development Total				2,170,295	0	
U.S. Agency for International Development Total				2,170,295	0	
Research and Development Total				888,680,588	105,246,754	

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Student Financial Assistance

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.007	Federal Supplemental Educational Opportunity Grant		3600	2,637,582	0	
84.007			3650	1,270,344	0	
84.007			3700	441,783	0	
84.007			3750	353,657	0	
84.007			3760	255,740	0	
84.007			6990	3,660,614	0	
Federal Program 84.007 Total				8,619,720	0	
84.033	Federal Work-Study Program		3600	1,532,770	0	
84.033			3650	1,040,404	0	
84.033			3700	476,212	0	
84.033			3750	373,446	0	
84.033			3760	275,089	0	
84.033			3800	502,937	0	
84.033			6990	3,744,819	0	
Federal Program 84.033 Total				7,945,677	0	
84.038	Federal Perkins Loan Program_federal Capital Contr		3600	2,398,567	0	
84.038			3600	46,934,247	0	OL
84.038			3650	17,361,047	0	OL
84.038			3650	4,978,727	0	
84.038			3700	293,880	0	
84.038			3700	4,576,498	0	OL
84.038			3750	55,742	0	
84.038			3750	6,110,913	0	OL
84.038			3760	4,394,855	0	OL
84.038			3760	164,337	0	
84.038			3800	8,643,065	0	OL
84.038			3800	(129,459)	0	
84.038			6990	(55,069)	0	
84.038			6990	1,588,206	0	OL
Federal Program 84.038 Total				97,315,556	0	
84.063	Federal Pell Grant Program		3600	47,772,049	0	
84.063			3650	36,797,228	0	
84.063			3700	19,479,148	0	
84.063			3750	18,011,451	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Student Financial Assistance

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.063	Federal Pell Grant Program		3760	8,189,549	0	
84.063			3800	16,467,160	0	
84.063			6990	194,141,734	0	
Federal Program 84.063 Total				340,858,319	0	
84.268	Federal Direct Student Loans		3600	283,411,939	0	
84.268			3650	163,970,000	0	
84.268			3700	64,424,953	0	
84.268			3750	67,437,764	0	
84.268			3760	22,130,155	0	
84.268			3800	67,549,136	0	
84.268			6990	112,076,336	0	
Federal Program 84.268 Total				781,000,283	0	
84.379	Teacher Education Assistance for College and Highe		3750	175,195	0	
84.379			3760	11,124	0	
84.379			6990	476	0	
Federal Program 84.379 Total				186,795	0	
Dept of Education Total				1,235,926,350	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Student Financial Assistance

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.264	Nurse Faculty Loan Program		3600	2,122,146	0	OL
93.264			3600	169,805	0	
93.264			3650	1,198,784	0	OL
93.264			3650	352,314	0	
Federal Program 93.264 Total				3,843,049	0	
93.342	Health Professions Student Loans, Including Primar		3600	(500,985)	0	
93.342			3600	11,758,211	0	OL
93.342			3650	309,734	0	
93.342			3650	1,971,015	0	OL
Federal Program 93.342 Total				13,537,975	0	
93.364	Nursing Student Loans		3600	2,351,940	0	OL
93.364			3600	106,253	0	
93.364			3650	940,319	0	OL
93.364			3650	144,543	0	
Federal Program 93.364 Total				3,543,055	0	
Dept of Health & Human Services Total				20,924,079	0	
Student Financial Assistance Total				1,256,850,429	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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SNAP

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.551	Supplemental Nutrition Assistance Program		3000	3,288	0	
10.551			3000	1,477,294,759	0	NC
Federal Program 10.551 Total				1,477,298,047	0	
10.561	State Administrative Matching Grants for the Suppl		3000	101,994,519	6,754,445	
10.561			6990	368,924	0	
10.561		116-BFET-15	6990	69,743	0	PT
Federal Program 10.561 Total				102,433,186	6,754,445	
Dept of Agriculture Total				1,579,731,233	6,754,445	
SNAP Total				1,579,731,233	6,754,445	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Food Distribution

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.565	Commodity Supplemental Food Program		4950	404,020	380,981	
Federal Program 10.565 Total				404,020	380,981	
10.568	Emergency Food Assistance Program (Administrative)		4950	1,734,003	1,471,469	
Federal Program 10.568 Total				1,734,003	1,471,469	
10.569	Emergency Food Assistance Program (Food Commodities)		4950	13,066,395	12,547,886	NC
Federal Program 10.569 Total				13,066,395	12,547,886	
Dept of Agriculture Total				15,204,418	14,400,336	
Food Distribution Total				15,204,418	14,400,336	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Child Nutrition

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.553	School Breakfast Program		3500	55,087,367	55,087,367	
Federal Program 10.553 Total				55,087,367	55,087,367	
10.555	National School Lunch Program		3500	199,731,069	199,731,069	
10.555			3500	27,319,514	27,319,514	NC
Federal Program 10.555 Total				227,050,583	227,050,583	
10.556	Special Milk Program for Children		3500	200,283	200,283	
Federal Program 10.556 Total				200,283	200,283	
10.559	Summer Food Service Program for Children		3500	5,920,494	5,730,140	
Federal Program 10.559 Total				5,920,494	5,730,140	
Dept of Agriculture Total				288,258,727	288,068,373	
Child Nutrition Total				288,258,727	288,068,373	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Fish and Wildlife

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.605	Sport Fish Restoration Program		4770	7,643,611	0	
Federal Program 15.605 Total				7,643,611	0	
15.611	Wildlife Restoration and Basic Hunter Education		4770	13,108,134	0	
Federal Program 15.611 Total				13,108,134	0	
Dept of the Interior Total				20,751,745	0	
Fish and Wildlife Total				20,751,745	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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Employment Service

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.207	Employment Service/Wagner-Peyser Funded Activities		5400	16,625,380	0	
Federal Program 17.207 Total				16,625,380	0	
17.801	Disabled Veterans' Outreach Program (Dvop)		5400	3,419,251	0	
Federal Program 17.801 Total				3,419,251	0	
17.804	Local Veterans' Employment Representative Program		5400	1,699,930	0	
Federal Program 17.804 Total				1,699,930	0	
Dept of Labor Total				21,744,561	0	
Employment Service Total				21,744,561	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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WIA/WIOA

Dept of Labor

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.258	WIA/WIOA Adult Program		5400	15,540,886	15,370,883	
17.258			6990	117,410	0	
17.258		5310-WFC-WIA-A-DW	6990	100,751	0	PT
17.258		5310-WFC-WIA-A-DW-03	6990	148,654	0	PT
17.258		5310-WFC-WIA-A-DW-04	6990	7,200	0	PT
17.258		5310-WFC-WIA-A-DW-CO	6990	69,090	0	PT
Federal Program 17.258 Total				15,983,991	15,370,883	
17.259	WIA/WIOA Youth Activities		5400	15,326,961	13,318,130	
17.259		15-EvCC-X-292-YOUTH	6990	44,568	0	PT
17.259		15EDCCX291-Youth	6990	7,951	0	PT
Federal Program 17.259 Total				15,379,480	13,318,130	
17.278	WIA/WIOA Dislocated Worker Formula Grants		5400	20,041,139	19,723,740	
Federal Program 17.278 Total				20,041,139	19,723,740	
Dept of Labor Total				51,404,610	48,412,753	
WIA/WIOA Total				51,404,610	48,412,753	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Transit

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.500	Federal Transit Capital Investment Grants		4050	3,611,819	1,292,254	
Federal Program 20.500 Total				3,611,819	1,292,254	
20.507	Federal Transit Formula Grants		4050	13,508,259	0	
Federal Program 20.507 Total				13,508,259	0	
20.525	State of Good Repair Grants Program		4050	11,512,836	0	
Federal Program 20.525 Total				11,512,836	0	
20.526	Bus and Bus Facilities Formula Program		4050	2,653,545	2,653,545	
Federal Program 20.526 Total				2,653,545	2,653,545	
Dept of Transportation Total				31,286,459	3,945,799	
Federal Transit Total				31,286,459	3,945,799	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Highway Safety

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.600	State and Community Highway Safety		2280	4,507,228	2,813,633	
Federal Program 20.600 Total				4,507,228	2,813,633	
20.616	National Priority Safety Programs		2280	5,466,375	5,186,363	
Federal Program 20.616 Total				5,466,375	5,186,363	
Dept of Transportation Total				9,973,603	7,999,996	
Highway Safety Total				9,973,603	7,999,996	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Special Education (IDEA)

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.027	Special Education Grants to States		3500	216,494,348	213,353,023	
84.027		1211400007/1211400008	3750	25,220		0 PT
84.027		1211500004/1211500005	3750	156,631		0 PT
Federal Program 84.027 Total				216,676,199	213,353,023	
84.173	Special Education Preschool Grants		3500	7,641,287	7,324,245	
Federal Program 84.173 Total				7,641,287	7,324,245	
Dept of Education Total				224,317,486	220,677,268	
Special Education (IDEA) Total				224,317,486	220,677,268	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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TRIO

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.042	TRIO Student Support Services		3600	679,848	0	
84.042			3650	565,689	0	
84.042			3700	76,974	0	
84.042			3750	269,607	0	
84.042			3760	287,500	0	
84.042			6990	6,394,303	0	
Federal Program 84.042 Total				8,273,921	0	
84.044	TRIO Talent Search		3600	324,166	0	
84.044			6990	638,394	0	
Federal Program 84.044 Total				962,560	0	
84.047	TRIO Upward Bound		3600	635,769	0	
84.047			3650	1,223,841	0	
84.047			3760	730,011	0	
84.047			6990	2,264,280	0	
Federal Program 84.047 Total				4,853,901	0	
84.066	TRIO Educational Opportunity Centers		3750	268,947	0	
84.066			6990	228,214	0	
Federal Program 84.066 Total				497,161	0	
84.217	TRIO McNair Post-Baccalaureate Achievement		3600	255,184	0	
84.217			3650	230,016	0	
84.217			3700	258,259	0	
84.217			3750	222,525	0	
Federal Program 84.217 Total				965,984	0	
Dept of Education Total				15,553,527	0	
TRIO Total				15,553,527	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Aging

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.044	Special Programs for the Aging Title III, Part B G		3000	9,924,822	9,055,415	
Federal Program 93.044 Total				9,924,822	9,055,415	
93.045	Special Programs for the Aging Title III, Part C N		3000	11,214,715	11,214,715	
Federal Program 93.045 Total				11,214,715	11,214,715	
93.053	Nutrition Services Incentive Program		3000	2,301,978	2,301,978	
Federal Program 93.053 Total				2,301,978	2,301,978	
Dept of Health & Human Services Total				23,441,515	22,572,108	
Aging Total				23,441,515	22,572,108	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CCDF

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.575	Child Care and Development Block Grant		3000	109,143,592	0	
93.575			3570	31,206,682	3,023,191	
Federal Program 93.575 Total				140,350,274	3,023,191	
93.596	Child Care Mandatory and Matching Funds of the Chi		3570	77,440,409	0	
Federal Program 93.596 Total				77,440,409	0	
Dept of Health & Human Services Total				217,790,683	3,023,191	
CCDF Total				217,790,683	3,023,191	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Medicaid

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.775	State Medicaid Fraud Control Units		1000	3,367,136		0
Federal Program 93.775 Total				3,367,136		0
93.777	State Survey and Certification of Health Care Prov		3000	12,652,761		0
93.777			3030	2,327,769		0
Federal Program 93.777 Total				14,980,530		0
93.778	Medical Assistance Program		1070	5,343,729,129	12,620,932	
93.778			3000	2,415,073,647	36,539,625	
Federal Program 93.778 Total				7,758,802,776	49,160,557	
Dept of Health & Human Services Total				7,777,150,442	49,160,557	
Medicaid Total				7,777,150,442	49,160,557	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington
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Forest Service Schools and Roads

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.665	Schools and Roads - Grants to States		0050	17,349,088		0
10.665			3650	9,091		0
Federal Program 10.665 Total				17,358,179		0
Dept of Agriculture Total				17,358,179		0
Forest Service Schools and Roads Total				17,358,179		0

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Disability Insurance/SSI

Social Security Administration

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
96.001	Social Security Disability Insurance		3000	52,862,620		0
Federal Program 96.001 Total				52,862,620		0
Social Security Administration Total				52,862,620		0
Disability Insurance/SSI Total				52,862,620		0

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Highway Planning and Construction

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.205	Highway Planning and Construction		0100	100,144,174	0	
20.205		06910	3650	24,856	0	PT
20.205		KLK568SB001	3650	24,500	0	PT
20.205		WSU201601	3650	889	589	PT
20.205			4050	653,214,602	226,972,976	
Federal Program 20.205 Total				753,409,021	226,973,565	
20.219	Recreational Trails Program		4670	1,660,169	1,076,168	
Federal Program 20.219 Total				1,660,169	1,076,168	
Dept of Transportation Total				755,069,190	228,049,733	
Highway Planning and Construction Total				755,069,190	228,049,733	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Economic Development

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.307	Economic Adjustment Assistance	077907257	3650	14,680	0	PT
11.307			6990	74,868	0	
Federal Program 11.307 Total				89,548	0	
Dept of Commerce Total				89,548	0	
Economic Development Total				89,548	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Transit Services Programs

Dept of Transportation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.513	Enhanced Mobility of Seniors and Individuals With		4050	3,985,469	3,596,617	
Federal Program 20.513 Total				3,985,469	3,596,617	
20.516	Job Access and Reverse Commute		4050	432,470	383,858	
Federal Program 20.516 Total				432,470	383,858	
20.521	New Freedom Program		4050	257,987	257,986	
Federal Program 20.521 Total				257,987	257,986	
Dept of Transportation Total				4,675,926	4,238,461	
Transit Services Programs Total				4,675,926	4,238,461	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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TANF

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.558	Temporary Assistance for Needy Families		3000	304,722,119	0	
93.558		1565-40154	6990	622,410	0	PT
Federal Program 93.558 Total				305,344,529	0	
Dept of Health & Human Services Total				305,344,529	0	
TANF Total				305,344,529	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Health Centers

Dept of Health & Human Services

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.224	Consolidated Health Centers	110-450-4506 AM01	3600	(5,559)	0	PT
93.224		CHS3779 AM01	3600	24,092	0	PT
93.224		CHS4086	3600	29,648	0	PT
Federal Program 93.224 Total				48,181	0	
Dept of Health & Human Services Total				48,181	0	
Health Centers Total				48,181	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Clean Water State Revolving Fund

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.458	Capitalization Grants for Clean Water State Revolv		4610	62,921,340	61,699,238	
Federal Program 66.458 Total				62,921,340	61,699,238	
Environmental Protection Agency Total				62,921,340	61,699,238	
Clean Water State Revolving Fund Total				62,921,340	61,699,238	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Drinking Water State Revolving Fund

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.468	Capitalization Grants for Drinking Water State Rev		3030	21,693,044	14,896,915	
Federal Program 66.468 Total				21,693,044	14,896,915	
Environmental Protection Agency Total				21,693,044	14,896,915	
Drinking Water State Revolving Fund Total				21,693,044	14,896,915	

Total Federal Assistance

17,205,753,785

1,923,105,184

Footnotes:

NC - Expenditure amount noncash in nature

PT - Expenditure, Pass-through in nature (federal funds received through another nonfederal entity).

OL - Loan Amount (outstanding loan amounts to date).

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Notes to the Schedule of Expenditures of Federal Awards

*For the Fiscal Year Ended
June 30, 2016*

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State of Washington
Schedule of Expenditures of Federal Awards
Notes A – E

For the Fiscal Year Ended
June 30, 2016
(Expressed in Whole Dollars)

Note A: **Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the state's financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards .

Note B: **Significant Accounting Policies**

Note B1: **Basis of Presentation** - The information in the Schedule is presented in accordance with the OMB Uniform Guidance.

- Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502); the Single Audit Act Amendments of 1996 (Public Law 104-156); and OMB Uniform Guidance federal financial assistance, hereafter referred to as federal assistance, is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Accordingly, non-monetary or non-cash federal assistance, including electronic benefit cards, food commodities, immunization supplies and surplus property, is federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals or solicited contracts between the state and federal agencies for which the state provides tangible goods or services, acting as a vendor.
- Catalog of Federal Domestic Assistance (CFDA) - OMB Uniform Guidance requires the Schedule to show total expenditures expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster. 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.
 - For federal assistance programs and awards that have no assigned CFDA numbers, federal awards to non-Federal entities from the same agency made for the same purpose are combined and considered as one program. If the CFDA three-digit extension is unknown, it shall be assigned a "U" followed by a two-digit number (e.g., U01, U02, etc.). If the Federal program is part of the Research and Development (R&D) cluster and the CFDA extension is unknown, "RD" shall be used as the CFDA extension.

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 Schedule is structured to present the federal assistance information by cluster with the title of the cluster appearing in the heading. Programs not included within a designated cluster are presented under the title Programs Not Clustered. The only program clusters presented on the Schedule are those mandated by OMB in the most recent *Compliance Supplement* (August 2016). No expenditures of federal awards were recorded in the following mandated clusters in the report year:

Section 8 Project-Based
Foster Grandparent/Senior Companion
Foreign Food Aid Donation
CDBG – Entitlement Grants
Housing Voucher
CDFI
Water and Waste Program
Community Facilities Loans and Grants
HOPE VI
Hurricane Sandy Relief
CDBG – Disaster Recovery Grants – Pub L. No. 113-2

Note B2: Reporting Entity - The state reporting entity is fully described in Note 1A to the state's financial statements. The Schedule includes all federal assistance programs administered by the state during fiscal year ending June 30, 2016.

Note B3: Basis of Accounting - Federal assistance programs included in the Schedule are reported in the state's financial statements as federal grants-in-aid in the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds and as other revenue in proprietary and fiduciary funds. The Schedule is presented using the same basis of accounting as that used in reporting the expenditures of the related funds in the state's fund financial statements. The basis of accounting used for each fund type is described in Note 1C to the state's financial statements.

- Indirect Costs - The Schedule includes a portion of costs associated with general activities which is allocated to federal assistance programs under negotiated formulas commonly referred to as indirect cost rates and federally approved cost allocation plans. The Schedule also includes the indirect costs of agencies that have elected to use the 10% de minimis rate in accordance with the Uniform Guidance. Reimbursement of state central service costs, achieved via the federally approved Statewide Central Services Cost Allocation Plan, is not reflected on the Schedule. A total of \$1,367,513.06 was recovered for state central service costs during fiscal year ending June 30, 2016.
- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C to the Schedule.

State of Washington
Schedule of Expenditures of Federal Awards
Notes A – E

For the Fiscal Year Ended
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- Non-monetary Assistance - Non-monetary assistance programs included on the Schedule are identified with a non-cash expenditure (NC) including:
 1. The **Supplemental Nutrition Assistance Program (SNAP)** is administered through Electronic Benefit (EBT) cards that provide each eligible client with an authorized limit of service (purchase of specific food products). The dollar expenditure reported for the SNAP consists of actual disbursements for client purchases of authorized food products via the EBT card program.
 2. The **Temporary Emergency Food Assistance and National School Lunch** programs are presented at the federally assigned value of product disbursed by the state.
 3. The **Surplus Property** program is presented at the fair market value of the property distributed. The fair market value was estimated to be 22.47% of the property's original acquisition value.
 4. The **Immunization Vaccine** programs are presented at the federally assigned value of product disbursed by the state.

- Pass-Through Federal Assistance (state as subrecipient included on the Schedule) - The majority of the state's federal assistance is received directly from federal awarding agencies (i.e., the state is the primary recipient). However, state agencies receive some federal assistance that is passed through a separate entity prior to receipt by the state (i.e., the state is a subrecipient). Although this type of assistance is included on the Schedule as "Pass-Through" (PT), it is not reported as federal revenue on the state's basic financial statements because it was not awarded directly from the federal government to the state. Additional detail related to this type of pass through assistance is provided in Note F to the Schedule.

- Pass-Through Federal Assistance (state as subrecipient not included on the Schedule) – The state is a direct recipient of U.S. Department of Labor Workforce Investment Act (WIA) funds. These funds are reported on the Schedule. A large portion of these funds are passed through to non-state entities that, in certain instances, subaward the same funds back to the state. The dollar amount of these subawards, while included in the scope of the Single Audit, are not reported by the state on the Schedule since they are already part of the amount reported as direct assistance. Additional detail related to this type of pass through assistance is provided in Note G to the Schedule.

- Federal Transactions between state agencies - Some state agencies subaward federal assistance to other state agencies (i.e., a pass-through of funds by the primary recipient organization to a subrecipient state organization). In these situations, the federal revenue and expenditures are only reported once within the same fund in the state's financial statements in accordance with generally accepted accounting principles (GAAP) and reported once on the Schedule. This method avoids duplication and the overstatement of the aggregate level of federal assistance expended by the state. However, purchases of services between state organizations using federal monies are reported in the financial statements as expenditures or expenses by the purchasing organization and as revenues for services rendered by the providing organization.

State of Washington
Schedule of Expenditures of Federal Awards
Notes A – E

*For the Fiscal Year Ended
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Note B4: Presentation Comments

- Private company rebate activity is not included on the Schedule. Due to the significance of the resources provided by this rebate activity, the following amounts are disclosed for fiscal year ending June 30, 2016:

10.557 - Special Supplemental Nutrition Program for WIC..... \$26,610,003
(Infant formula rebates provided by private companies)

93.917 - HIV Care..... \$6,374,199
(Immunization rebates provided by private pharmaceutical companies)

- Expenditures for the federal share of bond repayment are not included on the Schedule. Due to the significance of the federal participation, the following amount is disclosed for the fiscal year ending June 30, 2016:

20.205 Debt service costs for Referendum 49 bonds..... \$3,498,197

- 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.

State of Washington
Schedule of Expenditures of Federal Awards
Notes A – E

*For the Fiscal Year Ended
June 30, 2016
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Note C: **Unemployment Insurance (U.I.) Program, Employer (State) Financial Participation**

As required by U.S. Department of Labor letter dated December 24, 1997, the expenditures reported on the Schedule for Unemployment Insurance, CFDA Program No. 17.225, for fiscal year ending June 30, 2016 include:

State of Washington/Employer Funded.....	\$981,457,630
Federal Funds.....	146,867,057
Total	\$1,128,324,687

Note D: **Non-monetary Assistance Inventory**

As described previously in Note B3, non-monetary assistance is reported in the Schedule. As of June 30, 2016, the state held the following inventories of non-monetary assistance:

Food Commodities (10.565 and 10.569)	\$ 4,561,586
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Note E: **Other Footnote Designations**

The following footnote codes are utilized in the Schedule (far right column):

NC - Non-cash expenditures.

PT - Pass Through (expenditures of federal assistance received from a nonfederal entity).

OL – The balance of loans from previous years, for which the federal government imposes continuing compliance requirements.

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

*For the Year Ended
June 30, 2016
(Expressed in whole dollars)*

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
07.U01	0800	NW HIDTA ESD105	G15NW0003A	48,160
10.172	3600	21 ACRES CENTER	UW BUD# 634190	25,650
10.200	3650	CO ST UNIV	AFE742346	921
10.200	3650	CO ST UNIV	G140261	133,554
10.200	3650	RUTGERS ST UNIV OF NJ FED FLOW	5731FBSMITHGRANATS	11,312
10.200	3650	UNIV OF CA DAVIS	201302570019CHASTAGNER	-466
10.200	3650	UNIV OF CA DAVIS	20130257011WSU	-186
10.200	3650	UNIV OF CA DAVIS	20140287810WSU	32,302
10.200	3650	UNIV OF CA DAVIS	20140287818WSU	21,443
10.200	3650	UNIV OF CA DAVIS	20140287819WSU	2,863
10.200	3650	UNIV OF CA DAVIS	20140287820WSU	45,480
10.200	3650	UNIV OF CA DAVIS	20140287829WSU	12,136
10.200	3650	UNIV OF CA DAVIS	20150258701WSU	22,424
10.200	3650	UNIV OF CA DAVIS	20150258715WSU	5,541
10.200	3650	UNIV OF CA DAVIS	20150258718WSU	8,523
10.200	3650	UNIV OF CA DAVIS	20150258726WSU	38,105
10.200	3650	UNIV OF ID FED	BJKP365B003	573
10.212	3600	ENERTECHNIX, INC.	UW BUD# 669887	47,420
10.212	3650	TROUTLODGE INC FED FLOW	11781801	32,571
10.215	3650	UT ST UNIV - FED FLOW	110892012	13,138
10.215	3650	UT ST UNIV - FED FLOW	12083302	112,598
10.215	3650	UT ST UNIV - FED FLOW	120833032	7,039
10.215	3650	UT ST UNIV - FED FLOW	120833036	24,404
10.215	3650	UT ST UNIV - FED FLOW	130676002	72,975
10.215	3650	UT ST UNIV - FED FLOW	130676022	1,308
10.215	3650	UT ST UNIV - FED FLOW	130676026	8,193
10.215	3650	UT ST UNIV - FED FLOW	140867029	79,985
10.215	3650	UT ST UNIV - FED FLOW	140867032	17,100

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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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.215	3650	UT ST UNIV - FED FLOW	14086704268	1,040
10.217	3650	SOUTH DAKOTA STATE UNIV	3TH607	34,251
10.225	3650	COMMUNITY ACTION OF SKAGIT CO	20143380022341WSU	5,476
10.227	3600	DINE COLLEGE	UW BUD# 630823	5,955
10.227	3600	NORTHWEST INDIAN COLLEGE	28751MOD1NIFA201338424	-41
10.227	3650	NW INDIAN COLLEGE FED FLOW	28751	846
10.227	3650	NW INDIAN COLLEGE FED FLOW	28753	1,253
10.227	3650	NW INDIAN COLLEGE FED FLOW	WSU002241	-6,853
10.227	3650	NW INDIAN COLLEGE FED FLOW	WSU002537	1,033
10.227	3800	NW Indian College	28750	13,853
10.303	3650	NORTH DAKOTA STATE UNIVERSITY	FAR0021477	33,029
10.303	3650	OR ST UNIV FED	C0477AA	63,839
10.304	3650	UNIV OF CA FED	20122390204	43,131
10.307	3650	OR ST UNIV FED	C0440AA	-1
10.307	3650	UT ST UNIV - FED FLOW	14082302	79,142
10.308	3650	UNIV OF GA FED FLOW	RR7224188644577	54,208
10.309	3600	KANSAS STATE UNIVERSITY	S15187	80,400
10.309	3650	CITRUS RES & DEV FNDN	13014NU793	41,936
10.309	3650	CORNELL UNIV FED FLOW	7399910422	199,187
10.309	3650	MI ST UNIV	RC100888WSU	-51
10.309	3650	MI ST UNIV	RC104285L	452,247
10.309	3650	NC ST UNIV - FED FLOW	2011160914	89,794
10.309	3650	NC ST UNIV - FED FLOW	2012178503	90,962
10.309	3650	OR ST UNIV FED	C0423BA	0
10.309	3650	PA ST UNIV FED FLOW	3826WSUUSDA9561	0
10.309	3650	UNIV OF AR	UAAES9111103	45,395
10.309	3650	UNIV OF CA DAVIS	20101294201	20,452
10.309	3650	UNIV OF CA DAVIS	20140375704	48,028

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

*For the Year Ended
June 30, 2016
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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.309	3650	UNIV OF FL FED FLOW	UFDSP00010606	77,022
10.309	3650	UNIV OF TN FED FLOW	8500042730	551,907
10.309	3650	UNIV OF WI MADISON	350K873	39,493
10.309	3650	UNIV OF WI MADISON	428K072	10,852
10.310	3600	BOSTON UNIVERSITY	4500001195 AM02	3,585
10.310	3600	KENT STATE UNIVERSITY	416211-UW AM001	28,450
10.310	3600	UNIVERSITY OF CONNECTICUT	KFS5259950PO11522AM01	1,217
10.310	3600	UNIVERSITY OF NEVADA, RENO	UNR1550PR2013670192136	58,062
10.310	3600	UNIVERSITY OF WISCONSIN-MADISON	612K032 AM01	56,434
10.310	3650	BAYLOR COLLEGE OF MED FED	101474002	412,294
10.310	3650	BAYLOR COLLEGE OF MED FED	102117659	152,522
10.310	3650	KS ST UNIV	S15183	2,426
10.310	3650	MI ST UNIV	RC101749WSU	-7,058
10.310	3650	MI ST UNIV	RC104967WSU	121,026
10.310	3650	OR ST UNIV FED	U0720BA	8,442
10.310	3650	TX A&M RSCH FNDN FED FLOW	S110072	469,556
10.310	3650	UNIV OF ALABAMA	SUB2011128	56,334
10.310	3650	UNIV OF CA DAVIS	20101571807	198,661
10.310	3650	UNIV OF CA DAVIS	20101573903	56,552
10.310	3650	UNIV OF CA DAVIS	20122309005	173,587
10.310	3650	UNIV OF ID FED	BJKL03SB002	1,353,708
10.310	3650	UNIV OF ID FED	BJKP55SB02	16,206
10.310	3650	UNIV OF ID FED	BKK123SB002	6,760
10.310	3650	UNIV OF IL FED FLOW	20140634401	5,181
10.310	3650	UNIV OF MASSACHUSETTS DARTMOUT	15115	25
10.310	3650	UNIV OF NE FED	2563210212002	124,575
10.310	3650	UNIV OF VT FED FLOWTHR	29034SUB51751	21,558
10.310	3650	UNIVERSITY OF CA - RIVERSIDE	5000676	38,389

State of Washington
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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.310	3650	UNIVERSITY OF MISSOURI	C000315874	36,281
10.310	3800	University of Notre Dame	202569WWU	37,167
10.311	3600	NORTHWEST NATURAL RESOURCE GROUP	UW BUD# 632494	22,578
10.312	3650	UNIV OF HI RES CORP FED FLOW	MA120037	222,975
10.329	3650	OR ST UNIV FED	C0483AA	7,802
10.443	3650	SEATTLE TILTH ASSN	124432001	20,819
10.443	3650	VIVA FARMS	124434	46,947
10.460	3650	VIVA FARMS	OGRD126820	7,529
10.500	3650	KS ST UNIV	S15049	14,203
10.500	3650	KS ST UNIV	S16053	20,242
10.500	3650	KS ST UNIV	S16136	2,780
10.500	3650	MI ST UNIV	RC103176AZ	24,687
10.500	3650	MI ST UNIV FED FLOW	RC103176BA	14,007
10.500	3650	PURDUE UNIV	8000059373	-378
10.500	3650	PURDUE UNIV	8000066753	242,720
10.500	3650	PURDUE UNIV	8000072175	42,590
10.500	3650	UT ST UNIV - FED FLOW	130677002	9,199
10.500	3650	UT ST UNIV - FED FLOW	130677006	505
10.561	6990	SBCTC	116-BFET-15	69,743
10.575	3650	CLARK COUNTY HEALTH DEPT	HDC781	2,127
10.604	3650	NATIONAL POTATO PROMOTION BOAR	WSUT13GXKSF01YR03	27,969
10.604	3650	NATIONAL POTATO PROMOTION BOAR	WSUT13GXKSF01YR2	982
10.604	3650	WA APPLE COMM	WAC141520	390,099
10.680	3600	SLOW THE SPREAD FOUNDATION	A106307 (WA-007)	45,008
10.680	3600	SLOW THE SPREAD FOUNDATION	A97911	3,513
10.960	3600	RUTGERS, THE STATE UNIV	5686 PO# S2219009	25,263
10.U01	3600	AUBURN UNIVERSITY	0019350	865
10.U02	3600	SEALASKA CORPORATION	UW BUD# 633847	8,423

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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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.U26	3650	NATL PROCESSED RASPBERRY CNCL	201519	9,313
10.U43	3650	WA APPLE COMM	WAC141520	2,462
10.U45	3650	COTTON INCORPORATED	WSU002142	173,943
10.U46	3650	AGRALYTICA INC	WSU002897	1,455
11.011	3600	UNIVERSITY OF ALASKA, FAIRBANKS	UAF 16-0036	1,995
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2300-63 MOD03	28,754
11.012	3600	SOUTHEASTERN UNIVERSITIES RSCH ASSN, INC	2013-014 AM03	16,504
11.012	3600	UNIVERSITY OF ALASKA, FAIRBANKS	UAF 15-0085 AM01	21,759
11.307	3650	OREGON BUILT ENVIRON & SUSTAIN	077907257	14,680
11.407	4770	Pacific States Marine Fisheries Commission	14-37	100,050
11.417	3600	CALIFORNIA SEA GRANT	47485269POS9000494002	59,425
11.427	3600	PACIFIC SHELLFISH INST	NA15NMF4270318	4,828
11.427	3600	UNIVERSITY OF MINNESOTA	H003990003PRIMENA14NMF	-10
11.431	3600	OREGON STATE UNIVERSITY	NA226B-D AM04	8,528
11.431	3600	OREGON STATE UNIVERSITY	NA291A-B	23,711
11.431	3600	TEXAS A&M UNIVERSITY-CORPUS CHRISTI	16-04 AM01	7,506
11.431	3600	UCAR	Z15-22317 MOD01	9,943
11.437	3600	PACIFIC ST MARINE FISHERIES COMM	14-74 AMO2	43,412
11.437	3600	PACIFIC STATES MARINE FISHERIES COM.	15-85C AM02	63,514
11.437	3600	PACIFIC STATES MARINE FISHERIES COM.	16-104G	2,277
11.437	4770	Pacific States Marine Fisheries Commission	13-30	103,538
11.437	4770	Pacific States Marine Fisheries Commission	15-36G	95,495
11.437	4770	Pacific States Marine Fisheries Commission	15-37G	66,929
11.437	4770	Pacific States Marine Fisheries Commission	15-48G	147,160
11.437	4770	Pacific States Marine Fisheries Commission	15-95G	72,791
11.437	4770	Pacific States Marine Fisheries Commission	16-133G	90,788
11.437	4770	Pacific States Marine Fisheries Commission	16-35G	171,714
11.437	4770	Pacific States Marine Fisheries Commission	16-38G	144,141

State of Washington
Schedule of Expenditures of Federal Awards
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Supplemental Information for Pass-Through Funds

*For the Year Ended
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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
11.437	4770	Pacific States Marine Fisheries Commission	16-48G	117,680
11.437	4770	Pacific States Marine Fisheries Commission	16-51G	712,121
11.437	4770	Pacific States Marine Fisheries Commission	16-52G	30,059
11.437	4770	Pacific States Marine Fisheries Commission	16-59G	115,412
11.437	4770	Pacific States Marine Fisheries Commission	16-64	196,415
11.437	4770	The nature Conservancy	WA-S-141207-031	562,467
11.438	3600	ALASKA DEPARTMENT OF FISH AND GAME	AKSSF-44913 AM02	149,114
11.438	3600	ALASKA DEPARTMENT OF FISH AND GAME	AKSSF-44914 AM01	150,365
11.438	3600	ALASKA DEPT OF FISH AND GAME	44714 AM01	-231
11.438	3600	ALASKA DEPT OF FISH AND GAME	AKSSF-44812/SA-14-018	154,179
11.439	4770	Pacific States Marine Fisheries Commission	13-25	46,291
11.439	4770	Pacific States Marine Fisheries Commission	16-116G	97,974
11.441	4770	North Pacific Fishery Management Council	2015-3	34,865
11.441	4770	North Pacific Management Council	2016-3	8,306
11.441	4770	Pacific States Marine Fisheries Commission	06-15	122,937
11.441	4770	Pacific States Marine Fisheries Commission	06-16	33,700
11.452	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1515	54,066
11.463	3600	THE NATURE CONSERVANCY	WA-S-141212-032	25,991
11.463	3800	Nature Conservancy	WA-S-130820-017	9,981
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1301	15,040
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1304	88,513
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1321	243
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1402	71,494
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1408	36,879
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1509A	63,375
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1511A	17,425
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1515A	19,775
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1525	54,756

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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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1530	12,153
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1532	77,981
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1533	92,298
11.472	3600	NORTH PACIFIC RESEARCH BOARD	F6423 AM01	98,891
11.472	3600	NORTH PACIFIC RESEARCH BOARD	G82/F5182-01 AM02	64,799
11.472	3600	NORTH PACIFIC RESEARCH BOARD	G84/F5384-01 AM01	44,969
11.472	3600	NORTH PACIFIC RESEARCH BOARD	PROJECT #1421	4,374
11.472	3600	PRINCE WILLIAM SOUND SCIENCE CENTER	12-85-10 AM04	67,990
11.472	3800	North Pacific Research Board	1427C	3,794
11.472	3800	North Pacific Research Board	1533	13,123
11.472	3800	North Pacific Research Board	G83/FS183-04	1,293
11.472	3800	North Pacific Research Board	PROJECT 1427	59,820
11.473	3600	QUILEUTE TRIBE	UW BUD# 630404	4,461
11.482	3650	HUMBOLDT STATE UNIVERSITY	NA15N0S4820075	45,124
11.611	6990	Impact Washinton	2015impact25	13,665
11.619	3600	COLORADO STATE UNIVERSITY	G-00745-1 AM01	126,547
11.619	3600	UNIVERSITY OF MASSACHUSETTS, LOWELL	S5170000029488	9,275
11.U08	3600	PUGET SOUND RESTORATION FUND	UW BUD# 661975	14,051
11.U12	3700	North Central Washington Economic Development District	07-83-07272	3,570
12.300	3600	CARNEGIE MELLON UNIV	1141207-236198 AM12	61,015
12.300	3600	CARNEGIE MELLON UNIV	1141221-293180 AM04	56,316
12.300	3600	COLORADO STATE UNIVERSITY	G-22069-1 AM01	85,754
12.300	3600	COLUMBIA UNIVERSITY	2 GG007783 AM07	212,549
12.300	3600	DUKE UNIVERSITY	15-ONR-1029 AM02	70,051
12.300	3600	SIMPSON WEATHER ASSOCIATES, INC.	N000141110450UWAMOD09	46,170
12.300	3600	STANFORD UNIVERSITY	60647113-107808 AM07	128,017
12.300	3600	UNIVERSITY OF MIAMI	S140003POAC21505AM03	50,914

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12.300	3600	UNIVERSITY OF PENNSYLVANIA	557493 AM04	137,901
12.300	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101081 AM03	55,727
12.300	3650	SMRU LLC	126522001	3,130
12.300	3650	UNIV OF S CA	PO10060234	32,007
12.340	3600	HENRY M. JACKSON FOUNDATION	2457 PO#809373	-729
12.340	3600	HENRY M. JACKSON FOUNDATION	2457 PO: 809373	70,579
12.351	3600	THE UNIVERSITY OF TEXAS AT AUSTIN	UTA11-000762 AM03	3,099
12.351	3600	THE UNIVERSITY OF TEXAS AT AUSTIN	UTA11-000762 AM05	104,218
12.351	3650	PRINCETON UNIV	SUB0000083	61,134
12.400	3600	HENRY M. JACKSON FOUNDATION	2022 MOD07/PO#789071	27,807
12.420	3600	AMERICAN BURN ASSOCIATION	W81XWH0920194AM02SEPSI	7,375
12.420	3600	DENVER RESEARCH INSTITUTE	MSRC-FY16-01	60,512
12.420	3600	FHCRC	0000787570 AM002	-1,138
12.420	3600	FHCRC	0000814873	47,731
12.420	3600	FHCRC	0000814873 AM01	153,197
12.420	3600	FHCRC	0000814876	118,594
12.420	3600	FHCRC	0000843084	12,241
12.420	3600	FHCRC	0000843085	6,806
12.420	3600	FHCRC	0000863149	62,077
12.420	3600	HENRY M. JACKSON FOUNDATION	3093 / PO #851000	9,235
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO 2002505331	1,225
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO#2000859125 MOD05	-85
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO#2000859125 MOD07	12,684
12.420	3600	JOHNS HOPKINS UNIVERSITY	VUMC37447 MOD02	29
12.420	3600	JOHNS HOPKINS UNIVERSITY (JHU)	PO# 2002478756	43,666
12.420	3600	MICRONICS, INC.	MIC.UW01.0911 AM04	45,135
12.420	3600	MOUNT SINAI SCHOOL OF MEDICINE	0258-0701-4609	3,362
12.420	3600	SEATTLE INST. FOR BIOMEDICAL & CLIN RES	PE141UW1 MOD02	3,640

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12.420	3600	THE CATHOLIC UNIVERSITY OF AMERICA	364271-SUB 2 A6	351,206
12.420	3600	THE GENEVA FOUNDATION	V-1204-01 MOD01	99,649
12.420	3600	TUFTS UNIVERSITY	ARM333AM04W81XWH111081	252,985
12.420	3600	UNIV OF CALIFORNIA, SAN DIEGO	10291495 AM011	58,422
12.420	3600	UNIV OF CALIFORNIA, SAN DIEGO	10291495 AM012	213,522
12.420	3600	UNIV OF CALIFORNIA, SAN DIEGO	PO #10291495-010	103,857
12.420	3600	UNIV OF CALIFORNIA, SAN DIEGO	PO# 10313249-004	31,507
12.420	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8455SC	25,970
12.420	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8455SC AM01	132,957
12.420	3600	UNIVERSITY OF FLORIDA	UFDSP00010722	144,394
12.420	3600	UNIVERSITY OF MICHIGAN	3003179988	11,729
12.420	3600	UNIVERSITY OF MICHIGAN	3003179988 AM02	115,974
12.420	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003346129 AM02	24,418
12.420	3600	UNIVERSITY OF MINNESOTA	R01477 AM05	441,251
12.420	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	535819PRW81XWH1110639	24,705
12.420	3600	UNIVERSITY OF UTAH	10033316	54,897
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM02	21,620
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM03	62,555
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833-S1	124,442
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802SC104833S1AM04	351,590
12.420	3600	WAKE FOREST UNIVERSITY	WFUHS441002BGU02AM01	10,568
12.420	3650	UNIVERSITY OF CALIFORNIA-	84425C	114,688
12.431	3600	DUKE UNIVERSITY	11-IARPA-1009 MOD07	13,321
12.431	3600	FHCRC	201301077-03 AM06	218,570
12.431	3600	GEORGE WASHINGTON UNIVERSITY	16-S07	14,358
12.431	3600	MASSACHUSETTS INST TECHNOLOGY/MIT	5710003984	149,446
12.431	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003766303	54,122
12.431	3600	UNIVERSITY OF PUERTO RICO	2014-2015-009	63,047

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12.431	3600	YALE UNIVERSITY	C13J11497J00210AM05	92,687
12.431	3650	KS ST UNIV	S15216	90,317
12.431	3650	UNIV OF IL FED FLOW	20150616603	13,332
12.630	3600	PAI LIFE SCIENCES INC.	UW BUD# 662250	45,162
12.750	3600	HENRY M. JACKSON FOUNDATION	3066/PO# 855072	322,355
12.750	3600	THE GENEVA FOUNDATION	S-1342-01 MOD01	19,191
12.800	3600	CARNEGIE MELLON UNIV	1150128-346283 AM03	36,923
12.800	3600	COLUMBIA UNIVERSITY	2 (GG006552) AM04	152,542
12.800	3600	GEORGIA INSTITUTE OF TECHNOLOGY	RB250-G3 AM11	193,964
12.800	3600	MSNW LLC	UW BUD# 666087	134,639
12.800	3600	NORTHWESTERN UNIVERSITY	SP0022325PROJ0007154AM	118,405
12.800	3600	PRINCETON UNIVERSITY	SUB0000043PRFA95500910	12,335
12.800	3600	STANFORD UNIVERSITY	60814399-114411 AM03	99,762
12.800	3600	STANFORD UNIVERSITY	61129790-119334	114,696
12.800	3600	TECH-X CORPORATION	UW BUD# 668748	187,375
12.800	3600	UNIVERSITY OF TEXAS, AUSTIN	UTA15-001301 AM01	33,565
12.800	3650	UNIV OF TX	UTA14_000245	94,849
12.910	3600	CARNEGIE MELLON UNIVERSITY	1150114-293607 AM04	88,994
12.910	3600	JOHN HOPKINS UNIV.	JHU-UW-100 TO03	68,852
12.910	3600	RAYTHEON BBN	14544 MOD02	128,182
12.910	3600	TEMPLE UNIVERSITY	251658 AM05	66,078
12.910	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	WA00394311/OSP2016165	25,064
12.910	3600	UNIVERSITY OF MICHIGAN	D15AP00007	47,144
12.910	3600	UNIVERSITY OF PENNSYLVANIA	564000	162,673
12.910	3600	UNIVERSITY OF PENNSYLVANIA	564000 AM02	165,818
12.910	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	67102239	265,433
12.910	3600	UNIVERSITY OF TEXAS, AUSTIN	UTA15-001252 AM02	133,764
12.RD	3600	ADAPTIVE METHODS	3115-SC001 AM02	124,183

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12.RD	3600	AMERICAN BURN ASSOCIATION	W81XWH-11-1-0835 AM01	132,457
12.RD	3600	ANTHROTRONIX, INC	UW02052016	5,000
12.RD	3600	APPLIED PHYSICAL SCIENCES CORP	APS-14-02 MOD07	47,053
12.RD	3600	ARCHIE MD, INC.	UW BUD# 637678	13,454
12.RD	3600	BAE SYSTEMS	930600	721
12.RD	3600	BLOODWORKS NORTHWEST	741-UW-2015	39,778
12.RD	3600	CARNEGIE MELLON UNIV	1990377-350157 AM01	26,632
12.RD	3600	CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2014-015-1	83,736
12.RD	3600	CORTANA CORPORATION	191-16-C-0003 MOD1	18,808
12.RD	3600	CORTANA CORPORATION	P.O. 15-03	2,372
12.RD	3600	CRAIG HOSP	GRANT PT100068 AM03	28,527
12.RD	3600	DUKE UNIVERSITY	15-USG-1064 MOD03	180,447
12.RD	3600	GENERAL ELECTRIC COMPANY	FA8650-12-C5203 AM06	190,052
12.RD	3600	HONEYWELL INTERNATIONAL, INC.	UW BUD# 633939	1,489
12.RD	3600	HRL LABORATORIES, LLC	15020-504519-DS	36,055
12.RD	3600	HSTAR TECHNOLOGIES CORP.	UW BUD# 638300	-80,657
12.RD	3600	IMPULSE DEVICES, INC.	W9113M07S4BASEMOD07	-23,886
12.RD	3600	INTEGRATED MGMT ADOLES & ADULT ILLNESS	UW BUD# 633115	134,323
12.RD	3600	JOHNS HOPKINS UNIVERSITY	2001977042 MOD04	77,095
12.RD	3600	JOHNS HOPKINS UNIVERSITY	2002927679	9,002
12.RD	3600	JOHNS HOPKINS UNIVERSITY	W81XWH1020090 MOD03	2,187
12.RD	3600	KAISER PERMANENTE	RNG200317-UW	11,597
12.RD	3600	KITWARE, INC.	K000886-00-S06 MOD08	85,919
12.RD	3600	MATRIX RESEARCH INC	CRFR-009-02-01 MOD01	75,980
12.RD	3600	OREGON STATE UNIVERSITY	PO P0095291	-3,469
12.RD	3600	OREGON STATE UNIVERSITY	RM102A-B AM06	200,453
12.RD	3600	OREGON STATE UNIVERSITY	RM119A-A AM02	78,850
12.RD	3600	OREGON STATE UNIVERSITY	V0622A-A AM03	66,501

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12.RD	3600	PENNSYLVANIA STATE UNIVERSITY	S16-17 MOD01	11,697
12.RD	3600	QUEST INTEGRATED, LLC	UW BUD# 630621	22,741
12.RD	3600	QUEST INTEGRATED, LLC	UW BUD# 635368	15,225
12.RD	3600	SLOAN-KETTERING INSTITUTE	BD517407 AM01	29,640
12.RD	3600	SLOAN-KETTERING INSTITUTE	BD517407A AM02	71,353
12.RD	3600	SMITHSONIAN INSTITUTION	15-SUBC-440-0000323022	44,054
12.RD	3600	SOLUXRA, LLC	AM04	44,115
12.RD	3600	SOLUXRA, LLC	UW OSP# A81377 AM02	7,407
12.RD	3600	SRI INTERNATIONAL, INC.	168-000045 MOD01	19,190
12.RD	3600	SURVICE ENGINEERING COMPANY	0330130010227201503	44,972
12.RD	3600	THERMOANALYTICS, INC.	TAI-15-0831	25,000
12.RD	3600	TIERRA DATA INC.	14016	242
12.RD	3600	TIERRA DATA INC.	15024	16,433
12.RD	3600	UCLA SOCIAL SCIENCES GRANT SUPPORT	1295-S-TA153	1,907
12.RD	3600	UNIVERSAL TECHNOLOGY CORP	15-S26-6-4-C1 MOD01	19,627
12.RD	3600	UNIVERSAL TECHNOLOGY CORP	15-S2606-04-C21 MOD01	50,334
12.RD	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00008727	59,200
12.RD	3600	UNIVERSITY OF MICHIGAN	3003270965	78,293
12.RD	3600	UNIVERSITY OF YORK	UW BUD# 669807	155,020
12.RD	3600	WEIZMANN INSTITUTE OF SCIENCE	HDTRA1-11-C-0026 AM09	22,763
12.RD	3600	WEIZMANN INSTITUTE OF SCIENCE	HDTRA1-11-C-0026 AM10	400,000
12.RD	3600	WYLE	T72595 CO01	98,920
12.RD	3650	JOHNS HOPKINS BLOOMBERG SCHOOL	2001520332	183,379
12.RD	3650	JOHNS HOPKINS BLOOMBERG SCHOOL	2002688433	278,756
12.RD	3650	MICROWAVE STERILIZATION CONSOR	WSU002917	154,733
12.RD	3650	SRI INT'L FED FLOW	149000002	120,229
12.RD	3650	TUFTS UNIVERSITY	ARM211	55,696
12.RD	3650	UNIFORMED UNIV HEALTH SCIENCES	HU0001161TS0	32,881

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14.239	1480	City of Bremerton	HKPB2016	15,000
14.239	1480	City of Tacoma	HKPTA2016	90,310
14.239	1480	Pierce County	HAPC2016	20,000
15.232	3650	PORTLAND ST UNIV	204BAR455	16,602
15.232	3650	UNIVERSITY OF CA - RIVERSIDE	S000769	1,620
15.608	3650	NAT'L FISH & WILDLIFE FNDN	201000060075	-351
15.615	3600	DEPT. OF LANDS AND NATURAL RESOURCES	595855-OM AM01	294,588
15.615	3600	DIVISION OF FISH AND WILDLIFE	438401-OC AM09	-36,805
15.634	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0502875PRIMEF15AF0023	28,520
15.639	3800	Lower Elwha Tribe	MACAUGHLIN	13,405
15.649	3760	WDFW	13-2212	36,976
15.655	3600	ALASKA DEPARTMENT OF FISH & GAME	IHP 15-091	-371
15.657	3600	CALIFORNIA SEA GRANT COLLEGE PROGRAM	36633052RSF54AM001	-516
15.657	3600	CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2015-052-0	5,185
15.668	3600	NORTH SLOPE BOROUGH	3605.6355.G051304	18,310
15.669	3600	CONSERVATION NORTHWEST	USFWS F12AP00833	-663
15.670	3600	CONSERVATION NORTHWEST	PROJECT A102684	3,183
15.670	4770	Conservation Northwest	F14AP01038	12,994
15.820	3600	OREGON STATE UNIVERSITY	GS240B-B AM05	293,017
15.820	3600	OREGON STATE UNIVERSITY	GS292A-A AM02	71,792
15.820	3600	OREGON STATE UNIVERSITY	GS297A-A	7,900
15.820	3600	OREGON STATE UNIVERSITY	GS297A-A AM01	75,466
15.820	3600	OREGON STATE UNIVERSITY	GS301A-A AM02	97,970
15.904	3750	City of Roslyn	FY15-61015-009, FY16-6	12,897
15.U01	3600	DEPARTMENT OF LANDS AND NATURAL RESOURCE	AM02	17,548
15.U02	3600	SUQUAMISH TRIBE	UW OSP #A109968	19,924
15.U03	3600	GREAT LAKES COMMISSION	4304	16,743

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16.203	3600	FAIRLEIGH DICKINSON UNIVERSITY	DOJ00010-03 MOD02	4,245
16.540	3600	PENNSYLVANIA COMMISS ON CRIME & DELINQUE	2011/2013-J-01-26108	102,217
16.560	3600	OREGON SOCIAL LEARNING CENTER (OSLC)	PRIME2013VACX0007AM01	8,608
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09356	34,342
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09469	55,995
16.560	3650	PA ST UNIV FED FLOW	4972WSUNIJ0055	48,517
16.726	3650	NAT'L 4-H CNCL	2015JUFX0015	178,631
16.726	3650	WA 4-H FNDN	WSU003040	266,380
16.730	3650	RAND CORP	9920110126	20,306
16.812	3600	SPONSORS, INC.	UW BUD# 633778	3,443
16.888	3700	Kalispel Indian Community of the Kalispel Reservation	2013-CY-AX-K019	18,298
17.258	6990	WorkForce Central	5310-WFC-WIA-A-DW	100,751
17.258	6990	WorkForce Central	5310-WFC-WIA-A-DW-03	148,654
17.258	6990	WorkForce Central	5310-WFC-WIA-A-DW-04	7,200
17.258	6990	WorkForce Central	5310-WFC-WIA-A-DW-CO	69,090
17.259	6990	Workforce Development Council of Snohmish County	15EDCCX291-Youth	7,951
17.259	6990	Workforce Snohomish	15-EvCC-X-292-YOUTH	44,568
17.270	6990	workforce	5744946	54,166
17.274	6990	Tacoma Goodwill	YB24687-13-60-A-54	8,943
17.277	6990	emailed Seattle	emailed Seattle	107,573
17.277	6990	Pacific Mountain Workforce Development	C2C-BTC-PP-P15	35,068
17.277	6990	Pacific Mountain Workforce Development	C2C-BTC-RRT2-PY14	16,960
17.282	6990	Air Washington	2HT21-4	267,947
17.282	6990	Centralia College	TC-26512-14-60-A-53	352,377
17.282	6990	Natinal Avaiation Consortium	TC-23794-12-60-A-20	526,738
17.282	6990	workforce	TC-22520	137,682
19.010	3600	INSTITUTE OF INTERNATIONAL EDUCATION	AM01	-5,982

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20.200	3650	UNIV OF ID FED	KLK572B001	20,612
20.205	3650	COLUMBIA RIVER ORCHARDS FOUN	WSU201601	889
20.205	3650	MINNESOTA DEPT TRANSPORTATION	06910	24,856
20.205	3650	UNIV OF ID FED	KLK568SB001	24,500
20.215	3650	ENGINEERING & SOFTWARE CONSULT	1213	35,771
20.701	3650	UNIV OF AK FAIRBANKS FED FLOW	UAF140103	323,643
20.761	3650	OR ST UNIV FED	T0013GA	197,645
20.U01	3600	RESOURCE SYSTEMS GROUP, INC	UW BUD# 630217	23,230
20.U02	3600	APPLIED PAVEMENT TECHONOLOGY, INC.	TOPR4_10-026-RR04-UW_1	675
20.U02	3600	APPLIED PAVEMENT TECHONOLOGY, INC.	TOPR710026RR07UW1MOD02	24,949
20.U03	3600	APPLIED RESEARCH ASSOCIATES, INC.	S-002234-UW-00 MOD02	289
20.U04	3600	CAMBRIDGE SYSTEMATICS, INC.	008500 TO.012 MOD01	13,374
20.U05	3600	CAMBRIDGE SYSTEMATICS, INC.	008742.007	31,190
20.U07	3600	R.D. MINGO AND ASSOCIATES	UW BUD# 668195	84,783
20.U08	3600	THE UNIVERSITY OF IOWA	1531130001PO1001283139	161,608
20.U09	3600	WESTAT, INC.	8928-S-008 TO07 MOD07	42,414
20.U09	3600	WESTAT, INC.	8928S008TASKORDER13	75,338
43.001	3600	BAYLOR COLLEGE OF MEDICINE	SMST03402 AM01	-913
43.001	3600	BOSTON UNIVERSITY	4500001053 AM02	-7
43.001	3600	CARNEGIE INSTITUTION OF WASHINGTON	4-10067-4051 AM21	26,800
43.001	3600	CLARK UNIVERSITY	2NO48-7531 AM02	45,026
43.001	3600	DARTMOUTH COLLEGE	510 AM01	24,130
43.001	3600	DARTMOUTH COLLEGE	510 AM15	155,651
43.001	3600	HAVARD UNIVERSITY	130785-5060310 AM04	50,357
43.001	3600	JET PROPULSION LAB	1513823	-49
43.001	3600	M4 ENGINEERING	UW BUD# 632950	46,695
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	AR2-13005X AM03	4,941
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	AR2-13007X AM03	17

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43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	G05-16085X	19,775
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	GO4-15088X AM02	28,984
43.001	3600	SPACE SCIENCE INSTITUTE	SUBAWD 00652 MOD01	16,695
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-12628.01-A	999
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-12834.01-A	4,955
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-13277.01-A	20,247
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-13882.001-A	18,775
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-13901.005-A	13,341
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-13903.001-A	60,212
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-14281.002-A	1,177
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-14283.001-A	6,368
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-14288.001-A	53,794
43.001	3600	SPACE TELESCOPE SCI INST	HST-AR-14325.001-A	560
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-12581.06-A AM01	5,543
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-12600.02-A AM01	24,269
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-12870.07-A AM01	20,404
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-12997.01-A	3,261
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-13461.001-A	23,749
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-13515.002-A	4,434
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-13650.004-A	33,924
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-13659.002-A	12,890
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-13807.001-A	18,443
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-13857.001-A	24,770
43.001	3600	SPACE TELESCOPE SCI INST	HST-GO-14140.006-A	28,993
43.001	3600	SPACE TELESCOPE SCI INST	HSTAR13264001AAM01	22,170
43.001	3600	SPACE TELESCOPE SCI INST	HSTAR14324001AAM01	39,890
43.001	3600	SPACE TELESCOPE SCI INST	HSTGO13297006AAM01	10,585
43.001	3600	SPACE TELESCOPE SCI INST	HSTGO13709001AAM02	17,138

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43.001	3600	SPACE TELESCOPE SCI INST	HSTGO13710002AAM01	4,490
43.001	3600	SPACE TELESCOPE SCI INST	HSTGO13768009AAM01	20,080
43.001	3600	SPACE TELESCOPE SCI INST	HSTHF251331002AAM03	112,158
43.001	3600	THE TRUSTEES OF COLUMBIA UNIVERSITY, NY	1 (GG008879) AM04	55,964
43.001	3600	THE TRUSTEES OF COLUMBIA UNIVERSITY, NY	1 GG008879 AM02	8,379
43.001	3600	UCAR	Z15-20864	145,461
43.001	3600	UNIVERSITY OF CALIFORNIA SANTA CRUZ	A00-0983-S001	22,269
43.001	3600	UNIVERSITY OF COLORADO	1552357MOD02PO10004540	36,575
43.001	3600	UNIVERSITY OF HAWAII	MA140040 AM03	53,450
43.001	3600	UNIVERSITY OF HAWAII, MANOA	MA140004 AM03	13,547
43.001	3600	UNIVERSITY OF MAINE	UMS-965 AM02	219,139
43.001	3600	UNIVERSITY OF MARYLAND	27329-Z6943001 AM B	5,918
43.001	3600	UNIVERSITY OF MASSACHUSETTS	12-006827 A AM05	23,126
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101125	105,574
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101137	19,320
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101240 AM01	22,786
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101240 AM03	9,863
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101250	23,396
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101283	69,552
43.001	3650	CORNELL UNIV FED FLOW	627619776	101,902
43.001	3650	JOHNS HOPKINS UNIV APL	128802	22,606
43.001	3650	SPACE TELESCOPE SCI INST	HSTAR13900001A	19,292
43.001	3650	SPACE TELESCOPE SCI INST	HSTG014141001A	20,607
43.001	3750	California Institute of Technology	1507471/NNN12AA01C	10,640
43.001	3800	Arizona State University	15-710	16,899
43.002	3600	BAYLOR COLLEGE OF MEDICINE	NCC9-58- 50	33,250
43.002	3600	BAYLOR COLLEGE OF MEDICINE	SMST03402 AM02	8,347
43.002	3600	BAYLOR COLLEGE OF MEDICINE	SMST03402 AM03	365,037

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43.009	3600	MICHIGAN TECHNOLOGICAL UNIVERSITY	1305058Z1 AM02	10,215
43.U01	3600	CA INST OF TECH JPL	1318945 MOD22	53,009
43.U02	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY (CALTECH)	1521482	16,000
43.U03	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY, JET PROPULSION LABORATORY	1533020-B-4-25	56,337
43.U04	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY (CALTECH)	1529015	201,789
43.U05	3600	CA INST OF TECH	2-1092669 MOD05	15,334
43.U06	3600	JET PROPULSION LAB	1517773 MOD08	182,485
43.U06	3600	JET PROPULSION LABORATORY	1539790 MOD01	60,627
43.U06	3600	JET PROPULSION LABORATORY	SC#1526158 MOD03	8,157
43.U07	3600	JET PROPULSION LAB	1303809 MOD20	30,649
43.U08	3600	JET PROPULSION LAB	1318943NNN13D006TMOD23	21,498
43.U09	3600	JET PROPULSION LAB	1542830 MOD01	113,091
43.U10	3600	JET PROPULSION LAB	1506559 MOD02	135,656
43.U11	3600	MALIN SPACE SCIENCE SYSTEMS, INC.	12-0233 MOD04	270,144
43.U12	3600	NANOSONIC, INC.	N-S02P	85,275
43.U13	3600	SCIENTIFIC SYSTEMS COMPANY, INC	1608	45,066
43.U14	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	SV3-83025 AM05	12,796
43.U15	3600	SYSTIMA TECHNOLOGIES, INC.	NNX14CS62CPO41172AM01	170,297
43.U16	3600	STANFORD UNIVERISTY	PY24261-22727-D AM26	67,389
43.U17	3600	SPACE TELESCOPE SCI INST	HST-GO-12055.01-A AM05	276,184
43.U17	3600	SPACE TELESCOPE SCI INST	HSTGO1205501AAMEND1	3,441
43.U18	3650	ULTRAMET CORPORATION	12083	27,500
43.U22	3700	Assn of Universities for Research in Astronomy	HST-GA-13415.005-A	27,709
43.U22	3700	Assn of Universities for Research in Astronomy	HST-GO-12816.011-A	4,518
45.025	3600	WASHINGTON STATE ARTS COMMISSION	2015185	5,967
45.025	3650	WESTERN STATE ARTS FEDERATION	TW201500073	2,369

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45.129	3700	Humanities Washington	4719GF14	221
45.164	3750	American Library Association	Sponsor letter	3,000
45.312	3600	ASSOCIATION OF CHILDREN'S MUSEUMS	MG-10-14-0006-14	36,984
45.313	3600	MOZILLA FOUNDATION	USF.IMLS-20152008	89,756
47.041	3600	CORNELL UNIVERSITY	44771-7473 AM22	12,563
47.041	3600	CORNELL UNIVERSITY	44771-7473 AM24	470,916
47.041	3600	CORNELL UNIVERSITY	44771-7473 AM28	44,945
47.041	3600	DEURION LLC	NSF1330459-SUB1 AM02	58,108
47.041	3600	MICROGREEN POLYMERS, INC.	IIP-1127360	-20,096
47.041	3600	OREGON STATE UNIVERSITY	S1738A-A AM01	29,025
47.041	3600	REACH BIONICS INC	IIP-1330971	25,254
47.041	3600	REACH BIONICS INC	UW BUD# 633391	16,813
47.041	3600	TEXAS A&M RESEARCH FOUNDATION	02-S150242 AM01	36,690
47.041	3600	THE UNIVERSITY OF TEXAS AT AUSTIN	UTA15-000857	34,811
47.041	3600	UCLA	0190 G SA465	74,648
47.041	3600	UNIVERSITY OF ILLINOIS	2015-04522-04	15,850
47.041	3600	UNIVERSITY OF IOWA	W000684659	7,124
47.041	3600	UNIVERSITY OF MICHIGAN	3002732486	14,567
47.041	3600	UNIVERSITY OF TEXAS, AUSTIN	UTA14-000587 AM01	54,989
47.041	3600	WILLIAM MARSH RICE UNIVERSITY	R3D381 AM03	346,530
47.041	3600	WOMEN IN ENGINEERING PROACTIVE NETWORK	EEC-1445076	26,881
47.041	3650	PURDUE UNIV	410151649	46,633
47.041	3650	UNIV OF MI	3003760323	18,876
47.041	3650	UNIV OF TN FED FLOW	A120044S007	20,536
47.041	6990	N. Carolina A&T State University	260118A	11,061
47.049	3600	AURA, INC.	N51948C AM02	1,942,621
47.049	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	75-1096379	49,750
47.049	3600	EMORY UNIVERSITY	T261090FORMERLYT082877	-1,944

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47.049	3600	EMORY UNIVERSITY	T439664 AM03	72,657
47.049	3600	MICHIGAN STATE UNIVERSITY	RC104177UW MOD01	116,962
47.049	3600	RESEARCH & SPONSORED PROGS ACCT	202054 AM04	32,255
47.049	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00008651	31,332
47.049	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00008651 AM01	20,925
47.049	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00008789 AM02	91,726
47.049	3600	UNIVERSITY OF ILLINOIS, URBANA-CHAMPAIGN (UIUC)	CHECK # 2551227	6,345
47.049	3600	UNIVERSITY OF NOTRE DAME	PHY-1219444	3,118
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM01	196,546
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM02	184,043
47.049	3700	Mathematical Assn of America	#3-8-710-949	2,993
47.049	3750	American Physical Society	NSF#PHY0808790	11,127
47.050	3600	ARIZONA STATE UNIVERSITY	14386AM03PRNSF1338810	72,283
47.050	3600	COLORADO STATE UNIVERSITY	G-3624-12 AM06	171,523
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP	T344B85 MOD02	3,889
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	P.O. T344A85 MOD01	3,870
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	P.O. T344A85 MOD02	1
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	SA 9-09	4,994,629
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	SA 9-09 MOD 12	35,184
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	SA 9-09 MOD 45	1,738,203
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	SA 9-09 MOD 50	4,352,117
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP, INC.	T354A85 MOD01	42,088
47.050	3600	DUKE UNIVERSITY	14-NSF-1031 AM02	107,523
47.050	3600	GEORGIA INSTITUTE OF TECHNOLOGY	RB701-G1 AM01	6,805
47.050	3600	IRIS	07-UWA-SAGE AM03	52,835
47.050	3600	LOUISIANA STATE UNIVERSITY	97578	24,263
47.050	3600	OREGON HEALTH & SCIENCE UNIVERISTY	GSTCN0106S2 AM08	350,252

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47.050	3600	OREGON HEALTH & SCIENCE UNIVERSITY	GSTCN0106S6-UW AM08	73,528
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM02	1,496,263
47.050	3600	PRINCETON UNIVERSITY	SUB0000035 MOD01	36,774
47.050	3600	STANFORD UNIVERSITY	61125317-112715	44,180
47.050	3600	STROUD WATER RSCH CTR	340038-55900 MOD03	24,952
47.050	3600	THE TRUSTEES OF COLUMBIA UNIVERSITY, NY	20(GG009393)	32,179
47.050	3600	THE TRUSTEES OF COLUMBIA UNIVERSITY, NY	4 (GG002456) AM10	36,488
47.050	3600	U OF CA, SAN DIEGO	55591530 AM01	116,984
47.050	3600	UC SAN DIEGO	59691543	-374
47.050	3600	UC SAN DIEGO	59691543 AM001	44,138
47.050	3600	UCAR	Z15-13632 MOD01	76,849
47.050	3600	UNIV CORP FOR ATMOSPHERIC RSCH	Z1621925PRIMEAGS154103	86,763
47.050	3600	UNIVERSITY OF CALIFORNIA DAVIS	201224982-01 AM02	43,652
47.050	3600	UNIVERSITY OF CALIFORNIA, SANTA BARBARA	KK1641	7,469
47.050	3600	UNIVERSITY OF MIAMI	S1604	46,841
47.050	3600	UNIVERSITY OF OREGON	208991B AM06	36,506
47.050	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	49092217	1,133
47.050	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	49092217 AMO1	3,109
47.050	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	60838422PRIMEEAR103346	27,996
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101293	55,200
47.050	3650	UNIV OF ID FED	IBK289S8001	6,256
47.050	3650	UNIV OF ID FED	IBK289SB001	95,503
47.050	3650	UNIV OF MI	3002608135	64,039
47.050	3750	Oregon State University	1251874#006	2,099
47.050	3750	UNAVCO, Inc	S10-EAR1261833-S2/EAR1	126,221
47.050	3800	Consortium for Ocean Leadership	T350A77/BA-77	6,651
47.050	3800	University of Alaska	FP33389	263
47.070	3600	COMPUTING RESEARCH ASSOCIATION	POSTDOC002	219,940

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47.070	3600	CORNELL UNIVERSITY	58007-9069 AM05	14,342
47.070	3600	GEORGIA INSTITUTE OF TECHNOLOGY	RA978-G8	-1
47.070	3600	JOHN HOPKINS UNIV.	JHU-UW-100 TO 1/MOD01	152,405
47.070	3600	NORTHWESTERN UNIV	SP0027430PROJ0007182AM	133,065
47.070	3600	STANFORD UNIVERSITY	60167194-106431-A AM01	263,942
47.070	3600	STONY BROOK UNIVERSITY	68874 AM01	46,281
47.070	3600	STROUD WATER RESEARCH CENTER	340051-55900 MOD01	43,115
47.070	3600	UNIVERSITY OF COLORADO	1549807 MOD04	131,725
47.070	3600	UNIVERSITY OF MARYLAND, COLLEGE PARK	27338Z4338001IIS144152	38,129
47.070	3650	MI ST UNIV FED FLOW	RC104385WSU	40,085
47.070	3650	OR ST UNIV FED	Z0051A-B	34,016
47.070	3650	UNIV OF MD/BALT CNTY	0000013311	1,326
47.070	3800	Worcester Polytechnic Institute	15-203230-00-00	56,417
47.074	3600	BOYCE THOMPSON INST FOR PLANT RESEARCH	14-02	100,982
47.074	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2014.0001 AM02	44,972
47.074	3600	JAMES MADISON UNIVERSITY	S11-274-001	4,087
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM03	2,448
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM06	10,387
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM10	34,420
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM12	177,909
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM14	135,282
47.074	3600	OREGON STATE UNIVERSITY	S1713A-A AM01	9,565
47.074	3600	THE UNIVERSITY OF NORTH CAROLINE	5-37598 AM01	9,749
47.074	3600	VIRGINIA TECH	478640-19124	4,087
47.074	3650	IA ST UNIV FED FLOW	40041375306	31,813
47.074	3650	IA ST UNIV FED FLOW	4004270375306	12,500
47.075	3600	SEATTLE UNIVERSITY	31-177622SA-01 MOD1	-4
47.075	3600	SYRACUSE UNIVERSITY	2472202922SO2SES106919	10,675

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47.075	3600	SYRACUSE UNIVERSITY	SP27415103774SO1AM01	59,972
47.075	3600	UNIVERSITY OF CALIFORNIA, SAN DIEGO	PO 10321094-004	2,912
47.075	3600	UNIVERSITY OF MASSACHUSETTS	13007301A01PO000134381	493
47.075	3650	UNIV OF FL FED FLOW	UFDSP00010947	5,127
47.076	3600	AERA	DRL-0941014	18,480
47.076	3600	AMERICAN INSTITUTES FOR RESEARCH	0375400001	23,303
47.076	3600	EXPLORATORIUM	S-DRL-1224135-UW1 AM01	-26
47.076	3600	EXPLORATORIUM	S-DUE-1238253-UW1 AM04	15,637
47.076	3600	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC13-081 AM04	11,026
47.076	3600	MICHIGAN STATE UNIVERSITY	RC101209UW AM04	35,136
47.076	3600	OREGON STATE UNIVERSITY	S1666A-A AM01	54,588
47.076	3600	PACIFIC SCIENCE CENTER FOUNDATION	2015-1287E	30,416
47.076	3600	PORTLAND STATE UNIVERSITY	201ERV282 AM02	33,523
47.076	3600	THE FRANKLIN INSTITUTE SCIENCE MUSEUM	NSF DRL-1223730	24,339
47.076	3600	THE TEACHING CHANNEL	2015-01 (1417757)	312,737
47.076	3600	UNIVERSITY OF COLORADO, DENVER	FY16455001AM01HRD14324	85,296
47.076	3600	UNIVERSITY OF ROCHESTER	UR ACCT#5-23450 AM03	8,467
47.076	3600	VANDERBILT UNIVERSITY	2327-013631 AM02	64,910
47.076	3650	AUSTIN COMMUNITY COLLEGE	WSU003308	9,703
47.076	3650	BELLEVUE COMMUN COLLEGE	WSU003046	6,667
47.076	3650	KENTUCKY COMMUNITY TECH COLL	KCTPS615	110,000
47.076	3650	MI ST UNIV	RC101209WSU	82,321
47.076	3650	S SEATTLE COMM COLLEGE	502391	22,035
47.076	3650	UNIVERSITY OF ROCHESTER	415909G	40,820
47.076	3750	Carleton College	DUE-1125331	16,133
47.076	3760	NSF UTAH	RA10026223	9,363
47.076	3800	Carlton College	NEXTGEN STEM TP-1	9,667
47.076	3800	Salish Kootenai College	none	4,200

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47.076	6990	Central Washington University	21213-4	1,534
47.076	6990	Missouri State University	11052-015	661
47.076	6990	Sinclair Community College	DUE 1304405	49,640
47.076	6990	Tufts	1T3Z	1,000
47.076	6990	University of Washington	763689	3,213
47.076	6990	Wisconsin	1T3A	43,472
47.078	3600	UNIV OF KANSAS, CENTER FOR RESEARCH INC	FY2011-025-M7 MOD07	203,651
47.079	3600	OREGON STATE UNIVERSITY	S1315A-C AM05	68,362
47.079	3600	U.S. CIVILIAN RESEARCH & DEVELOPMENT FDN	USB1-31156-XX-13 MOD01	16,687
47.080	3600	UNIVERSITY OF ILLINOIS	2010-07196-04 AM04	2,360
47.080	3600	UNIVERSITY OF ILLINOIS	2010-07196-04 AM06	62,281
47.U01	3600	MICROHAOPS, INC.	UW BUD# 633893	7,632
47.U02	3600	UNIVERSITY OF SOUTHERN MISSISSIPPI	PO 28301	10,707
47.U03	3600	BLUHAPTICS	UW BUD# 668428	-1,042
47.U04	3600	UNIVERSITY OF WISCONSIN- MADISON	PO 564K432	403
64.U01	3600	SINCLAIR ADVISORY GROUP LLC	MOD 02	-9,733
66.120	3600	CITY OF SEATTLE	ORGU2181ACCT741190ACTU	2,514
66.509	3600	WATER ENVIRONMENT RESEARCH FOUNDATION	UW BUD# 666526	52,655
66.509	3650	HARVARD UNIV	1125215081534	54,043
66.509	3800	Harvard University	112521-5081532	24,249
66.511	3600	HEALTH EFFECTS INSTITUTE	4945-RFA13-1/14-6	181,773
66.700	3650	COEUR D'ALENE TRIBE LAND SVCS	OGRD126461	131,251
66.U01	3600	PEGASUS TECHNICAL SERVICES, INC.	UWASH16001MOD2EPC15010	84,753
81.049	3600	EAGLE HARBOR TECHNOLOGIES, INC.	104575	15,000
81.049	3600	EAGLE HARBOR TECHNOLOGIES, INC.	95248	-1,684
81.049	3600	EAGLE HARBOR TECHNOLOGIES, INC.	96339	34,231
81.049	3600	MARINE BIOLOGICAL LABORATORY	44978 AM003	10,225
81.049	3600	MONTANA STATE UNIVERSITY, BOZEMAN	G140-15-W5072 AM01	229,511

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81.049	3600	UNIVERSITY OF COLORADO	1553756	7,302
81.049	3600	UNIVERSITY OF ILLINOIS	2003-07059-05 AM02	40,448
81.049	3600	UNIVERSITY OF ILLINOIS	20030705905A6929AM03	120,899
81.049	3600	UNIVERSITY OF MINNESOTA	A004527504	29,602
81.049	3600	UNIVERSITY OF MINNESOTA	A004527504 AM02	159,488
81.049	3600	UNIVERSITY OF NEW MEXICO	889186-874J AM11	113,314
81.049	3600	WOODRUFF SCIENTIFIC INC	UW BUD# 637066	53,335
81.049	3650	DONALD DANFORTH PLANT SCI CTR	23009-WS	286,958
81.049	3650	DONALD DANFORTH PLANT SCI CTR	DDPSC21705WS	484
81.049	3650	FOREST CONCEPTS LLC	WSU002926	47,113
81.049	3650	INNOVATEK INC	10216	27,809
81.049	3650	UNIV OF MN FED FLOW	A003127004	134,046
81.049	3650	UNIV OF NE FED	2512150123011	45,117
81.049	3650	UNIV OF NM	740058874P	21,583
81.049	3700	Univ of California Regents	Subaward 0190 G MA598	15,428
81.086	3600	GROUP14 TECHNOLOGIES	UW BUD# 635079	3,576
81.086	3650	UNIV OF CENTRAL FL	20126127	52,921
81.086	3700	Kalispel Indian Community of the Kalispel Reservation	1997-004-00; 68052	69,054
81.086	3700	Kalispel Indian Community of the Kalispel Reservation	BPA 1997-004-00; 71839	7,668
81.086	3700	Kalispel Indian Community of the Kalispel Reservation	BPA 2007-246-00; 68608	107,979
81.086	3700	Kalispel Indian Community of the Kalispel Reservation	BPA 2007-246-00; 72418	19,406
81.087	3600	BAY AREA PHOTOVOLTAIC CONSORTIUM	60213274-51077-L AM07	117,970
81.087	3600	CORRIM	1010	39,998
81.087	3600	HUMBOLDT STATE UNIVERSITY	PO# 0007101424	230,308
81.087	3600	OCEAN RENEWABLE POWER COMPANY	CA-14004	97,186
81.087	3600	OCEAN RENEWABLE POWER COMPANY	CA-14004 AM01	76,746
81.087	3600	OREGON STATE UNIVERSITY	G0107A-A AM08	20,471
81.087	3600	OREGON STATE UNIVERSITY	G0107A-A AM09	7,717

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81.087	3600	OREGON STATE UNIVERSITY	G0107K-A AM02	1,791
81.087	3600	OREGON STATE UNIVERSITY	G0152A-B	234,802
81.087	3600	OREGON STATE UNIVERSITY	G0152A-B AM01	226,640
81.087	3600	STANFORD UNIVERSITY	60213273-51077-K AM06	123,642
81.087	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	Z13-13583 MOD03	2,984
81.087	3600	UNIVERSITY OF HAWAII MANOA	MA140025	10,897
81.087	3600	UNIVERSITY OF HAWAII MANOA	MA140025 AM02	205,632
81.087	3650	AZ ST UNIV FED FLOW	16777	539,164
81.087	3650	CO SCHOOL OF MINES GOLDEN	4010115801	73,259
81.087	3650	NM ST UNIV FED FLOW	Q01691	-60,932
81.087	3650	TEXAS A&M AGRILIFE RESEARCH	06S131617	84,031
81.087	3800	Atlas Geosciences Inc	DE-EE0006725	19,684
81.089	3600	LG FUEL CELL SYSTEM INC.	LGFC100-2050	58,638
81.089	3600	UNIVERSITY OF WISCONSIN-MADISON	424K340 UW	7,090
81.106	2250	Western Governors' Association	K11238-TWX2/TWX3	61,838
81.112	3650	CARNEGIE INSTITUTION WASHINGTO	41046923	28,510
81.112	3650	US DEPT OF ENERGY - OAKLAND	NA0002916	155,120
81.121	3650	BATTELLE LABS	224075	154,605
81.121	3650	CO SCHOOL OF MINES GOLDEN	4009205801	155,157
81.121	3650	IA ST UNIV FED FLOW	4012014	59,728
81.121	3650	RUTGERS ST UNIV OF NJ FED FLOW	5464	92,340
81.121	3650	US DEPT OF ENERGY - IDAHO FALL	NE0008377	32,925
81.121	3650	US DEPT OF ENERGY - IDAHO FALL	NE0008431	83,815
81.122	3650	ALSTOM GRID INC	DEOE0000725	1,924
81.122	3650	ENTERGY SRVCS INC	10283474	78,529
81.122	3650	UNIV OF IL FED FLOW	20100125103	26,920
81.122	3650	UNIV OF IL FED FLOW	20150660502	182,007

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81.135	3600	OREGON STATE UNIVERSITY	G0135BAAM01DEAR0000439	90,474
81.135	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3002985435	468,383
81.135	3650	CORNELL UNIV NON FED	653029807	3,929
81.135	3650	IA ST UNIV FED FLOW	4012006C	14,342
81.135	3650	UNIV OF MASS/AMHERST FED FLOW	12006903B00	7,559
81.135	3650	VANDERBILT UNIV-FED FLOW	916520936	37,619
81.U01	3600	ARGONNE NATIONAL LABORATORY	4F-30041 MOD05	52,860
81.U01	3600	ARGONNE NATIONAL LABORATORY	4F-32142 MOD01	109,726
81.U01	3600	ARGONNE NATIONAL LABORATORY	5F-30581 MOD0002	17,645
81.U02	3600	BATTELLE PACIFIC NORTHWEST DIVISION	243766TASKORDER256926	6,949
81.U03	3600	BROOKHAVEN SCIENCE ASSOCIATES, LLC	280204 AM01	6,688
81.U04	3600	DIRAC SOLUTIONS INC	DE-NA0002717 DSI-UW-01	130,741
81.U05	3600	FERMI NTL ACCELERATOR LAB	622008 A03	268,564
81.U06	3600	FERMI NTL ACCELERATOR LAB	PO #621430	16,147
81.U07	3600	KRELL INSTITUTE	UW BUD# 800401	62,628
81.U07	3600	KRELL INSTITUTE	UW BUD# 807280	-4,142
81.U07	3600	KRELL INSTITUTE	UW BUD# 807394	7,630
81.U08	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B611721	83,168
81.U08	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B614524	63,124
81.U09	3600	LOS ALAMOS NATIONAL LABORATORY	366766	38,000
81.U10	3600	METROPIA, INC.	716001-003	891
81.U11	3600	MISSION SUPPORT ALLIANCE, LLC	55190 MOD01	284,874
81.U12	3600	NATIONAL RENEWABLE ENERGY LABORATORY	XHD-4-42006-01 MOD03	16,766
81.U13	3600	OAK RIDGE INSTITUTE FOR SCIENCE AND EDUCATION (ORISE)	UW BUD# 634161	23,870
81.U14	3600	PC TRASK AND ASSOCIATES INC	FA48556 AM09	41,027
81.U15	3600	SANDIA NATIONAL LABORATORIES	1578574	95,989

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81.U15	3600	SANDIA NATIONAL LABORATORIES	1589306	14,923
81.U15	3600	SANDIA NATIONAL LABORATORIES	1679421	503
81.U16	3600	STANFORD UNIVERISTY	113484 MOD03	157,768
81.U17	3600	THE REGENTS OF THE UNIV OF CALIFORNIA	7074345 MOD01	62,404
81.U18	3600	UNIV OF CA, ERNEST ORLANDO	6700882 MOD24-D	75,967
81.U18	3600	UNIV OF CA, ERNEST ORLANDO	6700882 MOD30	482,018
81.U19	3600	ENERGY SYSTEM, INC.	A101034	144,667
81.U20	3600	UT BATTELLE, LLC	4000093555 M0D15	220,035
81.U20	3600	UT BATTELLE, LLC	4000146123	46,470
81.U21	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B616291	4,324
81.U24	3700	Kalispel Indian Community of the Kalispel Reservation WA	BPA #2007-246-00	942
81.U25	3700	Spokane Tribe of Indians	1994-043-00; 00066860	70,915
81.U25	3700	Spokane Tribe of Indians	BPA 1994-043-00	20,104
81.U26	3700	Upper Columbia United Tribes	BPA 200800700	128,009
81.U27	3700	Spokane Tribe of Indians	1994-043-00; 00068702	28,612
81.U27	3700	Spokane Tribe of Indians	1994-043-00; 00072008	3,123
81.U29	4610	National Fish and Wildlife Foundation	0201.15.045261	5,935
81.U29	4610	National Fish and Wildlife Foundation	0201.16.048999	83,150
81.U66	3650	BATTELLE ENERGY ALLIANCE FED F	000025	94,411
81.U66	3650	BATTELLE ENERGY ALLIANCE FED F	00126553	2,902
81.U66	3650	BATTELLE ENERGY ALLIANCE FED F	00127427	7,673
81.U66	3650	BATTELLE ENERGY ALLIANCE FED F	157221	21,185
81.U66	3650	BATTELLE ENERGY ALLIANCE FED F	168728	15,323
81.U67	3650	BATTELLE LABS	118074	248,318
81.U67	3650	BATTELLE LABS	203649	42,126
81.U67	3650	BATTELLE LABS	203920	87,566
81.U67	3650	BATTELLE LABS	225998	105,070

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81.U67	3650	BATTELLE LABS	227795	10,661
81.U67	3650	BATTELLE LABS	238700	3,317
81.U67	3650	BATTELLE LABS	242721	5,035
81.U67	3650	BATTELLE LABS	242754	3,820
81.U67	3650	BATTELLE LABS	244687	89,564
81.U67	3650	BATTELLE LABS	244777	143,727
81.U67	3650	BATTELLE LABS	246500	33,989
81.U67	3650	BATTELLE LABS	254995	4,237
81.U67	3650	BATTELLE LABS	255129	106,540
81.U67	3650	BATTELLE LABS	258303	54,257
81.U67	3650	BATTELLE LABS	258801	74,977
81.U67	3650	BATTELLE LABS	261290	53,379
81.U67	3650	BATTELLE LABS	262145	58,175
81.U67	3650	BATTELLE LABS	263744	48,479
81.U67	3650	BATTELLE LABS	268431	24,736
81.U67	3650	BATTELLE LABS	272745	29,831
81.U67	3650	BATTELLE LABS	279434	23,524
81.U67	3650	BATTELLE LABS	280452	13,627
81.U67	3650	BATTELLE LABS	284054	10,037
81.U67	3650	BATTELLE LABS	285921	27,483
81.U67	3650	BATTELLE LABS	289688	22,165
81.U67	3650	BATTELLE LABS	293252	20,520
81.U67	3650	BATTELLE LABS	298360	13,634
81.U67	3650	BATTELLE LABS	301164	1,316
81.U68	3650	BURNS AND MCDONNELL	3021	186,495
81.U69	3650	SANDIA NAT'L LAB FED	1316643	46,649
81.U69	3650	SANDIA NAT'L LAB FED	1531327	73,174
81.U70	3650	UNIV OF IL FED FLOW	20150657902	51,606

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81.U71	3650	LOS ALAMOS NAT'L SECURITY LLC	382828	171,809
81.U72	3650	OREGON BUILT ENVIRON & SUSTAIN	WSU002634	2,739
81.U73	3650	KALISPEL TRIBE OF INDIANS	WSU002970	5,797
81.U74	3650	ALLIANCE SUSTAINABLE ENERGY	AEV65205401	13,573
81.U74	3650	ALLIANCE SUSTAINABLE ENERGY	XCE66237901	156,878
81.U74	3650	ALLIANCE SUSTAINABLE ENERGY	XFC66205501	1,862
81.U74	3650	ALLIANCE SUSTAINABLE ENERGY	ZEA44220401	202,042
81.U75	3650	UNIV OF CHICAGO/ARGONNE NAT'L	SF30042	3,247
81.U76	3650	UT-BATTELLE LLC FED FLOW	4000128151	10,096
81.U76	3650	UT-BATTELLE LLC FED FLOW	400112928	16,080
81.U77	3650	MISSION SUPPORT ALLIANCE LLC	51419	57,244
81.U77	3650	MISSION SUPPORT ALLIANCE LLC	56682	133,701
81.U78	3650	UNIV OF CA-BERKELEY FED FLOW	7049758	342,305
81.U78	3650	UNIV OF CA-BERKELEY FED FLOW	7242865	15,727
81.U78	3650	UNIV OF CA-BERKELEY FED FLOW	7261648	20,018
81.U79	3650	UNIV OF CENTRAL FL	20126118	31,609
84.027	3750	North Central ESD	1211400007/1211400008	25,220
84.027	3750	North Central ESD	1211500004/1211500005	156,631
84.031	6990	Heritage University	P031S130053-15	334,154
84.101	6990	Tulalip Tribes	V101A010017-03A	44,721
84.126	6990	DSHS, State Agency #300	1665-54232	11,300
84.133	3600	ALBERT EINSTEIN HEALTHCARE NETWORK	H133A120037 MOD01	2,054
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	S2015-29486-002	73,126
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	S2015-29486-002 AM01	238,213
84.282	3600	TALLAHASSEE COMMUNITY COLLEGE	PO#001677 MOD03	138,921
84.283	3600	EDVANCE RESEARCH, INC.	SOW004 AM01	104,826
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	03664 MOD02	212,747
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH (AIR)	01105-03230 MOD03	75,979

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84.305	3600	UNIVERSITY OF NORTH CAROLINA	5101680	126,232
84.305	3600	UNIVERSITY OF VERMONT	29338SUB51803	54,980
84.305	3600	UNIVERSITY OF VIRGINIA	GM10155 150694	4,473
84.305	3600	VANDERBILT UNIVERSITY	3423-019337	310,507
84.305	3650	BINGHAMTON UNIV	618101104345	50,482
84.305	3650	PURDUE UNIV	411162670	43,570
84.315	3800	Northwest Indian College	H315C150002	76,216
84.324	3600	AMERICAN INSTITUTES FOR RESEARCH (AIR)	0391600101	26,002
84.324	3600	DUQUESNE UNIVERSITY	G1500085	178,141
84.324	3600	UNIVERSITY OF FLORIDA	UFDSP00010173 AM04	15,676
84.324	3600	UNIVERSITY OF OKLAHOMA	RS20110522-13	49
84.324	3600	UNIVERSITY OF OKLAHOMA	RS20110522-14	73,599
84.324	3600	UNIVERSITY OF OKLAHOMA	RS20120590-09	20
84.324	3600	UNIVERSITY OF OKLAHOMA	RS20120590-15 AM01	432,875
84.325	3600	MONTCLAIR STATE UNIVERSITY	H325T110012-UOW AM04	11,319
84.334	6990	WSU	G003594	2,800
84.366	3600	SEATTLE PUBLIC SCHOOLS	PO 75-14978	30,478
84.366	3600	THE OHIO STATE UNIVERSITY RESEARCH FOUN	60036991 AM02	-2,914
84.366	3650	EDUC SVC DIST #112	2417277000523	2,771
84.366	3650	EDUC SVC DIST #112	7006000096	2,737
84.366	3650	EDUC SVC DIST #112	7009600091	409
84.366	3650	EDUC SVC DIST #112	7009600138	-5
84.366	3650	EDUC SVC DIST #112	7009600178	1,900
84.367	3600	NATIONAL WRITING PROJECT	92-WA03-SEED2012 AM02B	12,869
84.367	3600	NATIONAL WRITING PROJECT	92-WA03-SEED2012 AM03	6,514
84.367	3750	University of California	92-WA02-SEED2012#3A	7,906
84.367	3750	University of California	92-WA02-SEED2016	4,177
84.396	3600	BELLEVUE SCHOOL DISTRICT	A58405	15,120

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84.416	3600	HIGHLINE SCHOOL DISTRICT NO.401	B416A130186	10,431
84.416	3600	HIGHLINE SCHOOL DISTRICT NO.401	UW BUD# 637932	50,832
84.416	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	08739 (YR 3)	58,634
84.416	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09215	453,480
84.U01	3600	MATHEMATICA POLICY RESEARCH, INC.	40412S04256 S03	1,919,052
84.U03	3600	SEATTLE PUBLIC SCHOOLS	UW BN 637960	25,783
84.U04	3600	SEATTLE PUBLIC SCHOOLS	75-13524	75,622
93.051	3600	STATE OF OREGON	144448 AM01	17,644
93.061	3600	ACOUSTIC BIOSYSTEMS, INC	UW BUD# 634510	14,675
93.061	3600	INVENIO IMAGING, INC	1R43CA189320-01A	35,721
93.067	3600	COPTIC HOSPITAL	001-5CE AM002	118,282
93.067	3600	COPTIC HOSPITAL	002-5 AM01	6,576
93.067	3600	COPTIC HOSPITAL	002-5 AMO2	527,213
93.067	3600	COPTIC HOSPITAL	003-4 AM003	-7,019
93.067	3600	COPTIC HOSPITAL	003-5CE AM02	49,351
93.067	3600	COPTIC HOSPITAL	ADOLESCENTYR010065CEAM	100,949
93.067	3600	COPTIC HOSPITAL	FP-YR01	16,787
93.067	3600	COPTIC HOSPITAL	PMTCT-HEI-YR01	92,812
93.067	3600	ELIZABETH GLASER PEDIATRIC AIDS FOUNDATI	CG02822003829500AM01	78,363
93.067	3600	JHPIEGO	16-SBA-017	37,236
93.067	3600	NYANZA REPRODUCTIVE HEALTH SOCIETY	UW BUD# 636084	27,609
93.067	3600	UNIV OF CA SAN FRANCISCO	8536SC	-2
93.067	3600	UNIVERSITY OF CALIFORNIA, SANFRANCISCO	8566SC	-5
93.067	3600	UNIVERSITY OF CALIFORNIA, SANFRANCISCO	8566SC AM01	101,738
93.067	3600	UNIVERSITY OF CALIFORNIA, SANFRANCISCO	8818SC1U2GGH00127001	475,418
93.067	3600	UNIVERSITY OF CALIFORNIA, SANFRANCISCO	8818SCAM015U2GGH001270	37,059
93.067	3600	UNIVERSITY OF NAIROBI	UW BUD# 673162	-6,321
93.067	3600	UNIVERSITY OF NAIROBI	UW BUD# 675166	114,528

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93.067	3600	UNIVERSITY OF NEW MEXICO	HSC22801PREVIOUS3RV84	20,146
93.070	3600	NTNL ENVIRONMENTAL EDUCATION FNDTN	UW BUD# 675043	457
93.084	3600	EMORY UNIVERSITY	T368014	52,797
93.084	3600	EMORY UNIVERSITY	T510988 AM02	104,035
93.103	3030	Association of Food and Drug Officials	G-T-1510-03186	2,589
93.103	3600	UNIVERSITY OF ROCHESTER	416542-G AM01	8,116
93.103	3600	UNIVERSITY OF ROCHESTER	416769-G	43,998
93.107	3600	MONTANA STATE UNIVERSITY - AHEC	G158-16-W5696	9,629
93.107	3600	MONTANA STATE UNIVERSITY - AHEC	G170-15-W4654	1,037
93.107	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0481873 AM01	1,448
93.110	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11258SUB	27,615
93.110	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11357SUB	3,073
93.110	3600	UCLA COMMUNITY HEALTH SERVICES	1920 G RA028 AM02	14,806
93.110	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0424035B AM004	-239
93.110	3600	UNIVERSITY OF ALASKA ANCHORAGE	PO424035E AM05	26,266
93.110	3600	UTAH STATE UNIVERSITY	P0302513-E	763
93.113	3600	BATTELLE PACIFIC NW LABS	TO141096MA75501MOD09	-789
93.113	3600	BROWN UNIVERSITY	00000544 AM05	57,770
93.113	3600	ILLIONIX, LLC	UW BUD# 634383	13,899
93.113	3600	PUBLIC HEALTH INSTITUTE	1019929 AM02	141,861
93.113	3600	THE JOHNS HOPKINS UNIVERSITY	2002301818 AM03	498,801
93.113	3600	UCLA-MEDICINE-CARDIOLOGY	1553 G MC571 AM06	19,395
93.113	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008559AM02POBB004803	47,003
93.113	3600	UNIVERSITY OF CALIFORNIA, SAN DIEGO	54235481 AM01	13,752
93.113	3600	UNIVERSITY OF IOWA	10014724405R01ES023863	282,114
93.113	3600	UNIVERSITY OF NEW MEXICO	3RY74	22,216
93.113	3600	VIRVIO INC.	UW BUD# 634134	21,567
93.113	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-15-190 MOD01	47,126

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93.113	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-16-168/PO#2928661A	16,053
93.113	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU13183MOD5PO2917435WA	34,560
93.113	3650	UNIV OF WISCONSIN-MILWAUKEE	153405523	10,239
93.121	3600	BOSTON MEDICAL CENTER	BMC4312AM01R56DE024350	-275
93.121	3600	CASE WESTERN RESERVE UNIVERSITY	RES509541	120,315
93.121	3600	CASE WESTERN RESERVE UNIVERSITY	RES510204 AM01	261,898
93.121	3600	ELEVATE ORAL CARE LLC	UW BUD# 633652	40,825
93.121	3600	GROUP HEALTH RESEARCH INSTITUTE	2015140870	24,602
93.121	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100254-UW AM05	90,580
93.121	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWPC-15542-A	117,722
93.121	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWPC-15542-A AMO1	5,960
93.121	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWPC-15542-B	189,988
93.121	3600	SEATTLE CHILDREN'S HOSPITAL	11242SUB	180,740
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10705SUB MOD03	3,358
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10775SUB MOD02	105,002
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10775SUBPRI2R01DE01822	65,762
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11291SUBPR5R01DE022438	7,165
93.121	3600	THE FORSYTH INSTITUTE	UWASH023608-2455 AM01	2,421
93.121	3600	UCLA DENTISTRY	1350 G SA445 AM02	219,750
93.121	3600	UCLA SCHOOL OF DENTISTRY	1350 G TD145	11,325
93.121	3600	UNIV OF NORTH CAROLINA AT CHAPEL HILL	5032965 AM02	7,087
93.121	3600	UNIV OF NORTH CAROLINA AT CHAPEL HILL	5032965 MOD03	40,232
93.121	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000412838-031	181,215
93.121	3600	UNIVERSITY OF LOUISVILLE RES FDN INC.	ULRF 13-1116	18,164
93.121	3600	UNIVERSITY OF MINNESOTA	P004221601 AM01	17,451
93.121	3600	UNIVERSITY OF ROCHESTER	416624 AM01	105,457
93.121	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	43408029 AM02	134,352
93.135	3600	UNIVERSITY OF ILLINOIS AT CHICAGO	5 U48 DP005010-02	3,441

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93.142	3600	UCLA	2105 G HB431 AM05	6,423
93.142	3600	UCLA	2105 G NA299 AM04	10,142
93.142	3600	UCLA	2105 G TA258	364,463
93.142	3600	UCLA	UW BUD# 674940	7,819
93.142	3600	UCLA	UW BUD# 674941	11,117
93.142	3600	UCLA	UW BUD# 674942	3,876
93.143	3600	EDENSPACE SYSTEMS CORPORATION	15102 MOD01	45,636
93.143	3600	EDENSPACE SYSTEMS CORPORATION	5R43ES02009903MOD01	-333
93.145	3600	RUTGERS, THE STATE UNIVERSITY	8194PRIME1U1OHA2868601	314,934
93.153	3600	HARBORVIEW MEDICAL CENTER	UW BUD# 633029	54,988
93.155	3600	NATIONAL RURAL HEALTH ASSOCIATION	UA9RH26027-02-00	10,202
93.155	3600	NATIONAL RURAL HEALTH ASSOCIATION	UA9RH26027-03-01	39,876
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-02	102,306
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-R10-01	40,935
93.172	3600	BOSTON UNIVERSITY	4500001599 AM002	18,674
93.172	3600	BRIGHAM AND WOMEN'S HOSPITAL	111595	23,167
93.172	3600	GROUP HEALTH COOPERATIVE	2014201550 MOD02	95,977
93.172	3600	GROUP HEALTH COOPERATIVE	2014201721	-645
93.172	3600	GROUP HEALTH RESEARCH INSTITUTE	2014201725 MOD02	2,419
93.172	3600	GROUP HEALTH RESEARCH INSTITUTE	2015156720 MOD01	17,253
93.172	3600	GROUP HEALTH RESEARCH INSTITUTE	2015181895 MOD01	337,207
93.172	3600	GROUP HEALTH RESEARCH INSTITUTE	2016151695	21,600
93.172	3600	JOHN HOPKINS UNIVERSITY	2000752483 AM02	-167,153
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100285UWAM04UM1HG00	425,572
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100285UWAM054UM1HG0	37,392
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-1	22,860
93.172	3600	SCRIPPS RESEARCH INSTITUTE	PO NO 5-52235	52,520
93.172	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10462SUB MOD04	5,783

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93.172	3600	THE JACKSON LABORATORY	TBI AM03	156,945
93.172	3600	THE JACKSON LABORATORY	TBIAM02PRIME5U41HG0074	28,000
93.172	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00009075 AM01	113,456
93.172	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	A00343914RFS2016063MOD	130,343
93.172	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	WA00226505RFS2015053AM	28,630
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005	271,964
93.172	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-16-203 AM01	666,984
93.172	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-16-370	88,736
93.172	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU15329AM01PO2927550A	167,279
93.173	3600	DUKE UNIVERSITY	184791/207424 AM04	9,126
93.173	3600	FLORIDA STATE UNIVERSITY	7R01DC01307402REVR0178	34,886
93.173	3600	NORTHWESTERN UNIVERSITY	SP0011426PROJ0003112AM	20,750
93.173	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004469_UWA MOD01	9,057
93.173	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1005685_UWA AM01	8,183
93.173	3600	VANDERBILT UNIVERSITY	2740-018251 AM01	270,215
93.210	3600	NEW YORK UNIVERSITY	15-A1-00-002912-01	16,194
93.213	3600	BASTYR UNIVERSITY	H34B11-01 (4) AM04	-21,179
93.213	3600	DUKE UNIVERSITY	2034787	60,343
93.213	3600	GROUP HEALTH COOPERATIVE	2014158800 MOD02	101,433
93.213	3600	GROUP HEALTH RESEARCH INSTITUTE	2014101502 MOD03	27,505
93.213	3650	BOTANISOL LLC	125087	72,613
93.213	3650	UNIV OF WA	UWSC8522	0
93.224	3600	NATIONAL GOVERNORS ASSOCIATION CENTER	110-450-4506 AM01	-5,559
93.224	3600	PUBLIC HEALTH - SEATTLE AND KING COUNTY	CHS4086	29,648
93.224	3600	PUBLIC HEALTH-SEATTLE & KING COUNTY	CHS3779 AM01	24,092
93.226	3600	GROUP HEALTH RESEARCH INSTITUTE	2014194266	48,657
93.226	3600	GROUP HEALTH RESEARCH INSTITUTE	2015130488 MOD 02	225,542
93.226	3600	GROUP HEALTH RESEARCH INSTITUTE	2015137183 MOD01	143,268

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93.226	3600	GROUP HEALTH RESEARCH INSTITUTE	2015180723	147,689
93.226	3600	GROUP HEALTH RESEARCH INSTITUTE	2016126899	31,702
93.226	3600	GROUP HEALTH RESEARCH INSTITUTE	2016144659	3,890
93.226	3600	INDIANA UNIVERSITY	AM05	37,675
93.226	3600	INDIANA UNIVERSITY	N86441 AM04	19,016
93.226	3600	NORTHWESTERN UNIVERSITY	60031412 UW A02	4,615
93.226	3600	NORTHWESTERN UNIVERSITY	60040293UW AM-A03	45,669
93.226	3600	OREGON HEALTH SCIENCES UNIVERSITY	1005779_UWA	9,539
93.226	3600	SEATTLE CHILDREN'S HOSPITAL	11319SUB	13,993
93.226	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11123SUB MOD01	20,523
93.226	3600	SOCIETY OF NUCLEAR MEDICINE	AHRQ-001	45,101
93.226	3600	UNIVERSITY OF CHICAGO	FP047367-B AM03	2,300
93.226	3600	UNIVERSITY OF CHICAGO	FP047367-B AM04	87,177
93.226	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	WA00212183RFS2015015AM	4,764
93.226	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	WA00405155OSP2016050AM	54,168
93.233	3600	BRIGHAM AND WOMEN'S HOSPITAL	108591 AM01	30,286
93.233	3600	BRIGHAM AND WOMEN'S HOSPITAL	108591 AM02	9,718
93.233	3600	BRIGHAM AND WOMEN'S HOSPITAL	113170 AM03	5,499
93.233	3650	LOS ANGELES BIOMEDICAL RES INS	15002499	18,489
93.233	3650	UNIV OF CA DAVIS	20130078701	21,113
93.233	3650	UNIV OF PA FED FLOW	565843	8,148
93.236	3600	MONTANA DEPT OF PUBLIC HLTH & HUMAN SVC	14-07501-690 REN02	244,019
93.242	3600	ACCOUNTABILITY SOLUTIONS LLC	UW BUD# 636241	176,403
93.242	3600	BSOLUTIONS INC. (DBA LAUNCH BOTTLE)	UW BUD# 634035	19,249
93.242	3600	CENTER FOR HEALTH POLICY	12-NIH-1091 AM05	120,483
93.242	3600	CORNELL UNIVERSITY	15111832 AM01	61,291
93.242	3600	DARTMOUTH COLLEGE	R752	2,695
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-01	11,081

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93.242	3600	DUKE UNIVERSITY	2033849PRIME7R01MH0943	-2,467
93.242	3600	ELECTRICAL GEODESICS INC	M15A12179 (A10304)	38,715
93.242	3600	EMORY UNIVERSITY	T092029 AM03	119,538
93.242	3600	EMORY UNIVERSITY	T264309 AM02	23,723
93.242	3600	EMORY UNIVERSITY	T453149 AM04	244,316
93.242	3600	FHCRC	0000823455	3,822
93.242	3600	FHCRC	0000834931 AM01	72,533
93.242	3600	FHCRC	0000863417	45,107
93.242	3600	HUGO W. MOSER RESC AT KENNEDY KRIEGER	UW BUD# 632998	27,381
93.242	3600	MASSACHUSETTS GENERAL HOSPITAL	222572 AM 3	152,026
93.242	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-6412-4609 AM01	3,857
93.242	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-6413-4609	58,139
93.242	3600	SAINT LOUIS UNIVERSITY	00021507-1	1,315
93.242	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10955SUB MOD01	79,150
93.242	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10955SUB MOD02	111,368
93.242	3600	SWEDISH HEALTH SERVICES	223004 A.01	30,122
93.242	3600	TULANE UNIVERSITY	TUL-HSC-487-13/14 AM01	48,015
93.242	3600	TULANE UNIVERSITY	TUL-HSC-487-13/14 AM02	280,555
93.242	3600	UC DAVIS	201121762-03 AM04	660,706
93.242	3600	UC DAVIS	201121762-03 AM05	358,257
93.242	3600	UC DAVIS	201223026-01 AM02	17,603
93.242	3600	UCLA	2000 G TD994	8,737
93.242	3600	UNIV OF CA SAN FRANCISCO	7945 AM02	59,391
93.242	3600	UNIV OF CA SAN FRANCISCO	8925SC	45,429
93.242	3600	UNIV OF CALIFORNIA, SAN DIEGO	60166636 AM002	110,863
93.242	3600	UNIV OF CALIFORNIA, SAN DIEGO	67277131	30,804
93.242	3600	UNIVERSITY OF CALIFORNIA, IRVINE	2015-3228 AM01	13,659
93.242	3600	UNIVERSITY OF NAIROBI	4R25MH099132-02	2

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93.242	3600	UNIVERSITY OF NAIROBI	5R25MH099132-03	14,497
93.242	3600	UNIVERSITY OF NORTH CAROLINA	5033749 AM03	18,163
93.242	3600	UNIVERSITY OF SOUTH CAROLINA	16-3015	29,543
93.242	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-12-281-MOD-6 AM06	18,155
93.242	3600	WEST VIRGINIA UNIVERSITY	14-716-UW AM01	119,109
93.242	3600	YALE UNIVERSITY	M16A12223 (A10393)	632,906
93.242	3650	BOSTON CHILDREN'S HOSPITAL	0000505700	89,458
93.242	3650	ROCKEFELLER UNIVERSITY	5R01MH041256-28	22,928
93.242	3650	ROCKEFELLER UNIVERSITY	5R01MH04125625	-935
93.243	3600	AMERICAN PSYCHIATRIC ASSOCIATION (APA)	1507	11,807
93.243	3600	AMERICAN PSYCHIATRIC ASSOCIATION (APA)	UW BUD# 802087	7,115
93.243	3600	AMERICAN PSYCHIATRIC ASSOCIATION (APA)	UW BUD# 802093	2,902
93.243	3600	MINNESOTA STATE DEPT OF HUMAN SERVICES	T16A55PO3000042706	4,922
93.243	3600	NEIGHBORHOOD HOUSE INC	UW BUD# 634082	2,036
93.243	3600	UTAH DEPARTMENT OF HUMAN SERVICES	156197	11,521
93.243	3600	UTAH DEPARTMENT OF HUMAN SERVICES	156197 AM01	58,119
93.243	3650	CLARK COUNTY	2015A14	22,331
93.243	3650	JUSTICE RESOURCE INSTITUTE	WSU002569	41,910
93.243	3650	SPOKANE COUNTY SUPERIOR COURT	130286	4,684
93.243	3650	UNIV OF CT FED FLOW	UCHC655611014	4,902
93.243	3650	UNIV OF CT FED FLOW	UCHC668354761	23,456
93.262	3600	NORTHEASTERN UNIVERSITY	500326-78050 MOD03	236,087
93.262	3650	CENTER FOR CONST RESEARCH &	300170303	33,464
93.262	3650	OR HLTH SCI UNIV FED FLOW	1005580WSU	21,668
93.262	3650	OR HLTH SCI UNIV FED FLOW	1005580WSUBUTTERFIELD	9,799
93.262	3700	The Center to Protect Workers' Rights	Subrec #3001-612-01	227,436
93.266	3600	AMERICAN INTERNATIONAL HEALTH ALLIANCE	HFBZAM16PPTRZLAB00	134,826
93.270	3600	PUBLIC HEALTH-SEATTLE & KING COUNTY	PREV3887	172,568

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93.270	3600	PUBLIC HEALTH-SEATTLE & KING COUNTY	PREV3988	177,240
93.273	3600	BUTLER HOSPITAL	9132-8389 AM01	26,239
93.273	3600	CORNELL UNIVERSITY	69951-10233 AM02	50,183
93.273	3600	GROUP HEALTH RESEARCH INSTITUTE	2014187143	2,240
93.273	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1002432_UW AM02	14,263
93.273	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1002432_UWA AM03	37,199
93.273	3600	PENNSYLVANIA STATE UNIVERSITY	4332-UW-DHHS-2529 AM06	72,699
93.273	3600	RUTGERS UNIVERSITY	4046 MOD06	5,926
93.273	3600	SAN DIEGO STATE UNIVERSITY RSCH FDN	SA0000512	9,080
93.273	3600	SEATTLE CHILDREN'S HOSPITAL	11236SUB MOD01	14,472
93.273	3600	UNIVERSITY OF HOUSTON	R-12-0031 AM05	13,175
93.273	3600	UNIVERSITY OF HOUSTON	R-12-0031 AM06	78,196
93.273	3650	OR HLTH SCI UNIV FED FLOW	1002567WSU	273,448
93.276	3750	Kittital Community Coalition Network	MOU	1,940
93.279	3000	BRANDEIS	B02B20	67,793
93.279	3000	DARTMOUTH	B02D50	8,579
93.279	3600	BOSTON MEDICAL CENTER	4457 AM01	46,675
93.279	3600	BOSTON MEDICAL CENTER	R25DA033211 #4472 AM01	17,874
93.279	3600	BOSTON MEDICAL CENTER	R25DA033211 #4472 AM02	4,277
93.279	3600	DARTMOUTH COLLEGE	R267 AM01	193,862
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	5R01DA025651 MOD05	84,942
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	MOD02PRIME5R01DA025651	300
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	MOD03PRIME5R01DA025651	1
93.279	3600	FHCRC	0000856278	382,656
93.279	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10796SUB MOD01	-64
93.279	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11062SUB MOD01	11,575
93.279	3600	SUNY	R86202 AM02	24,403
93.279	3600	SUNY	R908941 AM02	23,050

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93.279	3600	UNIVERSITY OF MARYLAND	SR00002142 AM04	10,443
93.279	3600	UNIVERSITY OF MIAMI	661877 AM01	53,768
93.279	3600	UNIVERSITY OF NEW MEXICO	3RW19 AMO1	27,237
93.279	3600	UNIVERSITY OF PENNSYLVANIA	559642100311709445AM03	179,716
93.279	3600	UNIVERSITY OF PITTSBURGH	00390391243543AM03	10,191
93.279	3600	UNIVERSITY OF PUGET SOUND	274008-UW AM01	10,741
93.279	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	61875882AM017P01DA0357	151,227
93.279	3600	UNIVERSITY OF UTAH	10030628 AM01	-2,988
93.279	3600	UNIVERSITY OF UTAH	10030628 AM04	23,000
93.279	3650	RESEARCH TRIANGLE INSTITUTE	13400212645	129,956
93.279	3650	RESEARCH TRIANGLE INSTITUTE	23400212645	21,177
93.279	3650	UNIV OF NC CHAPEL HILL	534602	29,082
93.283	3600	ASSN OF SCH & PROGRAMS OF PUBLIC HEALTH	UW BUD# 633821	111,685
93.283	3600	ASSN OF SCH & PROGRAMS OF PUBLIC HEALTH	UW BUD# 633822	176,254
93.283	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	1472014	139,077
93.283	3600	RIGHTANSWER.COM, INC.	UW BUD# 634284	35,157
93.286	3600	EMORY UNIVERSITY	T087260 AM01	12,925
93.286	3600	LODESPIN LABS LLC	A78130 AM01	112,733
93.286	3600	STANFORD UNIVERISTY	60041595-47512-A AM04	38,482
93.286	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00007673 AM03	-236
93.307	3600	GROUP HEALTH COOPERATIVE	2015140008 MOD03	116,441
93.307	3600	MASSACHUSETTS GENERAL HOSPITAL	227351	2,365
93.307	3600	SANFORD RESEARCH	SR-2016-13	25,276
93.307	3600	UNIVERSITY OF MINNESOTA	N004207301 AM01	16,828
93.310	3600	BROAD INSTITUTE, INC.	56102215500000695AM03	1,856
93.310	3600	BROAD INSTITUTE, INC.	56102225500000695AM01	189,356
93.310	3600	HUGO MOSER RESEARCH INSTITUTE	1 UH2 TR 000966-01	-340
93.310	3600	UNIVERSITY OF MICHIGAN	3003130741 AM01	6,311

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93.310	3600	UNIVERSITY OF NAIROBI	PRIME 5R24TW008907-05	46,646
93.310	3600	WESTAT, INC.	6366-S03 MOD01	76,496
93.331	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	CDIP3869	37,620
93.331	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	CDIP3869 AM02	71,815
93.333	3650	WESTERN CAROLINA UNIV	WSU003306	1,183
93.350	3600	ENTOX SCIENCE LLC	A93420 AM01	104,534
93.350	3600	NORTIS, INC	NOR0002	2,502
93.351	3600	EMORY UNIVERSITY	T248414 AM01	-10,268
93.351	3600	EMORY UNIVERSITY	T425277	269,276
93.351	3600	UNIVERSITY OF MASSACHUSETTS	14-007879-A01 AM03	4,652
93.359	3600	UIC	E4915 491423 AM	-37
93.361	3600	BAYLOR COLLEGE OF MEDICINE	5600848534 AM03	38,273
93.361	3600	DANA-FARBER CANCER INSTITUTE, INC	1215008 AM06	73,449
93.361	3600	DUKE UNIVERSITY	203-8769	8,894
93.361	3600	MASSACHUSETTS GENERAL HOSPITAL	217966 AM04	25,035
93.361	3600	THE JOHNS HOPKINS UNIVERSITY	20001433044 AM03	-699
93.361	3600	THE JOHNS HOPKINS UNIVERSITY	2001433044 AM04	17,348
93.361	3600	UNIVERSITY OF NEW MEXICO	3RZ321R01NR01524101A1	98,826
93.393	3600	ARIZONA STATE UNIVERSITY	16-837	51,751
93.393	3600	BECKMAN RESH. INST. OF THE CITY OF HOPE	000508050-006 AM01	5,447
93.393	3600	CHILDRENS HOSP OF PHILADELPHIA	321072PO961593RSUBAM01	83,873
93.393	3600	FHCRC	0000778568 AM01	-1,286
93.393	3600	FHCRC	0000807983	1,327
93.393	3600	FHCRC	0000813160	4,471
93.393	3600	FHCRC	00008134355U01CA163304	5,744
93.393	3600	FHCRC	0000813441	14,342
93.393	3600	FHCRC	0000813573	6,448
93.393	3600	FHCRC	0000813737	4,000

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93.393	3600	FHCRC	0000813739	9,447
93.393	3600	FHCRC	0000813871	2,328
93.393	3600	FHCRC	00008267711R21CA187401	32,376
93.393	3600	FHCRC	0000827986	12,499
93.393	3600	FHCRC	0000838135	10,638
93.393	3600	FHCRC	0000838728	29,720
93.393	3600	FHCRC	0000840204 AM01	6,032
93.393	3600	FHCRC	0000843708	9,660
93.393	3600	FHCRC	0000843712	22,002
93.393	3600	FHCRC	0000843716	47,063
93.393	3600	FHCRC	0000843939	14,352
93.393	3600	FHCRC	0000844742	18,568
93.393	3600	FHCRC	0000845123	37,559
93.393	3600	FHCRC	0000845125	16,753
93.393	3600	FHCRC	0000845127PR1U01CA1993	11,589
93.393	3600	FHCRC	0000845617 AM01	71,339
93.393	3600	FHCRC	00008461655U01CA137088	14,485
93.393	3600	FHCRC	0000850611	28,595
93.393	3600	FHCRC	0000850612	13,056
93.393	3600	FHCRC	0000850613	47,166
93.393	3600	FHCRC	0000852803 AM01	10,921
93.393	3600	FHCRC	0000853128	9,319
93.393	3600	FHCRC	0000854661	20,007
93.393	3600	FHCRC	0000859538	15,025
93.393	3600	FHCRC	0000869435	1,624
93.393	3600	FHCRC	000813459	7,217
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	812098	86,090
93.393	3600	GROUP HEALTH COOPERATIVE	CA154292-04-UW MOD01	11,506

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93.393	3600	GROUP HEALTH RESEARCH INSTITUTE	2015154248	17,791
93.393	3600	HARVARD UNIVERSITY	116071-5089696	8,028
93.393	3600	KAISER FOUNDATION RESEARCH INSTITUTE	115-9341-UW-02	5,791
93.393	3600	KAISER FOUNDATION RESEARCH INSTITUTE	115-9341-UW-02 AM01	29,327
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL	217156AM07PRIME5U01CA1	105,172
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL	2269691U01CA19933601	49,102
93.393	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1006132_UWA AM01	44,709
93.393	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1006132UWA1R01CA190144	197,689
93.393	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11042SUB MOD01	132,739
93.393	3600	UNIV OF CA SAN FRANCISCO	8322SC	-1,044
93.393	3600	UNIVERSITY OF CALIFORNIA IRVINE	2015-3204	13,185
93.393	3650	PURDUE UNIV	410261491	36,107
93.393	3650	VANDERBILT UNIV-FED FLOW	VUMC38944	451
93.394	3600	BROAD INSTITUTE, INC.	66102045500000433MOD04	42,895
93.394	3600	BROAD INSTITUTE, INC.	66102055500000433AM05	162,878
93.394	3600	CASE WESTERN RESERVE UNIVERSITY	RES509934 MOD02	64,833
93.394	3600	CORNELL UNIVERSITY	13121644-03	6,036
93.394	3600	CORNELL UNIVERSITY	16030350-03 AM01	82,849
93.394	3600	ECOQ-ACRIN MEDICAL RESEARCH FOUNDATION	1671	36,035
93.394	3600	FHCRC	0000808609	-7
93.394	3600	FHCRC	0000812247	-8,892
93.394	3600	FHCRC	0000814856 AM01	4,429
93.394	3600	FHCRC	0000822210	9,333
93.394	3600	FHCRC	0000829362	12,302
93.394	3600	FHCRC	0000830696 AM01	143,092
93.394	3600	FHCRC	0000831942	143,779
93.394	3600	FHCRC	0000831942 AM01	16,226
93.394	3600	FHCRC	00008322391U01CA186157	22,035

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93.394	3600	FHCRC	00008345115P01CA091955	6,396
93.394	3600	FHCRC	0000834543	102,387
93.394	3600	FHCRC	0000838053	96,082
93.394	3600	FHCRC	0000840241	89,249
93.394	3600	FHCRC	0000843914	25,254
93.394	3600	FHCRC	0000854977	7,329
93.394	3600	FHCRC	0000865387	22,006
93.394	3600	FHCRC	0000869941	197
93.394	3600	HEALTHPARTNERS INST FOR EDUC & RESCH	X1301200WASH	16,429
93.394	3600	HEALTHPARTNERS INST FOR EDUC & RESCH	X130120WASH AM01	8,873
93.394	3600	KITWARE INC	K001416-00-S01 MOD1	196,753
93.394	3600	MASSACHUSETTS INST TECHNOLOGY/MIT	5710004063	26,756
93.394	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11241SUB	20,821
93.394	3600	UNIVERSITY OF IOWA	W000420810PO1001081261	101,710
93.394	3600	UNIVERSITY OF MINNESOTA	N002338901 AM03	13,193
93.394	3600	UNIVERSITY OF TEXAS, SAN ANTONIO	156543 AM03	1,208
93.395	3600	AMERICAN COLLEGE OF RADIOLOGY	1181	17,772
93.395	3600	BENAROYA RESEARCH INSTITUTE AT VIRGINIA	FY15307902	2,232
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	9500080215-XX	2,400
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	FP15221SUB38302961705R	12,162
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	FP17296_SUB01_02	107,917
93.395	3600	CHILDRENS HOSP OF PHILADELPHIA	FP18225_SUB02_01 AM01	406,462
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA180820-01-WASH2	15,000
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA180820-02-WASH4	9,992
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH1AM01	17,352
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH1AM02	3,910
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION, INC	CHECK 1928	30,542

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93.395	3600	FHCRC	0000755851 AM03	41,561
93.395	3600	FHCRC	0000809212	583
93.395	3600	FHCRC	0000809694	467
93.395	3600	FHCRC	0000810455	11,443
93.395	3600	FHCRC	0000811335	16,375
93.395	3600	FHCRC	0000811336	658
93.395	3600	FHCRC	0000811343	2,272
93.395	3600	FHCRC	0000811368	1,250
93.395	3600	FHCRC	00008127675U01CA154967	-120,503
93.395	3600	FHCRC	0000815540	17,894
93.395	3600	FHCRC	0000816866	1,895
93.395	3600	FHCRC	0000821535	5,783
93.395	3600	FHCRC	0000821555	1,760
93.395	3600	FHCRC	0000822384	37,326
93.395	3600	FHCRC	0000831752 AM02	58,351
93.395	3600	FHCRC	0000832627	949
93.395	3600	FHCRC	0000838692	123,895
93.395	3600	FHCRC	0000840349	257,971
93.395	3600	FHCRC	0000840352	14,689
93.395	3600	FHCRC	0000840356	23,808
93.395	3600	FHCRC	0000840357	7,932
93.395	3600	FHCRC	0000841392	6,476
93.395	3600	FHCRC	0000842821 AM001	61,170
93.395	3600	FHCRC	00008433595U01CA154967	26,800
93.395	3600	FHCRC	0000843416 AM01	1,027,445
93.395	3600	FHCRC	0000852517	8,052
93.395	3600	FHCRC	0000853451	123,349
93.395	3600	FHCRC	0000857569	7,710

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93.395	3600	FHCRC	0000857570	51,739
93.395	3600	FHCRC	0000859909	41,885
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000796556	-11,412
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000826175	-25,328
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000834633 AM01	3,773
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000854063	16,897
93.395	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2014.0008 AM01	80,705
93.395	3600	JOHN WAYNE CANCER INSTITUTE (JWCI)	R01 CA189163 AM08	1,580
93.395	3600	MAYO CLINIC	63987962	55,450
93.395	3600	MAYO CLINIC	UNI19876901PO64511155A	28,410
93.395	3600	NATL INST OF HLTH	0000834633	54,075
93.395	3600	NRG ONCOLOGY, INC	UOFWASH KOH - YR 2	6,999
93.395	3600	NSABP FNDN	UWASH - NCORP-01	2,201
93.395	3600	NSABP FOUNDATION	UW-NSABP P1 AM04	25,776
93.395	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004041_UW AM02	30,029
93.395	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004041_UW AM03	10,661
93.395	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	9009627UWAAM015U10CA18	48,279
93.395	3600	PAI LIFE SCIENCES DBA PROTEIN ADVANCES INC.	UW OSP #A102568	42,867
93.395	3600	SLOAN KETTERING INSTITUTE FOR CANCER RES	226691	2,388
93.395	3600	UNIVERISTY OF MISSOURI, COLUMBIA	C00048480-1	34,844
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028032 AM02	241,227
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028036 AM02	333,420
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028786 AM03	29,859
93.396	3600	FHCRC	0000790544 AM02	30,815
93.396	3600	FHCRC	0000829763	15,423
93.396	3600	FHCRC	0000863494P4R01CA17684	7,098
93.396	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	WA00329124/RFS2016027	52,866
93.396	3600	VAN ANDEL RESEARCH INSTITUTE	UWCMNIH10402251AM05	48,812

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93.397	3600	FHCRC	0000782689 AM01	-8,981
93.397	3600	FHCRC	0000782902 AM02	36,337
93.397	3600	FHCRC	0000812312	4,500
93.397	3600	FHCRC	0000812768 AM01	61,981
93.397	3600	FHCRC	00008132205P50CA138293	26,149
93.397	3600	FHCRC	0000813368	5,831
93.397	3600	FHCRC	00008133975P50CA138293	4,319
93.397	3600	FHCRC	0000813931	-1
93.397	3600	FHCRC	0000813993	1,679
93.397	3600	FHCRC	0000822968 AM01	28,978
93.397	3600	FHCRC	00008239835P50CA097186	8,378
93.397	3600	FHCRC	0000826423 AM01	24,057
93.397	3600	FHCRC	0000826436	8,034
93.397	3600	FHCRC	0000826437	14,409
93.397	3600	FHCRC	00008264385P50CA097186	7,943
93.397	3600	FHCRC	0000826854 AM01	108,754
93.397	3600	FHCRC	0000826863 AM01	419,656
93.397	3600	FHCRC	0000826864	-55,240
93.397	3600	FHCRC	0000826886 AM01	61,506
93.397	3600	FHCRC	0000826897 AM01	22,956
93.397	3600	FHCRC	0000826898 AM01	11,968
93.397	3600	FHCRC	0000826900 AM01	59,388
93.397	3600	FHCRC	0000826903 AM01	21,530
93.397	3600	FHCRC	0000826908 AM01	11,951
93.397	3600	FHCRC	0000827210	17,545
93.397	3600	FHCRC	0000827536 AM01	51,849
93.397	3600	FHCRC	00008303532P30CA015704	5,654
93.397	3600	FHCRC	0000830356	1,221

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93.397	3600	FHCRC	0000830357	2,480
93.397	3600	FHCRC	00008303582P30CA015704	9,554
93.397	3600	FHCRC	0000830360	3,178
93.397	3600	FHCRC	0000830370	12,989
93.397	3600	FHCRC	0000830372	30,538
93.397	3600	FHCRC	0000830374	76,720
93.397	3600	FHCRC	0000830375	31,970
93.397	3600	FHCRC	0000830660	1,813
93.397	3600	FHCRC	00008317532P30CA015704	247
93.397	3600	FHCRC	00008335642P30CA015704	19,913
93.397	3600	FHCRC	0000833832	20,961
93.397	3600	FHCRC	0000833993	6,549
93.397	3600	FHCRC	0000834885	14,983
93.397	3600	FHCRC	0000834886	9,300
93.397	3600	FHCRC	0000839925 AM01	39,550
93.397	3600	FHCRC	0000843207	166,839
93.397	3600	FHCRC	0000843208	67,653
93.397	3600	FHCRC	0000848013	189,499
93.397	3600	FHCRC	0000848023 AM01	28,490
93.397	3600	FHCRC	0000848032 AM01	16,730
93.397	3600	FHCRC	0000852077	69,370
93.397	3600	FHCRC	0000852220	5,004
93.397	3600	FHCRC	00008530085P50CA097186	1,985
93.397	3600	FHCRC	0000857267	55,592
93.397	3600	FHCRC	0000857269	14,483
93.397	3600	FHCRC	0000857271	62,224
93.397	3600	FHCRC	0000857274	174,894
93.397	3600	FHCRC	0000857276	101,596

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93.397	3600	FHCRC	0000857277	46,747
93.397	3600	FHCRC	0000857574	11,579
93.397	3600	FHCRC	0000857693	16,041
93.397	3600	FHCRC	0000857695	21,729
93.397	3600	FHCRC	0000859681	28,289
93.397	3600	FHCRC	0000859687	49,636
93.397	3600	FHCRC	0000860953	9,136
93.397	3600	FHCRC	0000861670	738
93.397	3600	FHCRC	0000867274	1,028
93.397	3600	FHCRC	0000867278	483
93.397	3600	FHCRC	0000868056	21,230
93.397	3600	FHCRC	000830355	23,700
93.397	3600	FHCRC	2P30CA015704	13,766
93.397	3600	FHCRC	5 P30 CA 015704-39	18,513
93.397	3600	FHCRC	UW BUD# 633180	35,612
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000783707 AM02	37,010
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000812308	13,398
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000812422	20,342
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008133665P50CA138293	25,246
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008239825P50CA097186	1,898
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000830356	323
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851939	100,967
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 633295	18,790
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 634938	2,183
93.397	3600	RAPID CITY REGIONAL HOSPITAL	5U54CA14215705UWASHAM0	103
93.397	3600	UNIVERSITY OF TEXAS SW MEDICAL CENTER	GMO150904 AM01	22,331
93.398	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	3R25TW009710-01S1	20,353
93.399	3600	CASE WESTERN RESERVE UNIVERSITY	RES510272	13,689

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93.399	3600	FHCRC	0000804602	1
93.399	3600	FHCRC	0000804602 AM01	5,704
93.399	3600	FHCRC	0000804602 AM02	9,145
93.399	3600	FHCRC	0000804677 AM01	5,645
93.399	3600	UNIVERSITY OF MICHIGAN	3002149613 AM05	79,589
93.399	3600	UNIVERSITY OF MICHIGAN	3002149613 MOD06	164,027
93.424	3600	CHANGE LAB SOLUTIONS	CDC7001-3-0093-1	10,000
93.433	3600	ALBERT EINSTEIN HEALTHCARE NETWORK	90DP0037-02-00	6,284
93.441	3600	NW PORTLAND AREA INDIAN HEALTH BOARD	C15-11 PO#24824 AM01	37,151
93.441	3600	NW PORTLAND AREA INDIAN HEALTH BOARD	C16-01 PO#25789	40,938
93.508	3600	UNITED INDIANS OF ALL TRIBES FOUNDATION	A71880 MOD06	31,015
93.524	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	0782016	80,803
93.556	3700	Department of Health and Welfare - ID	KC263200	31,347
93.558	6990	DSHS	1565-40154	622,410
93.576	6990	DSHS	1565-40154	41,266
93.600	3600	ZERO TO THREE	2015100226	372,601
93.600	3600	ZERO TO THREE	2016030075	2,166
93.600	3700	Central Missouri Community Action	Grant #90HC0013	2,000
93.600	6990	OESD Olympic Educational Service District #114	1516 Early Head Start	219,881
93.600	6990	OESD Olympic Educational Service District #114	1516 Head Start	84,650
93.600	6990	PSD	1550	182,047
93.600	6990	Puget Sound Educational Service District	09441	247,510
93.600	6990	Puget Sound Educational Services District	Early Headstart	117,478
93.600	6990	Puget Sound Educational Services District	Headstart	150,767
93.600	6990	Puget Sound ESD	LOA 8924	104,731
93.605	3600	CHILDREN'S HOME SOCIETY OF WA	UW BUD# 669544	23,431
93.610	3600	MONTEFIORE MEDICAL CENTER	UW BN 66-9370	27,423
93.612	3600	JAMESTOWN S'KLALLAM TRIBE	UW BUD# 634491	29,042

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93.639	3600	AMERICAN PSYCHIATRIC ASSOCIATION (APA)	UW BUD# 633794	213,752
93.645	3700	Department of Health and Welfare - ID	#1C096100 Amend #3	25,412
93.645	3700	Department of Health and Welfare - ID	1C100800	183,235
93.645	3700	Department of Health and Welfare - ID	Letter of Agreement	10,739
93.648	3600	UNIVERSITY OF MARYLAND, BALTIMORE	1400328 AM01	21,703
93.648	3600	UNIVERSITY OF MARYLAND, BALTIMORE	1400328 AM02	60,723
93.652	3600	CENTER FOR CHILDREN & YOUTH JUSTICE	UW BUD# 631320	27,154
93.658	3700	Department of Health and Welfare - ID	KC247400	30,223
93.658	3700	Department of Health and Welfare - ID	KC247500	20,106
93.658	3700	Department of Health and Welfare - ID	KC247500 Amend #3	7,329
93.658	3700	Department of Health and Welfare - ID	KC247600	18,844
93.658	3700	Department of Health and Welfare - ID	KC247600 Amend #3	4,222
93.658	3700	Department of Health and Welfare - ID	KC247700 Amend #3	1,283
93.658	3700	Department of Health and Welfare - ID	KC255500 Amend #1	14
93.658	3700	Department of Health and Welfare - ID	KC261200	120,920
93.658	3700	Department of Health and Welfare - ID	KC261400	850,999
93.658	3700	Department of Health and Welfare -ID	KC247700	127,576
93.670	3600	UNITED WAY OF KING COUNTY	UW BUD# 665529	15,236
93.674	3700	Department of Health and Welfare - ID	1C096000 Amend #2	1,131
93.701	3600	MOREHOUSE SCHOOL OF MEDICINE	325011.300001.80180	4,599
93.719	3600	SAINT LOUIS UNIVERSITY	ERS# 36154	8,448
93.724	3600	PUBLIC HEALTH - SEATTLE AND KING COUNTY	D40396D TOB1591	-454
93.734	3600	FLORIDA HEALTH NETWORKS	UW BUD# 637296	5,172
93.758	3650	SPOKANE REGIONAL HEALTH DISTRI	300421927	8,894
93.837	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	5R01HL09455504AM09	30
93.837	3600	BLOODWORKS NORTHWEST	827-UW-2015	2,963
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	105963 AM07	54,667
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	2011D000881	3,971

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93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	PS#224978	22,996
93.837	3600	CASE WESTERN RESERVE UNIVERSITY	RES509831	36,894
93.837	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15014	110,017
93.837	3600	CHILDREN'S HOSPITAL & RSCH CTR OAKLAND	12_8044_UW_14	5
93.837	3600	COLUMBIA UNIVERSITY	1(GG010998-01)	10,371
93.837	3600	CORNELL UNIVERSITY	69768-10333 AM01	2,328
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE (DCRI)	SPS162060Site070AM3	1,781
93.837	3600	EMORY UNIVERSITY	T088768 AM04	14,044
93.837	3600	FHCRC	0000833600	241,290
93.837	3600	FHCRC	0000845484	56,975
93.837	3600	FHCRC	0000856841	319,659
93.837	3600	FHCRC	0000872675	5,931
93.837	3600	GROUP HEALTH RESEARCH INSTITUTE	2014193674 MOD01	86,713
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7865-4609 AM01	295,881
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7866-4609	302,994
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7875-4609 AM01	11,245
93.837	3600	JOAN & SANFORD I. WEILL MEDICAL COLLEGE	15081136025U34HL115015	25,487
93.837	3600	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC14-019 AMO2	6,628
93.837	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-7511-4609 AM02	53,944
93.837	3600	NATIONAL JEWISH HEALTH	20105301_U WASH	8,884
93.837	3600	NEW ENGLAND RESEARCH INSTITUTES, INC. (NERI)	UW BUD# 669766	13,489
93.837	3600	NEW YORK UNIVERSITY	UW BUD# 660839	9,088
93.837	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005000-UW AM02	36,302
93.837	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005000-UW AM03	19,504
93.837	3600	PALO ALTO MEDICAL FOUNDATION FOR HLTHCAR	382200755-0319A AM03	20,258
93.837	3600	PALO ALTO MEDICAL FOUNDATION FOR HLTHCAR	4-0756 AM02	62,533

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93.837	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11351SUB	39,148
93.837	3600	ST. JUDE CHILDREN'S RESEARCH HOSPITAL	112042019-7665825	5,880
93.837	3600	TEMPLE UNIVERSITY	3610650473002POP030916	43,127
93.837	3600	THE OHIO STATE UNIVERSITY RESEARCH FOUN	60048444	29,290
93.837	3600	TUFTS UNIVERSITY	HH4023 AM02	88,628
93.837	3600	UNIVERSITY OF ALABAMA	000501008-001 AM03	667,331
93.837	3600	UNIVERSITY OF ALABAMA	000505311-001	7,569
93.837	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000512650-001	10,293
93.837	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	7738SC AM02	-1,327
93.837	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	7738SCAM045UM1HL119089	363,888
93.837	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	9102SC AM01	268,483
93.837	3600	UNIVERSITY OF ILLINOIS AT CHICAGO	2016-01075-01-01	21,557
93.837	3600	UNIVERSITY OF IOWA	PO# 1001197016 AM03	87,963
93.837	3600	UNIVERSITY OF IOWA	PO#1001197016	-233
93.837	3600	UNIVERSITY OF MARYLAND, BALTIMORE	101330A PO# SR00003732	136,904
93.837	3600	UNIVERSITY OF MARYLAND, BALTIMORE	101330AAM02	92,865
93.837	3600	UNIVERSITY OF MARYLAND, BALTIMORE	10575 PO# SR00003368	107,249
93.837	3600	UNIVERSITY OF MICHIGAN	3001290982 AM05	606
93.837	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003106193 AM01	26,126
93.837	3600	UNIVERSITY OF MINNESOTA	P663626611	8,886
93.837	3600	UNIVERSITY OF PENNSYLVANIA	566406	136,425
93.837	3600	UNIVERSITY OF PITTSBURGH	00319741246181AM02	35,517
93.837	3600	UNIVERSITY OF PITTSBURGH	0045050 (126180-2)	21,421
93.837	3600	UNIVERSITY OF PITTSBURGH	0050470 (127391-1)	15,384
93.837	3600	UNIVERSITY OF VERMONT	24225SUB50868 AM04	4,713
93.837	3600	UNIVERSITY OF VERMONT	28557SUB51628 MOD02	9,075
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55484	24,191
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 113865 REV AM06	7,746

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93.837	3600	WAKE FOREST UNIVERSITY	WFUHS114064WASHINGTONA	864
93.837	3600	WAKE FOREST UNIVERSITY HEALTH SCIENCES	WFUHS 114486	51,178
93.837	3600	WAKE FOREST UNIVERSITY HEALTH SCIENCES	WFUHS 114806	3,731
93.837	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-15-258 AM01	45,218
93.837	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU162675R01HL11830503R	44,688
93.837	3600	WEILL CORNELL MEDICAL COLLEGE	15060903-04	57,849
93.837	3600	YALE UNIVERSITY	M13A11482A08800AM05	97,848
93.837	3600	YALE UNIVERSITY	M14A11708A09355AM01	15,446
93.837	3600	YALE UNIVERSITY	M14A11810(A09626) AM02	147,880
93.837	3650	UNIV OF AZ	3011860	36,572
93.837	3650	UNIV OF HI RES CORP FED FLOW	KA150030	41,711
93.837	3650	UNIV OF OK FED FLOW	RS2012229608	26,632
93.838	3600	BATTELLE PACIFIC NORTHWEST DIVISION	TO140660MOD08MASTER243	36,385
93.838	3600	CARNEGIE MELLON UNIV	1090409-334683 AM02	265,127
93.838	3600	COLUMBIA UNIVERSITY	4(GG010919) PO#G10047	23,328
93.838	3600	COLUMBIA UNIVERSITY MEDICAL CENTER	1(GG007619-03)	27,587
93.838	3600	COLUMBIA UNIVERSITY MEDICAL CENTER	3 (GG007619-02) AM01	34,941
93.838	3600	DUKE UNIVERSITY	2032352 AM03	102,312
93.838	3600	FHCRC	0000758955 AM03	57,004
93.838	3600	FHCRC	0000758955 AM04	51,738
93.838	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000760233 AM05	1,166
93.838	3600	HARVARD SCHOOL OF PUBLIC HEALTH	112127.5048790 AM03	33,316
93.838	3600	INDIANA UNIVERSITY	IN-4687706UW AM01	3,803
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	PRIME 5U01HL123009-03	4,909
93.838	3600	MAYO CLINIC	WAS-183185	7,266
93.838	3600	NATIONAL JEWISH HEALTH	2020101001UWASH7R56HL1	35,815
93.838	3600	THE JOHNS HOPKINS UNIVERSITY	2001502917 AM04	-311
93.838	3600	THE TRUSTEES OF COLUMBIA UNIVERSITY	1 (GG007619)	-335

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93.838	3600	UCSF CONTROLLER'S OFFICE	UW BUD# 668529	-232
93.838	3600	UNIVERSITY OF CALIFORNIA, SAN DIEGO	49854772 AM01	166,057
93.838	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8893SC AM01	22,430
93.838	3600	UNIVERSITY OF PITTSBURGH	0035200 (123815)	54,755
93.838	3600	UNIVERSITY OF PITTSBURGH	0041577	62,129
93.839	3600	BLOODWORKS NORTHWEST	802-UW-2016	43,242
93.839	3600	BRIGHAM AND WOMEN'S HOSPITAL	113440	22,006
93.839	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15014-B	12,759
93.839	3600	FHCRC	0000791419 AM02	109,219
93.839	3600	FHCRC	0000808695	810
93.839	3600	FHCRC	0000835309 AM01	156,926
93.839	3600	FHCRC	0000843750	153,121
93.839	3600	FHCRC	0000846587	13,757
93.839	3600	FHCRC	0000866878	48,752
93.839	3600	FHCRC	832074PRIME1R01HL12658	23,716
93.839	3600	FHCRC	863604PRIME5R01HL12658	1,344
93.839	3600	OPTICYTE, INC.	UW BUD# 631569	82,638
93.839	3600	PUGET SOUND BLOOD CTR	802-UW-2015	90,468
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	11288SUB MOD1	34,574
93.839	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10628SUB MOD04	69,372
93.839	3600	UNIVERSITY OF ALABAMA	000502659-001 AM01	79,258
93.839	3600	UNIVERSITY OF ALABAMA	000502659-001 AM02	3,057
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107	72,516
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	UW BUD# 634828	29,699
93.846	3600	JOHNS HOPKINS UNIVERSITY	UW BUD# 669777	1,240
93.846	3600	UNIVERSITY OF MICHIGAN	3002095759 AM04	176
93.847	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	3108591R01DK10295201A1	16,905
93.847	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	310859AM015R01DK102952	15,604

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93.847	3600	ARIZONA STATE UNIVERSITY	16-924	6,182
93.847	3600	BAYLOR COLLEGE OF MEDICINE	5601076008 AM01	11,314
93.847	3600	BENAROYA RESEARCH INSTITUTE AT VIRGINIA	FY14106101	15,141
93.847	3600	BENAROYA RESEARCH INSTITUTE AT VIRGINIA	FY15106101	49,022
93.847	3600	BOSTON CHILDREN'S HOSPITAL	RSTFD0000655460	311,295
93.847	3600	BRIGHAM AND WOMEN'S HOSPITAL	111345 AM01	7,009
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES508618 AM03	31,115
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES5092695U01DK0941570	-29,527
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509454	596
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509454 AM01	722
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509472 AM01	52,994
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES5094721DP3DK1044380	6,062
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES510022 AM02	290,483
93.847	3600	CHILDRENS HOSP OF PHILADELPHIA	320928 AM1	41,239
93.847	3600	CHILDRENS HOSP OF PHILADELPHIA	3209280512-P AM02	1,464
93.847	3600	CINCINNATI CHILDREN'S HOSPITAL MEDICAL C	109748 AM03	16,834
93.847	3600	CINCINNATI CHILDREN'S HOSPITAL MEDICAL C	109748 AM04	49,892
93.847	3600	CLEVELAND CLINIC LERNER COLLEGE OF MED	597-SUB AM01	56,767
93.847	3600	CLEVELAND CLINIC LERNER COLLEGE OF MED	625-SUB	29,726
93.847	3600	CLEVELAND CLINIC LERNER COLLEGE OF MED	SUB-520	-2,035
93.847	3600	DOSE SAFETY	A92614	11,085
93.847	3600	ECM TECHNOLOGIES, LLC	UW BUD# 631861	7,041
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008131555R24DK099808	80,802
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 668640	102,835
93.847	3600	GEORGE WASHINGTON UNIV	12-D18 AM11	172,831
93.847	3600	GEORGE WASHINGTON UNIV	13-D14 AM01	452,738
93.847	3600	GEORGE WASHINGTON UNIV	S-DPP1617-JB02	209,643
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP1516-JB02	305,608

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93.847	3600	GEORGIA HEALTH SCIENCES UNIVERSITY	25034-52 AM02	71,773
93.847	3600	GEORGIA REGENTS UNIVERSITY	25034-87	10,943
93.847	3600	GEORGIA REGENTS UNIVERSITY	25732755U24DK07616909	11,907
93.847	3600	HEALTHPARTNERS RESEARCH FOUNDATION	85285270X0813200MOD05	9,764
93.847	3600	JOSLIN DIABETES CENTER	1987203-15	180,875
93.847	3600	JOSLIN DIABETES CENTER	1987203-15 AM01	13,332
93.847	3600	JOSLIN DIABETES CENTER	1987203-15 AM03	306,460
93.847	3600	KAISER PERMANENTE	OOS030112_UOW	40,200
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	223192 AM02	34,875
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	224804 AM01	50,569
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	226142	38,389
93.847	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-7481-4609 AM01	268,118
93.847	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-7513-4609 AM03	1,215
93.847	3600	NEW YORK MEDICAL COLLEGE	41-114-1 AM01	51,201
93.847	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004965_UWA	70
93.847	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004965_UWA AM01	48,111
93.847	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004965UWAMARCOVINAAM0	4,229
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB	15,341
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB MOD 1	167,100
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11326SUB	789,388
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11334SUB	13,191
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11097SUB	16,283
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11097SUB MOD01	15,060
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11107SUB	2,275
93.847	3600	SIBCR	KS141-UW-3	2,844
93.847	3600	SIBCR	KS141-UW-4	618,931
93.847	3600	SONOMOTION, INC.	SONOMOTIONS BIR AGREEMEN	31,685
93.847	3600	SWEDISH HEALTH SERVICES	600100 C.02	13,653

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93.847	3600	SWEDISH HEALTH SERVICES	650002 A.01	13,730
93.847	3600	THE UNIVERSITY OF NORTH CAROLINA	5033574 AM02	-1,079
93.847	3600	THE UNIVERSITY OF NORTH CAROLINA	5034378 AM01	744
93.847	3600	THE UNIVERSITY OF SOUTH FLORIDA	6119-1276-00-AM MOD01	4,520
93.847	3600	THE UNIVERSITY OF SOUTH FLORIDA	6119-1276-00-AM MOD02	22,365
93.847	3600	THE UNIVERSITY OF SOUTH FLORIDA	6119-1295-00-AD	866
93.847	3600	THE UNIVERSITY OF SOUTH FLORIDA	6119-1295-00-AD MOD 01	28,969
93.847	3600	THE UNIVERSITY OF SOUTH FLORIDA	6163-1005-00-AD MOD01	165,678
93.847	3600	THE UNIVERSITY OF TEXAS	GMO-111131 AM03	11,578
93.847	3600	TRUSTEES OF UNIVERSITY OF PENNSYLVANIA	5674551U01DK10689201	54,300
93.847	3600	TUFTS MEDICAL CENTER	5007632-SERV AM04	2,208
93.847	3600	UNIV OF CA SAN DIEGO	38947675 AM003	287,153
93.847	3600	UNIV OF CA SAN FRANCISCO	8263	3,362
93.847	3600	UNIV OF IOWA	W000649521	14,830
93.847	3600	UNIV OF NORTH CAROLINA AT CHAPEL HILL	5033426 AM02	1,389
93.847	3600	UNIV OF NORTH CAROLINA-CHAPEL HILL	5-33711	24,445
93.847	3600	UNIV OF PITTSBURGH	00087051242781AM01	-2,799
93.847	3600	UNIVERSITY OF CALIFORNIA IRVINE	2014-3113 AM01	63,589
93.847	3600	UNIVERSITY OF CALIFORNIA, LA	1553GPC5391DP3DK094311	33,517
93.847	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8002SC AM02	244,670
93.847	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8379SC AM01	12,952
93.847	3600	UNIVERSITY OF LOUISVILLE	11-1041Z02D AM04	13,416
93.847	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003481941	3,061
93.847	3600	UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL	5033574 AM04	770
93.847	3600	UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL	5034378AM025U01DK09223	11,629
93.847	3600	UNIVERSITY OF PENNSYLVANIA	566608 AM02	9,940
93.847	3600	UNIVERSITY OF PENNSYLVANIA	566916	10,108
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227	18,105

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93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (126609-2)	394,870
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6119-1295-00-Z	158,552
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1005-00-Z MOD01	13,470
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1005-00-Z MOD02	1,675
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636393	464,829
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636394	115,574
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636401	16,310
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636413	72,551
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636416	35,805
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636423	14,471
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	GMO161128PORGC00000007	53,229
93.847	3600	UNIVERSITY OF TEXAS SW MEDICAL CENTER	GMO161129PORGC00000007	1,153
93.847	3600	UNIVERSITY OF UTAH	10019509-04, AM06	85,775
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 44130 AM02	227,756
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466 AM01	243
93.847	3600	VETERANS MEDICAL RESEARCH FOUNDATION	08786002-314329 AM02	17,432
93.847	3600	VETERANS MEDICAL RESEARCH FOUNDATION	08786003-316585 AM03	9,514
93.847	3600	VETERANS MEDICAL RESEARCH FOUNDATION	8786-01-310844 AMO1	8,821
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118225	16,756
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118225 AM02	29,412
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118247	56,124
93.847	3600	WAKE FOREST UNIVERSITY HEALTH SCIENCES	WFUHS1145801UC4DK10817	47,990
93.847	3600	WASHINGTON UNIVERSITY IN ST. LOUIS	WU-15-112-MOD-2 AM02	37,637
93.847	3600	YALE UNIVERSITY	M15A11842A10137AM01	136,781
93.847	3650	DOSE SAFETY	127536001	0
93.847	3650	UNIV OF PA FED FLOW	561624	13,601
93.848	3600	ARTANN LABORATORIES INC	PRIME 5 R44 DK 068936	-6,014

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93.853	3600	BASTYR UNIVERSITY	H38B11-01 AM04	7,073
93.853	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028180 AM03	16,515
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA-33842	11,227
93.853	3600	COLUMBIA UNIVERSITY MEDICAL CENTER	2 (GG008136-02)	11,997
93.853	3600	EMORY UNIVERSITY	T234837 AM03	192,846
93.853	3600	EMORY UNIVERSITY	T270085 AM05	7,545
93.853	3600	EMORY UNIVERSITY	T475438 AM07	12,129
93.853	3600	HARVARD SCHOOL OF PUBLIC HEALTH	111178-5088518 AM01	30,386
93.853	3600	HILLHURST BIOPHARMACEUTICALS, INC.	UW BUD# 633444	33,615
93.853	3600	KAISER FOUNDATION RSCH INST	115-9241-01 AM02	1,175
93.853	3600	MEDICAL COLLEGE OF WISCONSIN, INC.	PRIME5R01NS03592914	25,100
93.853	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-6612-4609 AM01	126,024
93.853	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-6612-4609 AM02	47,858
93.853	3600	MOUNT SINAI SCHOOL OF MEDICINE	0255-6613-4609 AM03	272,476
93.853	3600	NORTHWESTERN UNIVERSITY	60030115 UW AM05	188,648
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9008346_UWHMC AM03	28,288
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	AAIRC0023A AM05	43,648
93.853	3600	PRINCETON UNIVERSITY	SUB0000037	38,284
93.853	3600	PRINCETON UNIVERSITY	SUB0000037 AM01	276,425
93.853	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11360SUB	7,013
93.853	3600	THE UNIVERSITY OF TEXAS HEALTH	0010073A AM01	39,840
93.853	3600	THE UNIVERSITY OF TEXAS HEALTH	0010073A AM02	9,417
93.853	3600	UCSF CONTROLLER'S OFFICE	7891SC	0
93.853	3600	UCSF CONTROLLER'S OFFICE	7891SC AM01	7,757
93.853	3600	UCSF CONTROLLER'S OFFICE	7891SC AM02	77,768
93.853	3600	UCSF CONTROLLER'S OFFICE	7891SC AM03	45,815
93.853	3600	UCSF CONTROLLER'S OFFICE	7891SC MOD02	242,726
93.853	3600	UNIV OF CALIFORNIA, SAN DIEGO	10316345-004	11,113

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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.853	3600	UNIV OF TENNESSEE	NS044163UNIVOFWAAM02	292
93.853	3600	UNIV OF TENNESSEE	NS044163UNIVOFWAAM03	80,622
93.853	3600	UNIVERSITY OF CALIFORNIA	6495SC AM07	5,486
93.853	3600	UNIVERSITY OF CINCINNATI	U01NS091951-129515 AM1	6,699
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501	7,392
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM001	5,917
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147	28,985
93.853	3600	UNIVERSITY OF PITTSBURGH	0030451 (123192-3)	-27
93.853	3600	UNIVERSITY OF PITTSBURGH	0030451 (126270-3)	17,462
93.853	3600	UNIVERSITY OF PITTSBURGH	0030451(126270) AM03	33,827
93.853	3600	WRIGHT STATE UNIVERSITY	P0033442 MOD1	50,539
93.853	3650	OR HLTH SCI UNIV FED FLOW	1005874WSU	46,068
93.855	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31084M	37,929
93.855	3600	ATTODX, INC.	UW OSP #A96847	71,728
93.855	3600	BAYLOR COLLEGE OF MEDICINE	101981164	1,661
93.855	3600	BAYLOR COLLEGE OF MEDICINE	101981164AM01PO5601020	134,908
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY15ITN177	6,942
93.855	3600	BENAROYA RESEARCH INSTITUTE AT VIRGINIA	FY15109845	106,101
93.855	3600	BENAROYA RSCH INST AT VIRGINIA MASON	FY14ITN052 AM01	349
93.855	3600	BENAROYA RSCH INST AT VIRGINIA MASON	FY15109846	75,689
93.855	3600	BRIGHAM AND WOMAN'S HOSPITAL	110208 MOD03	348,558
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927	122,528
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927 MOD04	196,047
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109930	111,792
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110668 MOD01	98,566
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	111670 MOD01	140,280
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	112668	198,076
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	5UM1AI106701-03	168,662

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93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL, INC.	110007 AM03	14,887
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL, INC.	110007 AM04	18,141
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL, INC.	110238 AM1	5,755
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES509563	169,593
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES5105305U01AI1156420	187,163
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES510939	32,102
93.855	3600	COLUMBIA UNIVERSITY	1 (GG008377-12)	86,680
93.855	3600	COLUMBIA UNIVERSITY	1 (GG008377-13) AM01	579,275
93.855	3600	DUKE UNIVERSITY	201209PRIMEUM1AI104681	4,500
93.855	3600	EMORY UNIVERSITY	T1461603	491,459
93.855	3600	FHCRC	0000800547 AM01	1,137
93.855	3600	FHCRC	0000806449 AM01	-34,299
93.855	3600	FHCRC	0000807902	-10,305
93.855	3600	FHCRC	0000809500	-15
93.855	3600	FHCRC	0000809531	-14
93.855	3600	FHCRC	0000813156 AM01	151,336
93.855	3600	FHCRC	0000814754	3,324
93.855	3600	FHCRC	0000818299	7,500
93.855	3600	FHCRC	0000818720	-42,488
93.855	3600	FHCRC	0000819229 AM01	97,501
93.855	3600	FHCRC	0000819236	55,900
93.855	3600	FHCRC	0000819238 AM01	162,083
93.855	3600	FHCRC	0000819240 AM01	5,913
93.855	3600	FHCRC	0000819382	9,232
93.855	3600	FHCRC	0000819438	45,703
93.855	3600	FHCRC	0000820484	116,259
93.855	3600	FHCRC	0000820485	228,351
93.855	3600	FHCRC	0000820929 AM01	-19,455

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93.855	3600	FHCRC	0000821515	117,858
93.855	3600	FHCRC	0000829587	108,190
93.855	3600	FHCRC	0000829992 AM02	39,982
93.855	3600	FHCRC	0000836486 AM01	610,282
93.855	3600	FHCRC	0000839163	30,876
93.855	3600	FHCRC	0000840936	103,456
93.855	3600	FHCRC	0000841007	49,226
93.855	3600	FHCRC	0000841008	21,637
93.855	3600	FHCRC	0000841014	523,622
93.855	3600	FHCRC	0000841158	40,468
93.855	3600	FHCRC	0000841198	7,109
93.855	3600	FHCRC	0000841668 AM01	332,251
93.855	3600	FHCRC	0000842087	81,569
93.855	3600	FHCRC	0000842699	68,518
93.855	3600	FHCRC	0000843814	10,179
93.855	3600	FHCRC	0000844570	56,501
93.855	3600	FHCRC	0000846680	169,377
93.855	3600	FHCRC	0000851169	10,625
93.855	3600	FHCRC	0000852255	9,343
93.855	3600	FHCRC	00008525425UM1AI068615	63,382
93.855	3600	FHCRC	0000852674	180,242
93.855	3600	FHCRC	0000852751	248,033
93.855	3600	FHCRC	0000852765	5,874
93.855	3600	FHCRC	0000853478	244,449
93.855	3600	FHCRC	0000853481	205,194
93.855	3600	FHCRC	0000853512	27,911
93.855	3600	FHCRC	0000854760	188,506
93.855	3600	FHCRC	0000854761	179,890

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93.855	3600	FHCRC	0000855050	35,627
93.855	3600	FHCRC	0000858200	58,384
93.855	3600	FHCRC	0000858277	36,049
93.855	3600	FHCRC	0000859888	179,947
93.855	3600	FHCRC	0000860703	20,588
93.855	3600	FHCRC	0000860704	29,182
93.855	3600	FHCRC	0000865524	143,667
93.855	3600	FHCRC	0000870411	5,754
93.855	3600	FHI 360	971/0080.0173 AM07	28,433
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000797859	-2,084
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000815762	6,861
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000821971	566,843
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000836230	238,299
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841012	494,451
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851480	231,975
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851480 AM01	574,852
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 668898	8,453
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 669902	58,745
93.855	3600	HARVARD SCHOOL OF PUBLIC HEALTH	109668-5066267 AM01	13,610
93.855	3600	ID GENOMICS, INC.	1R41AI116114-01	58,056
93.855	3600	INDIANA UNIVERSITY	IN4689724UW AM06	48,982
93.855	3600	JOHNS HOPKINS UNIVERSITY	2001317198 MOD 08	517,126
93.855	3600	JOHNS HOPKINS UNIVERSITY	2001317198 MOD07	-6,010
93.855	3600	JOHNS HOPKINS UNIVERSITY	2002078835 AM02	7,079
93.855	3600	KECK GRADUATE INSTITUTE	717-7121089UW	-4,782
93.855	3600	KECK GRADUATE INSTITUTE	CRA-2013-021 AM02	23,773
93.855	3600	KECK GRADUATE INSTITUTE	GR700507UW AM01	26,238
93.855	3600	MAGEE-WOMEN'S RESEARCH INST.& FDTN	4642 AM01	191,160

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93.855	3600	MAGEE-WOMEN'S RESEARCH INST.& FDTN	4658 (1U19AI120249)	229,551
93.855	3600	MAGEE-WOMEN'S RESEARCH INST.& FDTN	9323	-267,824
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE	9331	189,577
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE	9390	132,651
93.855	3600	MAHIDOL UNIVERSITY	1U01AI11552001UWASHING	46,103
93.855	3600	MAHIDOL UNIVERSITY	5U01AI11552002UWY2	32,221
93.855	3600	MICROBIOTIX, INC	AM02	8,554
93.855	3600	NORTHRN CALIFORNIA INST. FOR RSRCH EDU.	SUL1847-02 AM02	152,181
93.855	3600	NORTHWESTERN UNIVERSITY	SP0007967PROJ0002212AM	13,403
93.855	3600	NORTHWESTERN UNIVERSITY	SP0026886PROJ0007064AM	410,147
93.855	3600	PROFECTUS BIOSCIENCES, INC.	PO# 14-267 AM02	547,601
93.855	3600	QUALITY BIOLOGICAL, INC.	TONHP031	9,722
93.855	3600	RUTGERS, THE STATE UNIVERSITY	8204 (1U01AI115497-01)	42,483
93.855	3600	RUTGERS, THE STATE UNIVERSITY	8233	67,755
93.855	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWPC-15517-A AMO1	10,285
93.855	3600	SEATTLE CHILDEN'S RESEARCH INSTITUTE	10888SUB MOD03	10,016
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	10330SUB MOD05	57,156
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	10995SUB MOD01	98,132
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	10995SUB MOD04	158,216
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11070SUB MOD02	76,333
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11122SUB	-166,635
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10590SUB MOD03	291,752
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10592SUB MOD06	53,243
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10972SUB MOD01	48,016
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10972SUB MOD02	17,414
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11069SUBMOD025R01AI100	717
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11110SUB MOD01	33,278
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11229SUB	20,548

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93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11229SUB MOD01	11,917
93.855	3600	THE HOSPITAL FOR SICK CHILDREN	3210515228	84,312
93.855	3600	THE JOHNS HOPKINS UNIVERSITY	2002131141 MOD02	3,794
93.855	3600	THE JOHNS HOPKINS UNIVERSITY	PO#2002131144	28,281
93.855	3600	THE OHIO STATE UNIVERSITY	60036897 AM02	81,661
93.855	3600	THE OHIO STATE UNIVERSITY	60052605 AM03	56,763
93.855	3600	UNIV OF COLORADO, DENVER	FY15.284.002 AMD4	32,549
93.855	3600	UNIV OF NORTH CAROLINA AT CHAPEL HILL	5-33051 AM02	-14,007
93.855	3600	UNIV OF NORTH CAROLINA-CHAPEL HILL	5-33047 AM02	37,062
93.855	3600	UNIV OF NORTH CAROLINA-CHAPEL HILL	5033047 MOD03	379,359
93.855	3600	UNIV OF NORTH CAROLINA-CHAPEL HILL	5103106	32,003
93.855	3600	UNIV OF TEXAS SOUTHWESTERN MEDICAL CTR	GMO-130301 AM02	106,027
93.855	3600	UNIV OF TEXAS SOUTHWESTERN MEDICAL CTR	GMO130301 AM03	151,103
93.855	3600	UNIVERSITY OF ALABAMA	000421524-002 AM03	311
93.855	3600	UNIVERSITY OF ALABAMA	000421524-002 AM04	150,024
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000503356SP002016A01	134,085
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000504515SP001002AMA01	16,516
93.855	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000397076-012 AM03	21,991
93.855	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000397076-012 AM04	-3,858
93.855	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000397076-012 AM06	193,642
93.855	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000397076-012 AM08	719,598
93.855	3600	UNIVERSITY OF CALIFORNIA, DAVIS	201223949-01 AM03	201,157
93.855	3600	UNIVERSITY OF CALIFORNIA, DAVIS	201223949-01 AM04	16,649
93.855	3600	UNIVERSITY OF CALIFORNIA, LOS ANGELES	1559 G TA522	171,613
93.855	3600	UNIVERSITY OF CALIFORNIA, LOS ANGELES	1559 G TA522 AM01	120,951
93.855	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	7828SC AM01	32,433
93.855	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8929SC5R13AI10263004	15,000
93.855	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	9264SC	86,901

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93.855	3600	UNIVERSITY OF CENTRAL FLORIDA	22206046C AM02	25,410
93.855	3600	UNIVERSITY OF CENTRAL FLORIDA	222060631R21AI11983501	72,558
93.855	3600	UNIVERSITY OF CHICAGO	FP059178-B AM01	13,898
93.855	3600	UNIVERSITY OF FLORIDA	UFDSP00010839AM01R21AI	22,146
93.855	3600	UNIVERSITY OF MASSACHUSETTS, DARTMOUTH	18907	22,033
93.855	3600	UNIVERSITY OF MASSACHUSETTS, WORCESTER	WA00123686RFS2014033AM	-2,887
93.855	3600	UNIVERSITY OF MINNESOTA	H004614601 AM01	19,159
93.855	3600	UNIVERSITY OF NORTH CAROLINA, CHAPEL HI	5101969	18,586
93.855	3600	UNIVERSITY OF PENNSYLVANIA	568523	4,039
93.855	3600	UNIVERSITY OF WISCONSIN-MADISON	490K066 AM02	6,510
93.855	3600	UNIVERSITY OF WISCONSIN-MADISON	578K071	6,335
93.855	3600	UNIVERSITY OF WISCONSIN-MADISON	578K071 AM01	104,091
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11087SUB	10,537
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11088SUB	2,060
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11307SUB	82,492
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11310SUB	265,981
93.855	3650	UNIV OF ID FED	ABK855 SB 001	67,393
93.855	3650	UNIV OF MN FED FLOW	H004942302	34,653
93.855	3650	UNIV OF TX HEALTH SCIENCE CTR	157717157715	117,077
93.859	3600	BOARD OF TRUSTEES	2015-01763-01-00	38,243
93.859	3600	CHILDRENS HOSP & RSCH CENTER AT OAKLAND	12_8036_UWASH_01	14,405
93.859	3600	FHCRC	0000806995	5,909
93.859	3600	FHCRC	0000815002	139
93.859	3600	FHCRC	0000815017	100
93.859	3600	FHCRC	0000837085	11,519
93.859	3600	FHCRC	0000838327 AM01	150,822
93.859	3600	FHCRC	0000838464	150,804
93.859	3600	FHCRC	0000841785	22,856

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93.859	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2015.0001 AM01	46,762
93.859	3600	J. CRAIG VENTER INSTITUTE	JCVI14001MOD02R01GM095	19,608
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434	19,580
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434 AM02	3,216
93.859	3600	OKLAHOMA MEDICAL RESEARCH FOUNDATION	0244-04 AM02	6,611
93.859	3600	RESEARCH FOUNDATION OF THE SUNY	R960652	11,868
93.859	3600	RESEARCH FOUNDATION OF THE SUNY	R960652 AM01	106,879
93.859	3600	UNIVERSAL CELLS, INC.	PRIME 1R44GM113438-01	155,805
93.859	3600	UNIVERSITY OF COLORADO	15520410513040804BMOD0	669,480
93.859	3600	UNIVERSITY OF COLORADO	FY16.752.001/2-5-55988	-270
93.859	3600	UNIVERSITY OF COLORADO	FY167520025R01GM088186	-1
93.859	3600	UNIVERSITY OF FLORIDA	UFDSP00010190 AM03	275,495
93.859	3600	UNIVERSITY OF FLORIDA	UFDSP00010832	21,823
93.859	3600	UNIVERSITY OF MASSACHUSETTS, LOWELL	S5111000020434 AM01	-1,550
93.859	3600	UNIVERSITY OF MICHIGAN	3003101111 AM01	6,254
93.859	3600	UNIVERSITY OF MICHIGAN	3003101111 AM02	109,140
93.859	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3002887843 AM03	90,356
93.859	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033659 AM02	88,159
93.859	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5103989	4,301
93.859	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	48299071 AM02	29,201
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC554951P50GM1153050	84,238
93.859	3600	YALE UNIVERSITY	C15A11965A09991AM01	-5
93.859	3650	RUSH UNIVERSITY	1R01GM11125401	149,271
93.859	3650	TEMPLE UNIVERSITY	36122808110734102	36,436
93.859	3650	UNIV OF CO DENVER	FY15652002	35,322
93.859	3650	UNIV OF S CA	54076616	55,122
93.859	3650	WASHINGTON UNIV IN ST LOUIS	WU11306	17,059
93.859	3700	University of Florida	UFDSP00010731 Amend #6	2,899

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93.859	6990	EMAILED SEATTLE	EMAILED SEATTLE	43,646
93.865	3600	ALBERT EINSTEIN HEALTHCARE NETWORK	5R01HD006140003MOD01	2,201
93.865	3600	BAYLOR COLLEGE OF MEDICINE	5600716840 AM04	203,424
93.865	3600	CINCINNATI CHILDREN'S HOSPITAL MEDICAL C	130474	91,246
93.865	3600	FHCRC	0000796353 AM02	103,690
93.865	3600	FHCRC	0000798538 AM02	1,626
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000783262 AM02	-20,213
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000783376 AM01	-10,022
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000783378	-55,485
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000796350 AM01	58,029
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000796350 AM02	2,555
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 667936	-10,309
93.865	3600	GEORGE WASHINGTON UNIV	S-MFM1415-JB13	8,155
93.865	3600	GEORGE WASHINGTON UNIV	S-MFM1516-JB13	9,001
93.865	3600	GROUP HEALTH RESEARCH INSTITUTE	2015154245	33,433
93.865	3600	GROUP HEALTH RESEARCH INSTITUTE	2015207256	77,220
93.865	3600	HARVARD SCHOOL OF PUBLIC HEALTH	114119-5060443 AM02	2,769
93.865	3600	KAISER PERMANENTE	RNG200508-2-UW	1,404
93.865	3600	MICHIGAN STATE UNIVERSITY	RC103679UW AM02	7,033
93.865	3600	MOSS REHABILITATION RESEARCH INSTITUTE	5 R01 HD 061400-05	25,666
93.865	3600	NEW YORK UNIVERSITY	F7432-02 AM04	39,710
93.865	3600	SEATTLE CHILDREN'S HOSPITAL	11312SUB MOD01	120,262
93.865	3600	SEATTLE CHILDREN'S HOSPITAL RSCH FNDN	10255SUB MOD04	2,640
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10893SUB MOD01	15,129
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10893SUB MOD02	27,445
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10988SUB MOD02	27,872
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11042SUB MOD02	21,958
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11348SUB MOD04	21,401

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Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11349SUB	54,990
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11362SUB	1,771
93.865	3600	STANFORD UNIVERSITY	60499579-47273 AM02	3,236
93.865	3600	TEMPLE UNIVERSITY	361155-UW	28,388
93.865	3600	UCLA COMMUNITY HEALTH SERVICES	1920 G RA131 AM03	60,857
93.865	3600	UNIVERSITY OF CALIFORNIA, DAVIS	201224693-05	11,592
93.865	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8703SC	17,243
93.865	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	8703SC AM01	54,871
93.865	3600	UNIVERSITY OF CALIFORNIA, SANTA BARBARA	KK1602	42,084
93.865	3600	UNIVERSITY OF CONNECTICUT	83884PR2R01HD03996111A	3
93.865	3600	UNIVERSITY OF MIAMI	ACCT 66619X AM05	-271
93.865	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003294837 AM01	110,418
93.865	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003879380 AM01	4,358
93.865	3600	UNIVERSITY OF NORTH CAROLINA	5-33193 AM04	-4,633
93.865	3600	UNIVERSITY OF NORTH CAROLINA	5033193	485,520
93.865	3600	UNIVERSITY OF PITTSBURGH	0019692	227,328
93.865	3600	UNIVERSITY OF PITTSBURGH	0019692 (124457-5)	2,414
93.865	3600	UNIVERSITY OF PITTSBURGH	0024922 (125803-5)	17,812
93.865	3650	BAYLOR COLLEGE OF MED FED	5600653614	113,112
93.865	3650	UNIV OF NE FED	3453212003506	82,719
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31594C AM01	6,114
93.866	3600	BOSTON UNIVERSITY	4500001378 AM03	68,292
93.866	3600	BOSTON UNIVERSITY	4500001902 AM001	83,420
93.866	3600	BOSTON UNIVERSITY	4500002121 AM002	7,715
93.866	3600	BROWN UNIVERSITY	00000817	13,200
93.866	3600	BROWN UNIVERSITY	00000826 AM01	90,755
93.866	3600	BROWN UNIVERSITY	00000844 AM01	65,229
93.866	3600	COLUMBIA UNIVERSITY	2 (GG010623) AM01	15,205

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93.866	3600	DARTMOUTH COLLEGE	1540R22 AM03	66,611
93.866	3600	EMORY UNIVERSITY	T493998 AM01	7,702
93.866	3600	FHCRC	0000783776 AM01	2,339
93.866	3600	GROUP HEALTH COOPERATIVE	2014134622 MOD02	89,051
93.866	3600	GROUP HEALTH COOPERATIVE	AG006781-27A1-UW MOD01	442,209
93.866	3600	GROUP HEALTH COOPERATIVE	AG006781-27A1-UW MOD03	472,337
93.866	3600	GROUP HEALTH COOPERATIVE	AG006781-28-UW	164,279
93.866	3600	MAYO CLINIC	64137955	25,091
93.866	3600	MICHIGAN STATE UNIVERSITY	RC105335G AM01	50,370
93.866	3600	SIBCR	PE148A-UW-1 AM02	46,769
93.866	3600	STANFORD UNIVERSITY	60766183-113156 MOD02	56,594
93.866	3600	TUFTS MEDICAL CENTER	5005011SERVAM045R01AG0	96,162
93.866	3600	UNIVERSITY OF CALIFORNIA, SAN FRANCISCO	1536 AM05	422
93.866	3600	UNIVERSITY OF COLORADO - DENVER	FY13001007FY15001006AM	7
93.866	3600	UNIVERSITY OF COLORADO - DENVER	FY13001007FY15001011AM	112
93.866	3600	UNIVERSITY OF COLORADO - DENVER	FY13001007FY16001014AM	7,352
93.866	3600	UNIVERSITY OF COLORADO - DENVER	UW BUD# 632858	2,517
93.866	3600	UNIVERSITY OF COLORADO - DENVER	UW BUD# 632864	13,384
93.866	3600	UNIVERSITY OF COLORADO, DENVER	FY16.001.015	21,005
93.866	3600	UNIVERSITY OF MICHIGAN	3003549222 AM01	19,519
93.866	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3002473402 AM03	13,373
93.866	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003801558 AM04	156,532
93.866	3600	UNIVERSITY OF MINNESOTA	N003448801 AM02	9,656
93.866	3600	UNIVERSITY OF PENNSYLVANIA	566914	74,689
93.866	3600	UNIVERSITY OF PENNSYLVANIA	568785100478771466801	13,308
93.866	3600	UNIVERSITY OF PITTSBURGH	00122001223816AM04	277,733
93.866	3600	UNIVERSITY OF WISCONSIN-MADISON	541K575 MOD02	15,255
93.866	3600	VANDERBILT U MED CTR ACAD & RSCH ENT.	VUMC 40785 AM02	78,489

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93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 110918 AM02	37,690
93.866	3650	UNIV OF COLORADO	FY16001015	21,199
93.866	3650	UNIV OF NM	765335874P	63,740
93.867	3600	COLUMBIA UNIVERSITY	1 (GG010289) AM02	17,460
93.867	3600	GEORGIA INSTITUTE OF TECHNOLOGY	R7747G18AM011PN2EY0182	-46,962
93.867	3600	JAEB CENTER FOR HEALTH RESEARCH, INC.	PROTOCOL #U SITE 47	33,879
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM02	593
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM03	2,285
93.867	3600	OREGON HEALTH SCIENCES UNIVERSITY	1002605_UW AM03	112,194
93.867	3600	PENNSYLVANIA STATE UNIVERSITY	UWAEY023533 AM03	350
93.867	3600	UNIV OF CA SAN DIEGO	39543216 AM03	83,581
93.867	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	PO#10317338-004	14,439
93.867	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00007517 AM05	-32,834
93.867	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00007517 AM06	83,806
93.867	3600	UNIVERSITY OF MINNESOTA	N640615302 AM07	18,293
93.867	3600	UNIVERSITY OF MINNESOTA	N640615302 AM08	61,883
93.867	3600	WILLIAM MARSH RICE UNIVERSITY	R22567	47,916
93.879	3600	BOSTON CHILDREN'S HOSPITAL	PO#0000633810	31,644
93.879	3600	BOSTON CHILDREN'S HOSPITAL	RSTFD0000691705 AM01	6,942
93.879	3600	UNIVERSITY OF PITTSBURGH	00404781240953AM02	17,762
93.933	3600	CONFEDERATED TRIBES OF THE COLVILLE RESE	UW BUD# 634830	2,924
93.933	3600	CONFEDERATED TRIBES OF THE COLVILLE RESE	UW BUD# 635076	574
93.933	3600	NATIONAL CONGRESS OF AMERICAN INDIANS	U261IHS00360400SA04AM0	-450
93.933	3600	SOUTHCENTRAL FOUNDATION	560101-20-415	142,420
93.933	3600	SOUTHCENTRAL FOUNDATION	SCF2013-087	11,480
93.933	3600	SOUTHCENTRAL FOUNDATION	SCF2013-087 Y3	49,902
93.945	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11095SUB	606
93.945	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11313SUB	5,954

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93.945	3600	WAKE FOREST UNIVERSITY HEALTH SCIENCES	WFUHS 114516	21,009
93.977	3600	MISSISSIPPI DEPT. OF HEALTH	13010103000000ST	57,977
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A1056245D43TW00976302	72,331
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A105850 AM01	146,575
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A96818	39,290
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	UW BUD# 675047	-58
93.989	3600	UNIVERSITY OF NAIROBI	P-HERT YEAR 1	78,554
93.989	3600	UNIVERSITY OF NAIROBI	PRIME 5R24TW008889-05	77,138
93.989	3600	VANDERBILT U MED CTR ACAD & RSCH ENT.	VUMC 40785 AM04	7,021
93.991	3600	MONTANA DEPT OF PUBLIC HLTH & HUMAN SVC	15-07-1-01-113-0 AM01	105,699
93.U01	3600	FHCRC	0000724839 AM03	2,395
93.U01	3600	FHCRC	0000724839 AM04	8,054
93.U02	3600	FHCRC	0000800279AM01P50CA097	11,843
93.U03	3600	FHCRC	0000825528	8,545
93.U28	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000500918-T005-SC003	3,632
93.U28	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000500918-T008-SC001	8,863
93.U28	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000500918-T010-SC009	2,670
93.U28	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000500918T004SC005AM00	98,245
93.U29	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM02	17,301
93.U29	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM03	129,117
93.U29	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM04	11,153
93.U29	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM05	54,570
93.U30	3600	WAKE FOREST UNIVERSITY	WFUHS 33000 AM04	58,801
93.U30	3600	WAKE FOREST UNIVERSITY	WFUHS 33000 AM09	145,803
93.U30	3600	WAKE FOREST UNIVERSITY	WFUHS 33000 AM11	21
93.U30	3600	WAKE FOREST UNIVERSITY	WFUHS33000SULLIVANAM07	14,349
93.U31	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201300071CPH24A	13,812
93.U31	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201300071CX2AM0	19,740

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93.U32	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C	10,776
93.U32	3600	RSNA RSCH AND EDUC FNDN	HHSN268201500021C (I)	17,077
93.U33	3600	ABT ASSOCIATES INC.	45676	46,813
93.U34	3600	ACCOUNTABILITY SOLUTIONS LLC	AMENDMENT 1	2,133
93.U35	3600	BIOQUAL, INC.	HHSN272201000006I	1,166,160
93.U36	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWNMR-13598-4	140,753
93.U36	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13598-4	798,853
93.U37	3600	CENTER FOR PUBLIC SERVICE COMMUNICATIONS	2014-17	14,269
93.U37	3600	CENTER FOR PUBLIC SERVICE COMMUNICATIONS	2015-32	34,567
93.U38	3600	COMPUTERCRAFT CORPORATION	SUBCONTRACT UW#2	141,615
93.U38	3600	COMPUTERCRAFT CORPORATION	SUBCONTRACT UW#2 MOD01	320,065
93.U39	3600	CONFEDERATED TRIBES OF THE COLVILLE RESE	C13-223 MOD01	34,754
93.U40	3600	CORIXA CORP	PO#323870 AM01	98,797
93.U41	3600	CSR, INCORPORATED	0002 AM02	-20,323
93.U41	3600	CSR, INCORPORATED	0003HHSD2002013M53943B	-11,932
93.U42	3600	FENWAY COMMUNITY HEALTH	UW BUD# 633218	43,634
93.U42	3600	FENWAY COMMUNITY HEALTH	UW BUD# 669187	1,859
93.U43	3600	FHCRC	0000848434	52,890
93.U43	3600	FHCRC	0000865655HHSN26820160	4,878
93.U44	3600	GROUP HEALTH RESEARCH INSTITUTE	2014138348 MOD01	13,825
93.U44	3600	GROUP HEALTH RESEARCH INSTITUTE	2015157233	32,192
93.U44	3600	GROUP HEALTH RESEARCH INSTITUTE	2015181380 TO01	3,079
93.U44	3600	GROUP HEALTH RESEARCH INSTITUTE	HHSN272200800004C	-2
93.U45	3600	HEALTH RESEARCH & EDUCATION TRUST	80799HHS290201000025I	50,766
93.U45	3600	HEALTH RESEARCH & EDUCATION TRUST	HHSA290201000025L AM01	36,452
93.U45	3600	HEALTH RESEARCH & EDUCATION TRUST	PROJ80784HHSA290201000	45,785
93.U46	3600	JOHNS HOPKINS UNIVERSITY	P1090 PO#2002565212	8,067

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93.U47	3600	KINETA, INC.	HHSN272201500011C	181,732
93.U48	3600	MASSACHUSETTS GENERAL HOSPITAL	225183 MOD01	43,526
93.U49	3600	NAVASOTA ISD	AM03	13,597
93.U50	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1003915-UW	3
93.U50	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004354-UWA	50,505
93.U50	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1004354_UWA AM01	253,600
93.U50	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1008695_UW	15,499
93.U50	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1008888_UW	17,345
93.U50	3600	OREGON HEALTH AND SCIENCE UNIVERSITY	1008888_UW AM01	1,902
93.U51	3600	PATH	DHH15420106611CRTAM02	-367
93.U52	3600	RAND CORPORATION	9920160019	40,049
93.U53	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWNMR-13597-3	40,838
93.U53	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWPPG-13597-3	255,204
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 630146	19,846
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 630270	3,157
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 630817	1,453
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 633172	53,393
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 633174	18,101
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 633450	2,820
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 637759	73,062
93.U55	3600	THE EMMES CORPORATION	MOD06	27,637
93.U56	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000501394-005 AM02	141,821
93.U56	3600	UNIVERSITY OF ALABAMA, BIRMINGHAM	000438814TO2SC001AM01	7,208
93.U57	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	10313800-004	51,239
93.U58	3600	UNIVERSITY OF MARYLAND, BALTIMORE	1600258POSR00004052AM0	37,018
93.U58	3600	UNIVERSITY OF MARYLAND, BALTIMORE	TASK 1, PO# SR00004028	1,826
93.U58	3600	UNIVERSITY OF MARYLAND, BALTIMORE	TASK1413375POSR0000404	4,822
93.U58	3600	UNIVERSITY OF MARYLAND, BALTIMORE	TASK313369POSR00004051	101,563

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93.U58	3600	UNIVERSITY OF MARYLAND, BALTIMORE	TASK913373POSR00004049	32,950
93.U58	3600	UNIVERSITY OF MARYLAND, BALTIMORE	TO713371POSR00004050	33,062
93.U59	3600	UNIVERSITY OF MARYLAND, BALTIMORE	1400290 AM01	35,130
93.U60	3600	UNIVERSITY OF OKLAHOMA HEALTH SCIENCES C	N01CN201200013C3092101	10,511
93.U60	3600	UNIVERSITY OF OKLAHOMA HEALTH SCIENCES C	RS20122159-06 AM001	456,901
93.U61	3600	UNIVERSITY OF ROCHESTER	416495-G AM01	38,413
93.U62	3600	UNIVERSITY OF ROCHESTER	416504	131,101
93.U62	3600	UNIVERSITY OF ROCHESTER	SA 416768 MOD03	219,814
93.U63	3600	WAKE FOREST UNIVERSITY	WFUHS 30225 AM04	810,730
93.U64	3600	WESTAT, INC.	6049.03-S04 MOD03	57,545
93.U64	3600	WESTAT, INC.	6049.03-S06 MOD01	30,961
93.U65	3600	WESTAT, INC.	TO02PROJ602002MOD02	9,180
93.U65	3600	WESTAT, INC.	TO2PROJ602002MOD01	3,517
93.U66	3600	ZERO TO THREE	2015030061	15
93.U69	3650	OPTUMHEALTH	46181	17,752
94.003	3650	IA CAMPUS COMPACT	WSU003219	1,621
94.006	3600	JUMPSTART FOR YOUNG CHILDREN	480200	27,744
95.001	2250	Cowlitz County Sheriff's Office	K10186-TFM5	92
95.001	2250	Cowlitz County Sheriff's Office	K11309-TF09	2,188
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9003000093	24,067
95.001	3600	NORTHWEST HIDTA	9004000062	30,000
95.005	3600	NATIONAL DRUG COURT INSTITUTE	AM01	47,291
96.007	3600	NATIONAL BUREAU OF ECONOMIC RESEARCH	UW BUD# 633214	24,625
97.005	6990	National Partnership for Environmental Technology Education	FEMA 10466	11,617
97.056	2250	Seattle Fire Department	K10875-PRD2	1,315
97.061	3600	KANSAS STATE UNIVERSITY	S11198.05 MOD05	33,363
97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	PO484663-01	91,992

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97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	R0288152 PO484663	6,398
97.061	3600	UNIVERSITY OF ILLINOIS	2015-01722-02	35,256
97.061	3600	UNIVERSITY OF ILLINOIS	2015-01722-03	56,443
97.061	3650	NORTHEASTERN UNIV	50503678050	20,351
97.065	3650	BRIGHAM YOUNG UNIV NON FED	130389	45,762
97.067	2250	Clallum County Sheriff's Office	K11678-SG85	2,115
97.130	3650	MEDICAL UNIV OF SOUTH CAROLINA	MUSC13003	-4,607
97.U01	3600	SNOHOMISH COUNTY EMERGENCY MANAGEMENT	AM02	27,422
97.U02	3600	NORTHEASTERN UNIVERSITY	505092-78051	68,599
97.U03	3600	BATTELLE NATIONAL BIODEFENSE INST., LLC	BN15-0073	16,542
97.U04	3600	DUKE UNIVERSITY	14-DHS-1100 AM02	576,933
97.U07	3650	BRIGHAM YOUNG UNIV FED FLOW	150445	60,822
98.001	3600	IMA WORLD HEALTH	IMA0420162USHINDIUWASH	13,758
98.001	3600	IREX	FY15-AMDI-TASCHA-01	111,053
98.001	3600	POPULATION COUNCIL	SR1405 AM02	58,333
98.001	3600	RTI INTERNATIONAL	3312021492452359LMOD01	21,914
98.001	3600	THE POPULATION COUNCIL	SH1425 AM01	42,074
98.001	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00008193 AM05	59,061
98.001	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00008193 AM07	156,455
98.001	3600	UNIVERSITY OF CALIFORNIA, DAVIS	201121454-17 AM02	25,530
98.001	3600	UNIVERSITY OF CALIFORNIA, SAN DIEGO	44827833POS9000468AM00	64,034
98.001	3600	UNIVERSITY OF PITTSBURGH	00449784111052AM02	23,785
98.001	3650	UNIV OF CA DAVIS	20140373901	16,811
98.001	3650	VIRGINIA POLYTECHNIC INST & ST	45136419276	3,779
98.RD	3650	MI ST UNIV	RC102095	112,606
98.RD	3650	NATL RES INST FOR CHEM TECH	127278001	2,474
98.RD	3650	PURDUE UNIV	410600008000044906	63,034

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98.RD	3650	UNIV OF CA DAVIS	20140022312	43,142
98.RD	3650	UNIV OF CA DAVIS	20150078901	1,949,039
98.U01	3600	MANAGEMENT SCIENCES FOR HEALTH, INC.	A138-2015-02-UW	68,466
98.U02	3600	MAKING CENTS INTERNATIONAL, INC.	401UW MOD01	16,445
98.U03	3600	THE POPULATION COUNCIL	SH1113 AM11	38,738
98.U04	3600	PROGRAM FOR APPROPRIATE TECH IN HEALTH	ORC11640200529697CRTAM	53,274
99.U01	3600	DANA-FARBER CANCER INSTITUTE	PS 6243102	16,992
99.U02	3600	WEST VIRGINIA UNIVERSITY	09-097QQ-UW	17,736
99.U03	3600	DANA-FARBER CANCER INSTITUTE	2013HI314001APS6192921	30,189

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CFDA #	State Agency Number	Grantor	Award Contract Number	Expenditure Amount
17.258	540	Olympic Consortium WDC-1	6312, 6322, 7314, 7324, 7334	371,313
17.258	540	Pacific Mountain WDC-2	5044, 5045	163,000
17.258	540	SnohomishCounty WDC-4	6714, 6723, 6724	110,774
17.258	540	North Central WA WDC-8	7634, 7684, 7864,7704	115,153
17.258	540	Spokane Area WDC-12	7804, 7814, 7833, 787x	400,367
17.258 Total				1,160,607
17.259	540	North Central WA WDC-8	7634, 7684,7704,7714, 7724, 7754, 7864	125,587
17.259 Total				125,587
17.277	540	Pacific Mountain WDC-2	5104, 5114	71,865
17.277	540	SnohomishCounty WDC-4	6743	34,853
17.277	540	Eastern WA Partnership WDC-10	2953, 2984	30,129
17.277	540	Spokane Area WDC-12	3614	10,671
17.277 Total				147,518
17.278	540	Olympic Consortium WDC-1	6312, 6322, 6344, 6354, 6364, 6504, 6514, 6524, 6563, 6573, 6583, 7344, 7354, 7364	603,165
17.278	540	Pacific Mountain WDC-2	5024, 5034, 505x, 506x, 507x, 508x, 509x	635,799
17.278	540	SnohomishCounty WDC-4	6704, 673x, 6754, 6764	111,805
17.278	540	North Central WA WDC-8	7634, 7664, 7674, 7684, 7744, 7864	119,317
17.278	540	Eastern WA Partnership WDC-10	292x, 293x, 2964	367,339
17.278	540	Spokane Area WDC-12	7804, 7833, 787x, 7824, 7894, 7904	304,693
17.278 Total				2,142,117

State of Washington
Schedule of Expenditures of Federal Awards
Note H:
Supplemental Information for Outstanding Loan Balances

*For the Year Ended
June 30, 2016
(Expressed in whole dollars)*

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
University of Washington (Agency 3600)		
84.038	Federal Perkins Loan Program_federal Capital Contr	2,398,567
84.038	Federal Perkins Loan Program_federal Capital Contr	46,934,247
	Subtotal 84.038	49,332,814
93.264	Nurse Faculty Loan Program	169,805
93.264	Nurse Faculty Loan Program	2,122,146
	Subtotal 93.264	2,291,951
93.342	Health Professions Student Loans, Including Primar	(500,985)
93.342	Health Professions Student Loans, Including Primar	11,758,211
	Subtotal 93.342	11,257,226
93.364	Nursing Student Loans	106,253
93.364	Nursing Student Loans	2,351,940
	Subtotal 93.364	2,458,193
93.408	ARRA - Nurse Faculty Loan Program	(7,890)
93.408	ARRA - Nurse Faculty Loan Program	120,236
	Subtotal 93.408	112,346
	University of Washington Total	65,452,530

State of Washington
Schedule of Expenditures of Federal Awards
Note H:
Supplemental Information for Outstanding Loan Balances

*For the Year Ended
June 30, 2016
(Expressed in whole dollars)*

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
<u>Washington State University (Agency 3650)</u>		
84.038	Federal Perkins Loan Program_federal Capital Contr	4,978,727
84.038	Federal Perkins Loan Program_federal Capital Contr	17,361,047
	Subtotal 84.038	22,339,774
93.264	Nurse Faculty Loan Program	352,314
93.264	Nurse Faculty Loan Program	1,198,784
	Subtotal 93.264	1,551,098
93.342	Health Professions Student Loans, Including Primar	309,734
93.342	Health Professions Student Loans, Including Primar	1,971,015
	Subtotal 93.342	2,280,749
93.364	Nursing Student Loans	144,543
93.364	Nursing Student Loans	940,319
	Subtotal 93.364	1,084,862
	Washington State University Total	27,256,483
<u>Eastern Washington University (Agency 3700)</u>		
84.038	Federal Perkins Loan Program_federal Capital Contr	293,880
84.038	Federal Perkins Loan Program_federal Capital Contr	4,576,498
	Subtotal 84.038	4,870,378
	Eastern Washington University Total	4,870,378
<u>Central Washington University (Agency 3750)</u>		
84.038	Federal Perkins Loan Program_federal Capital Contr	55,742
84.038	Federal Perkins Loan Program_federal Capital Contr	6,110,913
	Subtotal 84.038	6,166,655
	Central Washington University Total	6,166,655
<u>the Evergreen State College (Agency 3760)</u>		
84.038	Federal Perkins Loan Program_federal Capital Contr	164,337
84.038	Federal Perkins Loan Program_federal Capital Contr	4,394,855
	Subtotal 84.038	4,559,192
	the Evergreen State College Total	4,559,192

State of Washington
Schedule of Expenditures of Federal Awards
Note H:
Supplemental Information for Outstanding Loan Balances

*For the Year Ended
June 30, 2016
(Expressed in whole dollars)*

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
<u>Western Washington University (Agency 3800)</u>		
84.038	Federal Perkins Loan Program_federal Capital Contr	(129,459)
84.038	Federal Perkins Loan Program_federal Capital Contr	8,643,065
	Subtotal 84.038	8,513,606
	Western Washington University Total	8,513,606
<u>Community/Technical College System (Agency 6990)</u>		
84.038	Federal Perkins Loan Program_federal Capital Contr	(55,069)
84.038	Federal Perkins Loan Program_federal Capital Contr	1,588,206
	Subtotal 84.038	1,533,137
	Community/Technical College System Total	1,533,137
Total Loan Balances		118,351,981

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Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
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2016-004	Department of Social and Health Services	G-10	E-30
2016-005	Employment Security Department	G-11	E-38
2016-006	Employment Security Department	G-12	E-43
2016-007	Department of Transportation	G-13	E-48
2016-008	Department of Enterprises Services	G-14	E-54
2016-009	Department of Services for the Blind	G-16	E-61
2016-010	Department of Services for the Blind	G-17	E-67
2016-011	Department of Social and Health Services	G-18	E-72
2016-012	Department of Social and Health Services	G-19	E-77
2016-013	Department of Social and Health Services	G-20	E-82
2016-014	Department of Social and Health Services	G-22	E-88
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Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
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2016-017	Department of Social and Health Services	G-26	E-105
2016-018	Department of Social and Health Services	G-28	E-112
2016-019	Department of Social and Health Services	G-30	E-120
2016-020	Department of Early Learning	G-32	E-136
2016-021	Department of Early Learning	G-35	E-144
2016-022	Department of Early Learning	G-38	E-164
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2016-024	Department of Social and Health Services	G-45	E-197
2016-025	Department of Social and Health Services	G-46	E-202
2016-026	Department of Social and Health Services	G-47	E-211
2016-027	Department of Social and Health Services	G-48	E-216
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Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
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2016-033	State Health Care Authority	G-54	E-251
2016-034	State Health Care Authority	G-55	E-261
2016-035	State Health Care Authority	G-56	E-269
2016-036	Department of Social and Health Services	G-57	E-272
2016-037	Department of Social and Health Services	G-58	E-280
2016-038	Department of Social and Health Services	G-61	E-288
2016-039	Department of Social and Health Services	G-62	E-293
2016-040	Department of Social and Health Services	G-64	E-302
2016-041	Department of Social and Health Services	G-66	E-312
2016-042	Department of Social and Health Services	G-68	E-319
2016-043	Department of Social and Health Services	G-69	E-330
2016-044	Department of Social and Health Services	G-70	E-338
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Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
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2016-047	Department of Social and Health Services	G-75	E-363
2016-048	Department of Social and Health Services	G-76	E-367
2016-049	Department of Social and Health Services	G-77	E-372
2016-050	Department of Social and Health Services	G-78	E-379

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	001	<p>Finding: The State should improve internal controls over the processing and recording of Unemployment Insurance premium payment and wage information and accounting for program activities in the Guaranteed Education Tuition program's (GET) to ensure accurate reporting</p> <p>Questioned Costs: None</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Office of Financial Management (OFM) has been working with the Employment Security Department (ESD) to improve internal controls over processing and recording of Unemployment Insurance Premium payments.</p> <p>In response to the finding, ESD has established a Next Generation Tax System (NGTS) Interfaces and Data Quality Assurance project team comprising of representatives from the business and technology sectors to address concerns regarding the NGTS. The project team is working on improving the system's internal controls related to processing transactions, reporting and reconciliations between systems. In addition, ESD has contracted with Microsoft to remediate technical issues with the NGTS system and work on eliminating any identified deficiencies.</p> <p>To address the recommendations related to the reporting of accounting activities of the Guaranteed Education Tuition program, the Student Achievement Council (SAC) provided training to agency accounting staff to ensure a better understanding of the year-end closing process with the state's Accounting and Financial Reporting System. The SAC Accounting Manager has also updated year-end accounting procedures to ensure they are complete and adequate.</p> <p>OFM will continue to provide year-end training classes to all state agencies on various topics related to the processing and reporting of financial activities.</p> <p>OFM has also improved the process for reviewing unusual events or unique program activities that are material to the state's financial reporting. Monitoring activities include performing analytical reviews and evaluating significant items to assess the overall statewide impact. For all special and unique transactions, OFM will work with responsible agencies to ensure the transactions are properly accounted for and correctly reported on the financial statements.</p> <p>Completion Date: December 2016</p> <p>Agency Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2016	002	<p>Finding: The Department of Social and Health Services improperly charged \$3.6 million to multiple federal grants.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 541 982 693"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>10.551</td> <td>\$3,576,497</td> </tr> <tr> <td>10.561</td> <td></td> </tr> <tr> <td>93.558</td> <td></td> </tr> <tr> <td>93.566</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department notes that the transactions identified in the audit were accruals and does not agree that accruals result in charges to federal grants. The Department’s accruals automatically reverse in the following fiscal month and there will be related appropriate payments during the same or future period. Due to this reason, the Department’s Economic Services Administration, Division of Finance and Financial Recovery (DFFR) implemented processes to reverse payments from the improperly charged grant year and charge the payments to the appropriate grant year.</p> <p>The auditors identified the payroll for the pay period ending September 30 as the only payroll cycle that was charged to the incorrect grant year. DFFR identified these charges when payment was processed on October 10 and also researched all other related administrative charges and disbursements based on the processing date. Reversals were subsequently processed to move charges to the appropriate grant year.</p> <p>For the Supplemental Nutrition Assistance Program (SNAP), DFFR identified and processed reversals of more than \$3.0 million consisting of payroll, benefits, and goods and services charged to the wrong grant year. However, the Department does not agree that this program should be included in the finding as the related amount substantially increased the final questioned costs from the original \$2.8 million.</p> <p>DFFR also reversed all the accruals for the Refugee and Entrant Assistance (REA) grant and properly charged those to the correct grant period. However, another administration inadvertently posted an accrual transaction on the following day resulting in improper charges of \$14,628.</p> <p>DFFR did not complete reversals for the Temporary Assistance for Needy Families (TANF) program due to its focus on completing the higher-risk TANF claims.</p> <p>The Department acknowledges that additional controls are needed to ensure compliance with the period of performance requirement for the SNAP, REA and TANF grants. The Department is taking the following actions:</p>	<u>CFDA #</u>	<u>Amount</u>	10.551	\$3,576,497	10.561		93.558		93.566	
<u>CFDA #</u>	<u>Amount</u>											
10.551	\$3,576,497											
10.561												
93.558												
93.566												

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	002 (cont'd)	<ul style="list-style-type: none"> • By April 2017, add “Month of Service” to transactions in the agency’s accounting system to help DFFR identify expenditures charged to the incorrect grant year. In addition, accounting staff will include month of service in processing all agency payments from the accounting system. • Continue with the manual process via journal vouchers to move disbursements as needed. • By June 2017, the Economic Services Administration’s Internal Control Administrator will implement procedural changes to include the new requirements. Accounting staff will be required to review and research improperly charged costs monthly and make corrections as needed. • DFFR will move the update of the Automated Cost Allocation Plan from October to November 2017. Procedures will be updated and will include a checklist developed for staff responsible for administering the grants identified in the audit. <p>If the grantors contact the Department regarding questionable costs that should be repaid, the Department will confirm these costs with the grantor and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in finding 2015-003 and 2014-022, where the improper charges were determined to be centralized costs that are allocated throughout the Department.</p> <p>Completion Date: Estimated October 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2016	003	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Health did not have adequate internal controls over and did not comply with requirements to monitor local agency operations timely and at the minimum percentage.</p> <table border="0" data-bbox="662 562 954 625"> <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;">10.557</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>In response to the finding, the Department implemented the following corrective actions:</p> <ul style="list-style-type: none"> • Completed monitoring visit of the one local agency that did not have monitoring at least once every two years as identified in the finding. This agency was monitored on February 7, 2017. • Obtained clarification from the federal grantor that all sites for each local agency should be included in the calculation to meet the requirement for monitoring at least 20 percent of the clinics in each local agency. The Department added three additional on-site monitoring visits for the current monitoring cycle to meet the 20 percent requirement. Two were added in 2017 for the Public Health -Seattle King County, and one was added in 2018 for Sea Mar Community Care Center. • Developed a spreadsheet for 2017–2018 monitoring schedule. Monitoring visits have been planned quarterly for all local agencies, which may be subject to changes when schedules are finalized with the agencies. • Developed a process for yearly planning of on-site monitoring to be completed by October 1 of each year. Planning work include: <ul style="list-style-type: none"> ○ Assessing changes in the local agencies with funding from the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). ○ Verifying the current number of clinics for each agency that has multiple sites. ○ Ensuring WIC program staff review the schedule and verify the accuracy of the list of grant subrecipients. The list will be used to develop a fiscal monitoring schedule for all subrecipients at least once every two years. ○ Scheduling all monitoring visits by the end of the calendar year. ○ Developed a process for supervisors to perform quarterly assessment of the monitoring plan to ensure staff is meeting the requirement to complete all scheduled visits. Contingency plans will be developed to address any unforeseen circumstances that require the need to adjust the planned schedule. <p>February 2017</p>		<u>CFDA #</u>	<u>Amount</u>		10.557	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	10.557	\$0							

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	003 (cont'd)	Agency Contact: Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	004	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> Numerous Undetermined</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services, Region 10, Division of Cost Allocation (DCA) was in possession of the Department's fiscal year 2012, 2013 and 2014 cost allocation plans. While DCA was in possession of those three plans, they were working with the Department to ensure the 2012 plan was approved. The Department was provided verbal directions from DCA's negotiator to stop submitting plans until DCA finished approving the previous years' plans. Therefore, the Department stopped submitting new plans.</p> <p>The Federal Partners are aware of where the Department stands with its plans as they are actively working with the Department on approvals of the previously submitted plans.</p> <p>The Department has since received written directions from DCA and will now ensure, prior to July 1, 2017, that fiscal year 2015, 2016, 2017 and 2018 public assistance cost allocation plans will be submitted to DCA.</p> <p>Completion Date: Estimated July 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	005	<p>Finding: The Employment Security Department made unsupported payments to Trade Readjustment Allowance program participants under the Unemployment Insurance program.</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>17.225</td> <td style="text-align: right;">\$1,645</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: As of October 2016, the Department established new procedures over the Trade Readjustment Allowance program which includes payment documentation and retention requirements, and managerial oversight and review processes.</p> <p>In December 2016, manuals were developed to provide guidance to staff on the newly implemented policies and procedures to ensure program compliance and payment accuracy.</p> <p>By October 2017, the Department will contact the U.S. Department of Labor to determine what, if any, costs need to be repaid.</p> <p>The conditions noted in this finding were previously reported in finding 2015-008.</p> <p>Completion Date: Estimated October 2017</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$1,645
<u>CFDA #</u>	<u>Amount</u>					
17.225	\$1,645					

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	006	<p>Finding: The Employment Security Department did not establish adequate internal controls over its Next Generation Tax System, which led to improper computations of employer unemployment insurance tax rates.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 573 950 632"> <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>Status: Corrective action in progress</p> <p>Corrective Action: The Department has established a Next Generation Tax System (NGTS) Interfaces and Data Quality Assurance project team comprised of representatives from the business and technology sectors to address concerns regarding NGTS. The project team is working on improving the system's internal controls related to processing transactions, reporting, and reconciliations between systems.</p> <p>In addition, the Department has contracted with Microsoft to remediate technical issues with NGTS and work on eliminating any identified deficiencies.</p> <p>By November 2017, the Department will complete all material issues with NGTS.</p> <p>Completion Date: November 2017</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$0
<u>CFDA #</u>	<u>Amount</u>					
17.225	\$0					

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2016	007	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Transportation did not have adequate internal controls over and did not comply with federal wage rate requirements for the High-Speed Rail Corridors program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>20.319</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>As of November 2016, the Department requested and received the missing weekly-certified payrolls from Sound Transit, and has received certified payrolls for each subsequent Sound Transit invoice submitted.</p> <p>As of February 2017, the Department strengthened its invoice review process to include two independent reviews to verify that rail owners attach certified payroll to invoices covering construction related activities.</p> <p>February 2017</p> <p>Steven Meyeroff External Audit Liaison 310 Maple Park Avenue SE PO Box 47320, Olympia, WA 98504 360-705-7035 MeyeroS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.319	\$0
<u>CFDA #</u>	<u>Amount</u>						
20.319	\$0						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2016	008	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Enterprise Services did not have adequate internal controls over and was not compliant with federal wage rate 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;">64.005</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to the finding, the Department took the following corrective actions:</p> <ul style="list-style-type: none"> • Immediately communicated auditors’ finding and recommendations to agency program representatives and management. • Reviewed all current program contracts subject to similar requirements to identify potential non-compliance. • Amended three contracts to clarify the Davis-Bacon Act requirement of submitting weekly certified payroll reports by contractors and subcontractors to the Department. • Initiated and completed a program-wide verification with each client agency to ensure all projects with federal funding have contracts which comply with the provisions under the Davis-Bacon Act. • Initiated a team-wide project management services training provided by the Attorney General’s Office regarding the federal requirement. • Initiated a new contract development process to ensure Contracts Specialists verify that contractors and consultants meet all applicable federal requirements. The Department will review grant awards to identify all federal requirements. Grantees are required to confirm understanding of those requirements by written confirmation in the contracts or interagency agreements with the Department. The program will carry out the contractual duties and will further define some of the responsibilities within those contracted areas when necessary. The project supervisors overseeing the contracts are responsible for ensuring compliance with the provisions stipulated in the contracts with the grantees. Internal Audit is available to provide program guidance. <p>By March 2017, the Department’s Engineering and Architectural Services Division will develop procedures to ensure all weekly certified payroll reports will be collected and reviewed for compliance with the Davis-Bacon Act. As part of process improvement, eight forms currently used in the contract development process will be updated to ensure compliance.</p> <p>Estimated March 2017</p>	<u>CFDA #</u>	<u>Amount</u>	64.005	\$0
<u>CFDA #</u>	<u>Amount</u>						
64.005	\$0						

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Enterprise Services

Agency 179

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	008 (cont'd)	Agency Contact:	Francis McElroy Internal Audit Manager PO Box 41408 Olympia, WA 98504-1408 360-407-8285 francis.mcelroy@des.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	009	<p>Finding: The Department of Services for the Blind failed to establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility within a reasonable period of time.</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;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: In response to the audit finding, the Department has implemented changes to the case review process to ensure eligibility determinations are completed timely.</p> <p>The Department now runs monthly reports from its case management system to identify all eligibility determinations nearing the 60-day deadline and those that are overdue. These reports are reviewed by Regional Area Managers to assist counselors in meeting the 60-day deadline for each case. For the cases that are overdue, Regional Area Managers review justification for the delay to ensure it is adequately and properly documented in the client's case notes within the case management system. The completed monthly reviews are sent to the Deputy Director to be maintained on file. By April 2017, performance measures will be added to include a target of less than ten percent overdue cases for the agency, and by region and counselor.</p> <p>In December 2016 and January 2017, the Department has held meetings with management and staff to identify and address the common reasons causing delays in eligibility determinations. Training was also provided at these meetings on the required elements of a client's case note justifying a delay, which include circumstances, expected completion date and client agreement.</p> <p>Additionally, the Department will revise the Washington Administrative Code (WAC) by July 2017 to align with the new Workforce Innovation and Opportunity Act of 2014. The revised WAC will include the requirements of delay justification documentation.</p> <p>By December 2017, the Department plans to update all sections of the vocational rehabilitation procedures manual relating to eligibility and the new requirements. The procedure manual will also include eligibility determination timelines and processes for requesting exceptions to the 60-day limit.</p> <p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Mary Bilderback Chief Financial Officer PO Box 40933 Olympia, WA 98504-0933 360-725-3840 mary.bilderback@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>					
84.126	\$0					

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	010	<p>Finding: The Department of Services for the Blind failed to establish adequate internal controls over, and was not compliant with, federal requirements to establish timely Individual Plans of Employment for clients.</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>84.126</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: In response to the audit finding, the Department has implemented changes to the case review process to ensure Individual Plans of Employment (IPEs) for clients are established timely.</p> <p>In the past, the Department performed monthly review of overdue or nearing overdue IPEs at the time of review, and only tracked an overall average number of days for all IPE completion. The Department now runs monthly reports from its case management system to identify all IPEs nearing the 90-day deadline and those that are overdue. These reports are reviewed by Regional Area Managers to assist counselors in meeting the 90-day deadline for each case. For the cases that are overdue, Regional Area Managers review justification for the delay to ensure it is adequately and properly documented in the client’s case notes within the case management system. The completed monthly reviews are sent to the Deputy Director to be maintained on file. By April 2017, performance measures will be added to include a target of less than ten percent overdue IPEs for the agency, and by region and counselor.</p> <p>As of January 2017, the Department has provided training to management and agency field staff on the required elements justifying an IPE extension past 90 days, including client agreement and a specific expected completion date.</p> <p>Additionally, the Department will revise the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014. The revised WAC will include the requirements of the 90-day delay justification documentation.</p> <p>By December 2017, the Department plans to update all sections of the vocational rehabilitation procedures manual to incorporate the new requirements. The procedures manual will also include IPE establishment timelines and processes for requesting exceptions to the 90-day limit.</p> <p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Mary Bilderback Chief Financial Officer PO Box 40933 Olympia, WA 98504-0933 360-725-3840 mary.bilderback@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>					
84.126	\$0					

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	011	<p>Finding: The Department of Social and Health Services failed to establish adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.</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>93.558</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: By April 2017, the Department will conduct internal compliance reviews of the Individual Plans of Employment (IPEs) to determine if they were in compliance with the 90-day requirement from the date the clients were determined eligible.</p> <p>By May 2017, the Director of Vocational Rehabilitation will issue a directive to staff to communicate the 90-day requirement for IPEs.</p> <p>By October 2017, the Department will:</p> <ul style="list-style-type: none"> • Provide statewide training to staff on the federal requirements to establish timely IPEs. • Develop a tool for Vocational Rehabilitation Counselors to create reports from the case management system. This capability will allow counselors to identify cases that are nearing the 90-day limit for appropriate actions. • Enhance the Supervisory Case Review Module in the case management system to include cases that are over the 90-day limit. The module is used by field supervisors to pull and review a percentage of the total counselor cases to ensure requirements are met and appropriate actions were taken for overdue cases. <p>By January 2018, policies and procedures will be updated to ensure IPEs are created in a timely manner, including documentation requirements for the IPE extensions.</p> <p>Completion Date: Estimated January 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.558	\$0					

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	012	<p>Finding: The Department of Social and Health Services did not establish adequate internal controls over and was not compliant with federal requirements to determine client eligibility within a reasonable period of time for the Vocational Rehabilitation program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <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;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: By April 2017, the Department will revise procedures to include: <ul style="list-style-type: none"> • Ensuring a transition plan is in place for transferring and retiring supervisors to ensure all outstanding cases are documented and followed up on prior to exiting field offices. • Conducting monthly internal compliance reviews by area managers to ensure eligibility determinations have been completed timely. • Maintaining required documentation of exceptional and unforeseen circumstances for cases requiring extension. <p>By May 2017, the Director of Vocational Rehabilitation will issue a directive to field staff to communicate applicable federal requirements and the updated procedures relating to client eligibility determination.</p> <p>By October 2017, the Department will improve its monitoring process by: <ul style="list-style-type: none"> • Developing a tool for Vocational Rehabilitation Counselors to create reports from the case management system. This capability will allow counselors to identify cases that are nearing the 60-day limit for appropriate actions. • Enhancing the Supervisory Case Review Module in the case management system to include cases that are over the 60-day limit. The module is used by supervisors to monitor compliance with requirements including appropriate actions taken for overdue cases. <p>Completion Date: Estimated October 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p> </p></p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>					
84.126	\$0					

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	013	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments paid on behalf of clients and staff time and effort for Vocational Rehabilitation were allowable.</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>84.126</td> <td>\$11,145,636</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>Although time certification for six months of the year were completed during fiscal year 2017, rather than 2016, the direct payroll and benefit charges were appropriately charged to the grant and subsequently certified.</p> <p>By May 2017, the Department will follow policies to ensure payroll certifications are accurate and submitted timely.</p> <p>Per federal regulations, the Department’s Vocational Rehabilitation Division must ensure the following types of services are not interrupted or delayed:</p> <ul style="list-style-type: none"> • Progress of an employment outcome. • An immediate job placement. • Services to an individual who is determined to be at extreme medical risk. <p>For the above services, the Department is allowed to verbally authorize and/or purchase client services prior to the Individual Plan for Employment (IPE) approval. The Department will ensure adequate follow-up is done to update and sign the IPE as required.</p> <p>To address the audit recommendations, the Department is taking the following actions to ensure client employment services are included in approved IPEs before they are purchased or paid for. By April 2017, the Department will:</p> <ul style="list-style-type: none"> • Issue a directive to field staff to communicate the federal requirements that client employment services must be included in the IPE along with the counselor and client signatures. • Implement a monitoring process to ensure compliance. The Fiscal Compliance Manager will run reports from the Service Tracking and Reporting System (STARS) and conduct quarterly internal compliance reviews to ensure services were included in appropriately approved IPEs. Any issues identified will be forwarded to management and counselors for corrective actions. • Enhance the STARS system so staff will be alerted when services are purchased which are required to be in the IPE. • Develop tools to assist staff in ensuring IPEs are complete and properly approved before services are paid for. 	<u>CFDA #</u>	<u>Amount</u>	84.126	\$11,145,636
<u>CFDA #</u>	<u>Amount</u>					
84.126	\$11,145,636					

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	013 (cont'd)	<ul style="list-style-type: none"><li data-bbox="714 430 1429 483">• The department will consult with the Department of Education regarding resolution of questioned costs. Completion Date: Estimated October 2017 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2016	014	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="662 632 951 722"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.243</td> <td>\$0</td> </tr> <tr> <td>93.959</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: Since fiscal year 2015, the Department had been working on establishing new sub-recipient monitoring policies and procedures for the Behavioral Health Administration. In September 2016, the Department formalized the monitoring procedures by issuing a management bulletin. The bulletin communicated the need to:</p> <ul style="list-style-type: none"> • Ensure compliance with the federal regulations. • Adhere to the Department’s administrative policy on subrecipient monitoring. • Implement corrective actions to address audit exceptions identified in this finding. <p>The management bulletin also outlines the subrecipient monitoring procedures, which include:</p> <ul style="list-style-type: none"> • Conducting risk assessments. • Ensuring subrecipients obtain their required audit. • Following up on all subrecipient audit findings related to the program and to issue management decisions timely. • Ensuring accurate reporting by subrecipients of federal funds received. <p>In addition, the Department assigned two staff the roles and responsibilities of subrecipient monitoring.</p> <p>The conditions noted in this finding were previously reported in finding 2015-016 and 2014-019.</p> <p>Completion Date: September 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.243	\$0	93.959	
<u>CFDA #</u>	<u>Amount</u>							
93.243	\$0							
93.959								

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	015	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 93.558 \$3,218</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: All issues identified by the auditors were for clients served by both Division of Child Support (DCS) and the Community Services Division (CSD).</p> <p>The system glitch between the two divisions identified in the prior year’s audit affected cases through September 1, 2016, some of which were included in the current audit test sample. As a response to the prior audit finding, DCS immediately fixed the glitch and sent all potentially affected cases to the CSD for review.</p> <p>The Department recognizes that it did not properly apply sanctions for 18 clients who did not cooperate with child support requirements which led to overpayments to seven of those clients. The Department will review these cases and establish overpayments as appropriate by March 2017.</p> <p>In response to the finding, CSD now prioritize non-cooperation notices received from DCS to ensure sanctions are applied timely and accurately. By May 2017, the following monitoring process will be implemented:</p> <ul style="list-style-type: none"> • DCS will run monthly reports on clients that were non-cooperative. • Based on the non-cooperation documents received, CSD Quality & Compliance team at headquarters will perform post audits of a random sample of clients. • Post audit results will be provided to the policy administrative unit to determine if additional training or guidance for staff is needed. <p>By June 2017, the Department will:</p> <ul style="list-style-type: none"> • Develop and provide online refresher training of existing policies and procedures on reducing benefits for clients in non-cooperation status. • Continue to pursue a long-term, automated solution to ensure all cases in non-cooperation status are properly sanctioned. • Consult with the Department of Health and Human Services regarding resolution of questioned costs. <p>CSD and DCS will continue to work together to identify and eliminate potential gaps in appropriately sanctioning a client in non-cooperation status.</p>

**State of Washington
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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	015 (cont'd)	The conditions noted in this finding were previously reported in finding 2015-018. Completion Date: Estimated June 2017 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	016	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly reports for the Temporary Assistance for Needy Families 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>93.558</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially agrees with this finding.</p> <p>The Department currently has the following processes in place:</p> <ul style="list-style-type: none"> • Maintain extensive documentation on algorithms for deriving the data needed in federal reporting. This includes specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and documentation on how Statistical Analysis System processes use this data to comply with reporting requirements. Staff also run a quality assurance process that identifies potential fatal and warning edits; these results are reviewed by the supervisor. • Monitor, review, and perform manual testing of coding changes to ensure they were applied correctly. While no version control software was used by the Department, staff is keeping systematic copies of all old code versions using filename conventions, duplicating most of the functionality of version control software. The Department is not aware of any federal regulations that require the use of version control software. • Disseminate monthly summary data to multiple partners for review prior to submission of quarterly reports to ensure they are complete and accurate. <p>By June 2017, the Department’s Research and Data Analysis Division will:</p> <ul style="list-style-type: none"> • Ensure all proposed coding changes are documented, approved by the supervisor, and reviewed after implementation. This process will be formally documented for each major change. • Research version control software packages to determine feasibility. • Document current source code archiving processes. • Ensure policies and procedures are updated to reflect these changes. <p>Completion Date: Estimated June 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.558	\$0					

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	017	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place to ensure compliance with the maintenance of effort requirements for the Temporary Assistance for Needy Families grant 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>93.558</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>In response to the prior year’s finding, the Department created a collaborative work group to develop written policies and procedures as part of the effort to strengthen internal controls specific to meeting maintenance of efforts (MOE) compliance. The new policies and procedures will be finalized by April 2017 and will identify the steps and processes for staff to ensure accurate and timely reporting of MOE. Specifically, procedures will:</p> <ul style="list-style-type: none"> • Ensure that adequate documentation is collected and reviewed to support all MOE expenditures. • Allow for the continued use of attestations between the Department and other state agencies to meet federal requirements. However, an improved protocol will be developed to review final expenditure data from outside agencies to ensure the expenditures allowable, supported, and accurate. • Establish an adequate and structured monitoring protocol to facilitate management review of MOE expenditure data to ensure federal requirements are met. <p>To address the audit recommendation, the Department currently monitors, reviews and performs manual testing of coding changes to ensure they were applied correctly. While no version control software was used by the Department, staff is keeping systematic copies of all old code versions using filename conventions, duplicating most of the functionality of version control software. By June 2017, the Department’s Research and Data Analysis Division will:</p> <ul style="list-style-type: none"> • Ensure all proposed coding changes are documented, approved by the supervisor, and reviewed after implementation. This process will be formally documented for each major change. • Research version control software packages to determine feasibility. • Document current source code archiving processes. • Ensure policies and procedures are updated to reflect these changes. <p>The conditions noted in this finding were previously reported in finding 2015-020.</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.558	\$0					

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	017 (cont'd)	Completion Date: Estimated April 2017 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	018	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place and was not compliant with requirements for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.</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>93.558</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department acknowledged that existing policies and procedures in place were not adequate to ensure financial reports for the Temporary Assistance for Needy Families (TANF) grant are submitted completely and accurately.</p> <p>In response to the prior year’s finding, the Department created a work group comprised of staff from the Department’s Division of Finance and Financial Recovery (DFFR), Community Services Division (CSD), and Research & Data Analysis Division (RDA). In February 2017, the work group developed and adopted additional written procedures to strengthen internal controls to ensure federal reporting requirements are met. Due to timing of the audit, the corrective actions taken by the Department were not included in the current audit period.</p> <p>The Department ensures that state agencies’ expenditures are verifiable and allowable by reviewing the agencies’ reporting methodologies and record maintenance protocols, and analyzing the agencies’ expenditure data to the extent allowable under state regulations and policies protecting confidentiality.</p> <p>The Department does not agree with the auditors’ assertion that federal regulations require the state to verify the amounts of spending by other non-state government agencies before including those expenditures toward the state’s basic Maintenance of Effort (MOE) requirement. Federal regulations stated that an expenditure may be counted and reported if it “is verifiable and meets all applicable requirements” and if there is “an agreement between the state and the other party allowing the state to count the expenditure toward its MOE requirement.” The Department maintains that obtaining attestations from other agencies is sufficient to meet federal requirements.</p> <p>By May 2017, the Department will:</p> <ul style="list-style-type: none"> • Convene and lead a TANF MOE workgroup consisting of representatives from CSD, DFFR, and RDA. The workgroup will hold quarterly meetings to review the MOE projection data. 	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.558	\$0					

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	018 (cont'd)	<ul style="list-style-type: none"> • Develop a quarterly report review checklist to ensure sufficient documentation is maintained for the quarterly and annual reports currently in use. Written policies and procedures will be updated to include this new process. • Initiate a meeting with the auditors to discuss the interpretation of the federal regulations and obtain feedback on the newly developed written policies and procedures. <p>The conditions noted in this finding were previously reported in finding 2015-021.</p> <p>Completion Date: Estimated May 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	019	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.</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>93.558</td> <td>\$5,176</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Working Connections Child Care program policy and guidance, as maintained by the Department of Early Learning (DEL), does not require staff to verify employment or school schedule as a condition of eligibility. The Individual Responsibility Plan (IRP) outlines the approved activities for Temporary Assistance for Needy Families (TANF) clients participating in the Department’s WorkFirst program. The IRP also lists the number of hours the client is required to participate, which determines the client’s authorization for full-time or part-time child care. The WorkFirst program staff and contractors maintain a client’s schedule, and regularly track and report actual hours of participation.</p> <p>The Department acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. DELs policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper-based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made.</p> <p>The Department will continue to conduct post-payment reviews of cases where an improper payment appears likely to have occurred, such as when providers bill the maximum authorization each month. For these cases, staff will review the case specifics and perform verification, to include, requesting attendance records to determine if an overpayment has occurred. The review will also determine if it is a provider or a client overpayment, the amount of the improper payment, and establish an overpayment if appropriate.</p> <p>The Department plans on implementing major changes to improve internal controls, while minimizing impact to the clients. The Department will seek to add 25 additional full-time employees and necessary resources to staff the business-process redesign and support the information technology initiatives necessary to improve our internal controls.</p> <p>The Department will also explore other options to strengthen our processes including third-party reviews and pre-authorization reviews on high-risk and/or high cost cases. These initiatives focus on improving</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$5,176
<u>CFDA #</u>	<u>Amount</u>					
93.558	\$5,176					

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	019 (cont'd)	<p>accuracy in eligibility and authorization determinations, which will reduce the risk for improper billings from providers.</p> <p>Completion Date: Estimated March 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Early Learning
 Department of Social and Health Services

Agency 357
 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2016	020	<p>Finding: The Department of Early Learning and the Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to identify and detect fraud in the Child Care and Development Fund program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="662 638 951 730"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.575</td> <td>\$0</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: To address the finding, the Department of Early Learning (DEL) and the Department of Social and Health Services (DSHS) have taken the following actions:</p> <ul style="list-style-type: none"> • DEL implemented formal procedures in January 2016 for staff to follow when potential fraud is suspected. By April 2017, formal policies will be finalized that clearly defines fraud in accordance with state laws and set reasonable suspicion thresholds for staff. • DEL delivered fraud training, in collaboration with the DSHS Office of Fraud and Accountability (OFA), to audit and licensing staff. The training took place in April and June 2016, and covered procedures for referring cases to the Subsidy Policy and Audit Manager, who makes the final decision to refer to OFA for action. • Conducted targeted training for licensing regional administrators to review recent referrals and identify best practices in recognizing and reporting suspected fraud. • Actively engaged its partners at OFA to ensure more timely response and review of cases referred for investigation. <p>DEL is also taking the following actions to:</p> <ul style="list-style-type: none"> • Develop specific fraud training for Subsidy Quality Assurance staff by May 2017, which will include the requirement of expanding review of provider attendance records in cases of suspected fraud to support investigation. • Recruit for a position responsible for developing an agency-wide fraud detection and referral system including risk-based fraud detection methods and case development. A process will be established to ensure all suspected incidents of child care subsidy fraud are referred to OFA, as required. • Continue the procurement process for an electronic time and attendance tracking system that will maintain electronic copies of records and potentially reduce provider errors. This system will also allow DEL to perform data analysis and audit of all payments to significantly increase fraud detection and referral. DEL will request additional funding from the Legislature to replace the 40-year-old mainframe-based authorization and 	<u>CFDA #</u>	<u>Amount</u>	93.575	\$0	93.596	
<u>CFDA #</u>	<u>Amount</u>							
93.575	\$0							
93.596								

Department of Early Learning
 Department of Social and Health Services

Agency 357
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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	020 (cont'd)	<p>payment processing system, the Social Services Payment System, once the new time and attendance system is in place. The new system will be capable of providing a robust provider interface and creating a rules engine solution that validates authorizations with attendance and billing data. Once these projects are complete, the combined systems will be able to generate an accurate invoice and payment to providers.</p> <ul style="list-style-type: none"> • Make necessary changes to program rules such as reducing authorizations to Family, Friends and Neighbor (FFN) providers under the 110-hour rule, and specifying consequences for attendance record deficiencies. • Employ risk-based approach to audit providers billing and payments. Assign audit caseloads on a regional basis so that Subsidy Quality Assurance staff can foster better working relationships with providers to ensure compliance. • Continue to provide statewide fraud trainings as needed and provide targeted training to licensing regional administrators on a quarterly basis. • Improve communication with DSHS Services and collaborate efforts to ensure accurate eligibility determination and authorization. <p>To address the finding, DSHS will take the following actions:</p> <ul style="list-style-type: none"> • The aged-out fraud referral cases that were identified in the audit were requests for current eligibility issues known as Fraud Early Detection (FRED) cases. Under the current system, referrals are assigned priority based upon an approved algorithm for fraud. These current eligibility issues are time sensitive and, if not completed timely, will be sent back to financial services workers. OFA intends to work with the Economic Service Administration to review the current algorithm logic and discuss and implement appropriate adjustments to include FRED cases. • Continue to follow up on open criminal fraud cases beyond the audit period since many child care fraud cases involve lengthy investigations. • Focus on improving the functionality of the current fraud case management system as well as cleaning up data contained in the system. • OFA will investigate all of the anticipated monthly DEL provider fraud referrals without aging out the cases. DSHS will continue to review and improve its referral process. • DSHS's Office of Financial Recovery is implementing a new case management system. Upon completion, DSHS will be able to improve both the tracking and collection of fraud referrals by program types. <p>The conditions noted in this finding were previously reported in finding 2015-025.</p>

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

**Department of Early Learning
Department of Social and Health Services**

**Agency 357
300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	020 (cont'd)	<p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2016	021	<p>Finding: The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 604 950 693"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.575</td> <td>\$22,463</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments.</p> <p>To address the auditors' recommendations, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • Began auditing providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews. • Finalized changes to all program guidance and documentation, including the Child Care and Development Fund (CCDF) Plan, to align with federal and state regulations. Billing guides are being updated and training will be provided to staff on the updated policies and procedures. • Continue to work with DSHS to address internal and external audit issues, and improve internal controls over client eligibility and direct payments to child care providers. • Continue to collaborate and coordinate with DSHS in the review of staff training, desk aids, communications, and policies and procedures to ensure field staff understand and correctly interpret policy regarding eligibility. <p>The Department is also taking the following actions:</p> <ul style="list-style-type: none"> • Improve internal controls and implement preventative controls to assist in the detection of unallowable provider billing and reduce the risk of unallowable payments, including: <ul style="list-style-type: none"> ○ Recruiting for a position tasked with monitoring the CCDF program compliance with state and federal laws. The incumbent will: <ul style="list-style-type: none"> ▪ Act as the lead on system implementation and training. ▪ Provide input on risk-based categories of pre-authorization review at DSHS. ▪ Work with DSHS to implement internal controls on eligibility determination and provider payments. ▪ Assist with implementing system changes at DSHS to alert staff when household composition differs between systems. ▪ Act as the lead for corrective action plan implementation to address audit findings. 	<u>CFDA #</u>	<u>Amount</u>	93.575	\$22,463	93.596	
<u>CFDA #</u>	<u>Amount</u>							
93.575	\$22,463							
93.596								

Department of Early Learning

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	021 (cont'd)	<ul style="list-style-type: none"> ○ Continuing to clarify subsidy program rules and policies. Provider feedback will be obtained to improve training and in the development of standardized record-keeping templates. ○ Adopting rules and implementing policies to include the Department's definition of other intentional program violations, in addition to fraud, and their consequences for clients and providers. ● Employ a risk-based approach to audit providers billing and payments which include selecting providers billing in excess of licensed capacity and providers billing the limit of their authorizations. ● Implement a process where Subsidy Quality Assurance staff review provider billings by verifying parents' work schedules in Barcode to determine if the authorization is appropriate, and that the amount billed does not exceed the total authorized amount. ● Work with DSHS to ensure they are addressing known problems with the initial eligibility process for the CCDF program as a top priority. Continue to collaborate through the Working Connection Childcare reframe workgroup and the Child Care Audit Committee which focus on aligning and clarifying state rules and requirements with the reauthorization of the Child Care Development Fund grant. The Department will also reinstitute a quarterly meeting of the Departments' Quality Assurance staff to discuss issues identified in the quality assurance process. ● Continue the procurement process for an electronic time and attendance tracking system that will maintain electronic copies of attendance records and potentially reduce provider errors. This system will also allow the Department to perform data analysis and audit of all payments to significantly increase fraud detection and referral. ● Request additional funding from the Legislature to replace the 40-year-old mainframe-based authorization and payment processing system, Social Services Payment System, once the new time and attendance system is in place. The new system will be capable of providing a robust provider interface and creating a rules engine solution that validates authorizations with attendance and billing data. Once these projects are complete, the combined systems will be able to generate accurate invoices and payments to providers. ● Continue to improve the reconciliation process by following Department's policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. ● Expand auditor examinations when significant provider overpayments are found to determine if the issue is isolated or systemic. Thresholds by provider type will be determined for expanding review. Training will be provided to staff which will cover sample scenarios. ● Work with DSHS to review and process overpayments as required for questioned costs identified.

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	021 (cont'd)	<p>The conditions noted in this finding were previously reported in finding 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 09-12, and 08-13.</p> <p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2016	022	<p>Finding: The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="662 573 951 661"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.575</td> <td>\$1,882</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>To address the audit recommendations, the Department has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • Initiated emergency rulemaking and updated policies to clarify that licensors do not need to inspect inactive licensees. • Implemented new monitoring and compliance policies and procedures in July 2016, and provided training to licensing staff. • Created five new positions to address workload increase created by the new federal regulations requiring the Department to monitor non-relative family, friend, and neighbor caregivers. • Restructured licensing regions in January 2017 to enable more efficient and effective management of licensing staffing and workload. <p>The Department is also taking the following actions:</p> <ul style="list-style-type: none"> • Rewriting all licensing policies and procedures to ensure that they align with current state and federal rules and regulations. Final implementation date is targeted for July 2017. • Requesting additional funding from the Legislature for additional employees needed to satisfy the licensor-to-childcare provider staffing ratio requirements of the Child Care and Development Fund Block Grant for fiscal year 2017. • Creating an objective enforcement system by weighing all licensing standards based on the level of risk to children. The system will connect licensing infractions with the level of risk to children and provide more information and clarity about the risk of each standard and the consequences for violations. This process is currently taking place and should be completed by end of March 2017. • Launching an electronic caseload management system, WA Compass, in April 2017. The system will allow licensing staff to make timely updates, improve data integrity, streamline staff work processes, and provide electronic reminders to licensing staff and supervisors. The new system will also provide electronic tools for tracking the ten-day health and safety rechecks requirement. • Developing training to staff on the new system and new weighted licensing rules, and will create an on-going training plan for licensing staff. 	<u>CFDA #</u>	<u>Amount</u>	93.575	\$1,882	93.596	
<u>CFDA #</u>	<u>Amount</u>							
93.575	\$1,882							
93.596								

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	022 (cont'd)	<ul style="list-style-type: none"> • Working with the Department of Social and Health Services to review and process overpayments as required for questioned costs identified. <p>The conditions noted in this finding were previously reported in finding 2015-024.</p> <p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2016	023	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="662 573 954 661"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td>\$18,882</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department thoroughly reviewed each of the 50 exceptions identified by the auditors, and agrees that 26 of them were exceptions on eligibility determination. The Department’s review indicated one case of likely fraud when the client failed to accurately report household composition and 18 cases where overpayments occurred. The Department referred the fraud case for prosecution and the 18 overpayments to the Office of Financial Recovery for collection.</p> <p>The Department does not concur with the remaining 24 audit exceptions. The disagreement centers on two primary policy interpretations:</p> <ul style="list-style-type: none"> • Allowing self-attestation of work schedules. • Allowing 60 days for verification of new/changed employment. <p>The U.S. Department of Health and Human Services’ (HHS) Administration of Children and Families Administration (ACF) encourages states to adopt family-friendly policies in determining child care subsidy eligibility. The Department of Early Learning (DEL) has embraced this philosophy when addressing the prior’s year finding on the same issue. DEL clarified and ratified these two policies and highlighted them in the fiscal year 2016-2018 Child Care and Development Fund (CCDF) Washington State Plan. The State Plan was approved by the HHS in June 2016, but was made effective as of March 2016. In addition,</p> <ul style="list-style-type: none"> • In April 2016, DEL revised WAC 170-290-0012 and created WAC 170-290-0014 outlining the specific information that must be verified before making a payment to a provider. The rules specifically allow for self-attestation of work schedule. • In July 2016, DEL revised WAC 170-290-0095 which included language to allow 60 days for verification of new employment. <p>The Department also has concerns with the auditors’ sampling methodology and associated extrapolation of questioned costs. The Department is planning on scheduling a meeting with the auditors to review sampling and extrapolation formulas.</p> <p>In response to the audit recommendations, the Department is taking the following actions:</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$18,882	93.596	
<u>CFDA #</u>	<u>Amount</u>							
93.575	\$18,882							
93.596								

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	023 (cont'd)	<p>(1) Eligibility Determination Reviews: The Department will continue to use the following criteria in child care authorization audits:</p> <ul style="list-style-type: none"> • At least one percent of child care caseload monthly. • Exceptional payment authorizations are reviewed and approved by a supervisor before payments can be made. • 100 percent audit of pre- and post-authorizations made by new child care eligibility staff until they attain proficiency. • Review cases where an improper payment appears likely to have occurred, such as when providers bill the maximum authorization each month. For these cases, staff will review case specifics and perform verification, including requesting attendance records and determining if an overpayment has occurred. The review will also determine if it was a provider or a client overpayment, the amount of the improper payment, and establish an overpayment if appropriate. <p>By January 2018, the Department’s Community Service Division (CSD) will optimize usage of Audit Plus for child care reviews. The program is an auditing tool designed to randomly sample case actions based on a pre-determined criteria and support manually added case actions. Requests for enhancements to the program have been made to:</p> <ul style="list-style-type: none"> • Update the auto-add sampling criteria to ensure appropriate cases are randomly selected for review. • Add a new review type for child care cases with a higher risk of errors. • Add child care reports to review error trends which will be used to determine focus accuracy review areas. <p>The Department is also working on identifying high-risk cases where care was authorized more than full-time. These cases have separate coding indicating supervisory review is required prior to authorization. The Department is working with system staff to identify these high-risk cases without the required coding. By July 2017, CSD will generate a monthly report listing these cases and will submit the report to the field child care leadership team for supervisory review and determination of next steps.</p> <p>CSD will work with the Department’s Economic Services Administration Division of Program Integrity (DPI) and DEL to implement a third-party review process similar to that used for Basic Food. CSD will use the third-party review to identify categories that have a potential high-risk of error and based on their findings may institute additional categories of pre-authorization review.</p> <p>The Department will also participate in the Improper Payments Information Act audit conducted by DEL every three years in accordance with the Federal Office of Child Care requirement. For the audit conducted in federal fiscal year 2013, less than one percent of the total amount of payments for the sampled cases was found to be made in error.</p>

Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	023 (cont'd)	<p>(2) Employee Training: By May 2017, the CSD Child Care Program Manager will compile and submit training work requests. Training focus will include ensuring staff review and compare client eligibility documents with available source documents. By June 2017, the Child Care Program Manager will work with Child Care Operations and the division's training and development team to determine if existing training and desk aids need to be updated for child care workers. New training will also be created as needed to ensure understanding of existing policies and systems used in eligibility determination.</p> <p>By September 2017, relevant training will be provided to staff. The Department has an expectation for staff to complete training within 30 days, and strives to achieve at least 95 percent as a successful completion rate.</p> <p>(3) Segregation of Duties: By October 2017, the Department will transition the responsibility to approve Family Friends or Neighbor (FFN) providers to DEL, segregating a part of the approval process for these licensed-exempt providers where the potential for fraud has historically been above average. CSD staff will not be able to authorize payments until DEL approves these providers.</p> <p>By March 2018, CSD will initiate the process of gathering IT requirements to support changes in the child care subsidy procedures, separating the eligibility determination from the authorization process. This includes IT and CSD staffing changes needed for appropriate segregation of duties, and for pre-authorization review of highest cost cases and high-risk cases. The Department's consideration of potential solutions will include weighing the associated adverse impact to timeliness of service delivery.</p> <p>(4) System Enhancements: By July 2017, the Department will also pursue system enhancements to the Working Connections Automated Program (WCAP) that will actively alert a worker when the household composition in WCAP is different from the household composition for other department-administered programs. This will ensure workers are reviewing and assessing all available information prior to making an eligibility determination.</p> <p>By March 2018, CSD will explore the feasibility of WCAP enhancements to automatically generate and send notifications to clients specifying the due dates for their income verification, and that their benefits will be terminated if verification is not received by the due date.</p> <p>If HHS contacts the Department regarding questionable costs that should be repaid, the Department will work with HHS and will take appropriate action.</p>

Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	023 (cont'd)	<p>DEL concurs with this finding and the auditors' recommendations. In collaboration with the Department, DEL will:</p> <ul style="list-style-type: none"> • Prioritize internal controls improvement on eligibility determinations. • Adopt rules and policy changes simplifying and clarifying eligibility determination and authorization to prevent error. • Support the Department's commitment in the planned actions on increasing reviews, continuing monitoring protocols, segregating eligibility determination and payment authorization duties, and implementing necessary system enhancements. <p>By October 2017, DEL will amend sections of Chapter 170-290 WAC and align supporting guidance and documentation to simplify and clarify eligibility determination and payment authorization within the bounds of federal and state law, and regulations. The Department will implement these changes to ensure eligibility determinations and authorizations are adequately supported.</p> <p>Specific rules and policy changes will include the following:</p> <ul style="list-style-type: none"> • Model household composition determination requirements after those for the Supplemental Nutrition Assistance Program, requiring questionable client statements of household composition be supported with additional third-party verification. • Clearly define "new employment" so that client attestation of income for the first 60 days of new employment is unambiguous. • Eliminate the requirement to use three months of wages for income determination. Provide flexibility in income counting rules and income verification requirements to allow use of income documentation that most accurately reflects the consumer's economic situation and allows income eligibility determination to be completed. • Standardize authorization amounts for all families, including those with parents participating in approved activities full-time and part-time, for traditional, non-traditional, and variable working schedules, and for school-age and non-school-age children, across all provider types. Clarify and simplify rules and policy as to how parent and child schedules may impact the authorization. • Clarify rules and policy regarding work schedules to specify circumstances where schedule information and third-party verification may be required. Specify acceptable forms of documentation and timelines for submission. • Create rules and policy describing consequences for client and provider intentional program violations, including potential ineligibility for client benefits and provider payment. Intentional program violations in this context will be defined and will likely include intentional acts that knowingly result in an unallowable payment but exclude fraud.

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	023 (cont'd)	The conditions noted in this finding were previously reported in finding 2015-026, 2014-026, 2013-017, and 12-30. Completion Date: Estimated March 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	024	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with foster care payment rate setting and application requirements for the Foster Care program.</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>93.959</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: During the current audit, the Children’s Administration (CA) did not have a policy that defined the time period required to perform a periodic review of foster care payment rates since current federal regulation did not specify a time table for states to comply with the requirement.</p> <p>During fiscal year 2015, the Family First Act was introduced to Congress which included setting time parameters for foster care payment rate review to be done every three years. The Act failed to pass and was later incorporated into the 21st Century Cures Act and reintroduced to Congress in fiscal year 2016.</p> <p>The 21st Century Cures Act passed in December 2016. The Department intended to create a new department policy which aligns with potential new federal regulations resulting from implementation of the Act. However, the Family First Act was subsequently dropped along with the three-year rate review requirement.</p> <p>The Department will review the maintenance payment rate again in 2019, based upon an economic analysis, to determine if the rate needs to be adjusted. If an increase is necessary, the Department will submit a decision package for additional funding. Reviews after 2019 will occur every four years.</p> <p>By June 2017, the Department will update the policy to include that the economic analysis be completed every four years after 2019. This policy will be included in the Title IV-E State Plan submission.</p> <p>The conditions noted in this finding were previously reported in finding 2015-028 and 2014-027.</p> <p>Completion Date: Estimated June 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.959	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.959	\$0					

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	025	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Foster Care program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 567 941 630"> <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;">93.658</td> <td style="text-align: right;">\$3,218</td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department had verified that all providers included in the auditors' test sample had background checks completed prior to payment for the period under review. Nevertheless, the Department will continue to communicate to staff the requirement of properly conducting background checks for providers.</p> <p>With regard to documentation for income eligibility, the Department contends that it is not a federal rule or requirement that documentation be printed and placed in clients' files. The Department uses FamLink as the official case management system and source for Title IV-E income verification information. The Department prints income source documentation when the information contains amounts over zero dollars and places the information in the title IV-E eligibility folder which is a part of the client's file. The Department also makes note of the zero dollar resource information in FamLink.</p> <p>The department will continue to ensure proper documentation is maintained to support eligibility determination.</p> <p>Completion Date: February 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$3,218
<u>CFDA #</u>	<u>Amount</u>					
93.658	\$3,218					

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	026	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.</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>93.659</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>Given this is a new program requirement along with the delay in federal guidance; the program was at a disadvantage in setting up the structure to track expenditures within this audit period.</p> <p>While the Department could account for and identify the savings expenditures, the Department agrees that improvement can be made to the process. By October 2017, the Department’s Children’s Administration will:</p> <ul style="list-style-type: none"> • Establish a coding structure to track expenditures specifically related to Adoption Savings spending which will also support expenditures reported. • Establish policies and procedures specifying how to determine adoption savings, and reporting annually to the grantor. <p>Completion Date: Estimated October 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.659	\$0					

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	027	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Adoption Assistance program.</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>93.659</td> <td>\$3,069</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The auditors found the Department did not complete background checks for the providers of one child. While the Department cannot produce the physical document showing a cleared background check conducted in 1995, there is a notation by the case worker in the case management system that a background check did occur at that time, which was prior to the adoption. There was also a notation of a background check occurring in early 1997.</p> <p>To address the auditor’s recommendation, it should be noted that in the event a background check was not conducted prior to adoption, the Department has no legal authority to run a background check retroactively on the adoptive parent.</p> <p>Nevertheless, the Department will continue to communicate the importance of the background check requirement to staff responsible for eligibility determination.</p> <p>The Department maintains adequate internal controls to ensure background checks of providers and prospective providers are performed in accordance with state regulations and program rules. This is evidenced in the audit testing result that only one over 20-year old case was not in compliance.</p> <p>By June 2017, the Department will consult with the U.S. Department of Health and Human Services to discuss any necessary repayment of the questioned costs.</p> <p>Completion Date: Estimated June 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$3,069
<u>CFDA #</u>	<u>Amount</u>					
93.659	\$3,069					

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2016	028	<p>Finding: The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>CFDA #</u></th> <th style="text-align: left;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> <tr> <td>93.778A</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: RCW 74.09A.020 requires the Authority to provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information, and requires health insurers to use this information to identify joint beneficiaries. The Authority meets the intent of the law by performing data matching with insurance carriers in the state of Washington on a regular basis. Data exchanges occur in real time using information and electronic data available to the state Medicaid program.</p> <p>In addition, the Authority implemented the national Payor Initiated Eligibility/Benefit (PIE) transaction standard in July 2013, which meets the intent of RCW 74.09A.005 by instituting “a transfer of information between the authority and health insurers.”</p> <p>The Authority is continuing to refine the logic for loading PIE data from insurance carriers into the Medicaid Management Information System (MMIS). Some changes were made to the transaction logic in August 2016 and the Authority is continuing to work through the logic to ensure accurate automated loading of the files to the MMIS. The Authority will complete those refinements and will continue to work with carriers currently engaged in PIE transaction submissions. The Authority will continue to encourage health insurers to develop systems capable of participating in the PIE data exchange.</p> <p>While the Authority does not have legal authority to compel insurers to comply with this law, we will consider options for working with the Legislature to align state law with current practice.</p> <p>The conditions noted in this finding were previously reported in finding 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.</p> <p>Completion Date: Estimated July 2017</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778		93.778A	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
93.777												
93.778												
93.778A												

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

**State Health Care Authority
Department of Social and Health Services**

**Agency 107
300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	029	<p>Finding: The Health Care Authority and the Department of Social and Health Services did not have adequate internal controls and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department of Social and Health Services (Department) completes an annual Client Service Verification survey that includes a statistically significant sample of clients to verify whether services billed by providers were received. Although it is a manual process, this method satisfies the verification requirement as outlined in federal regulations. The State Health care Authority (Authority) questions the auditor’s interpretation that federal regulations require additional verifications be done through ProviderOne. Nonetheless, the Authority will expand the ProviderOne verification process and ensure social service payments will be included in the universe from which samples are selected in the Medicaid service verification survey process.</p> <p>By January 2018, an automated verification process through ProviderOne will be implemented. This will include establishing a written agreement between the Authority and the Department detailing each of their roles and responsibilities regarding the Medicaid service verification survey process. The Department’s manual survey process will continue until this written agreement becomes effective.</p> <p>The conditions noted in this finding were previously reported in finding 2015-032, 2014-039, and 13-031.</p> <p>Completion Date: Estimated January 2018</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$0									
93.777										
93.778										

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	030	<p>Finding: The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers and Rural Health Clinics.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$122,539</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: By December 2017, the Authority will recoup the overpayments made to Federally Qualified Health Centers and Rural Health Clinics.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2015-033. The prior finding numbers for FQHCs alone are 2014-036 and 2013-026.</p> <p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$122,539	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$122,539									
93.777										
93.778										

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2016	031	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not repay the federal government for improper payments made to Medicaid Managed Care Organizations.</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$130,598</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Authority identified the duplicate premium payments reported by the auditors in this finding. The Authority is currently recouping the duplicate payments.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of the questioned costs.</p> <p>Estimated June 2017</p> <p>Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$130,598	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$130,598										
93.777											
93.778											

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	032	<p>Finding: The Health Care Authority did not establish adequate internal controls and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$273,598</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: In response to the audit finding, the Authority has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • In September 2016, identified and corrected the system issue concerning the Medicaid eligibility code. • In February 2017, corrected the system issue concerning the managed care plan coding errors. <p>The Authority has also strengthened its review process by:</p> <ul style="list-style-type: none"> • Preparing a checklist of steps for staff to consider when a new code is added to the ProviderOne System. • Implementing quarterly monitoring reports designed to validate the completeness and accuracy of each invoicing cycle. <p>By August 2017, the Authority will invoice the unclaimed rebates of \$273,598 identified by the auditors.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2015-034 and 2014-031.</p> <p>Completion Date: Estimated August 2017</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$273,598	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$273,598									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	033	<p>Finding: The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$358,754</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Authority has implemented additional internal controls to notify providers in a timely manner and to prevent errors from occurring in the annual rate setting process, including adding calendar reminders and conducting a final review of rates after they are entered into ProviderOne.</p> <p>By February 2018, the Authority will amend WAC 182-550-3830 to eliminate the contradiction between it and WAC 182-550-3800.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>Completion Date: Estimated February 2018</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$358,754	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$358,754									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan												
2016	034	<p data-bbox="483 422 1464 506">Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Children’s Health Insurance Program funds were claimed for eligible Medicaid expenditures.</p> <p data-bbox="483 537 607 569">Questioned</p> <table data-bbox="483 569 954 688"> <tr> <td data-bbox="483 569 553 600">Costs:</td> <td data-bbox="667 569 760 600"><u>CFDA #</u></td> <td data-bbox="862 569 954 600"><u>Amount</u></td> </tr> <tr> <td></td> <td data-bbox="667 600 760 632">93.775</td> <td data-bbox="862 600 954 632">\$130</td> </tr> <tr> <td></td> <td data-bbox="667 632 760 663">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 663 760 695">93.778</td> <td></td> </tr> </table> <p data-bbox="483 720 976 751">Status: Corrective action in progress</p> <p data-bbox="483 783 1464 905">Corrective Action: By September 2017, the Authority will update eligibility during the post eligibility review process to reflect the most appropriate eligibility category when it is determined self-attestation has placed the household in the incorrect eligibility category.</p> <p data-bbox="667 936 1464 999">The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p data-bbox="483 1031 954 1083">Completion Date: Estimated September 2017</p> <p data-bbox="483 1115 1024 1293">Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	Costs:	<u>CFDA #</u>	<u>Amount</u>		93.775	\$130		93.777			93.778	
Costs:	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$130												
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**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2016	035	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not notify Medicaid providers of revalidation requirements as required by the Center for Medicare and Medicaid Services.</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>By December 2017, the Authority will notify providers of the revalidation requirement and will complete revalidations of all providers who enrolled with Medicaid prior to December 2012.</p> <p>To meet federal compliance, the Authority will continue to revalidate providers every five years from their date of enrollment or date of last revalidation.</p> <p>Estimated December 2017</p> <p>Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
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93.778											

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2016	036	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over requirements to ensure surveys for Medicaid nursing home facilities were completed in a timely manner.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 604 954 751"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> <tr> <td>93.778A</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially agrees with this finding.</p> <p>While the Department surveyed nursing homes within the required timeframes, documentation for nursing homes with deficiencies was not sent or received in a timely manner.</p> <p>The Department recognized that the Plans of Correction (POCs) were not always received within ten calendar days from issuance of the statement of deficiencies (SOD). However, the Department used the POC receipt date as its metric whereas the auditor’s testing used the date POC was determined acceptable by the Department.</p> <p>The Department follows the Centers for Medicare and Medicaid Services (CMS) State Operational Manual (SOM) guidelines for receiving POCs. If deficiencies are noted on the initial POC, it will not be accepted. Sometimes, the process may require more than ten calendar days to complete an acceptable POC.</p> <p>During the current audit, the Department requested and received clarification from the CMS Technical Director for Enforcement and Certification for the Division of Nursing Homes. Email correspondences with CMS supported and confirmed the Department’s interpretation of the CMS policy which was consistent with the current practices of other states when initial POCs are not acceptable.</p> <p>The Department agreed with the Statement of Deficiency (SOD) finding based on the auditor’s testing methodology. While the CMS SOM does not require formal tracking, the Department did develop an internal tracking spreadsheet for SODs and POCs in January 2016 for use by field offices statewide. The Department will continue to enhance its ability to distribute SODs in ten working days and receive POCs in 10 calendar days.</p> <p>By March 2017, the Department’s Residential Care Services Division will be working with Management Services Division to finalize a tracking website for SODs requiring enforcement review and action. This website</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778		93.778A	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
93.777												
93.778												
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Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	036 (cont'd)	<p>will enable daily tracking of SOD processing between field managers and headquarters enforcement staff to ensure electronic SOD delivery within ten working days of survey exit date.</p> <p>By April 2017, the Department will implement the web-based electronic Plan Of Correction (ePOC) system. The system will:</p> <ul style="list-style-type: none"> • Electronically communicate and time-stamp distribution of SODs to providers and submission of POCs from providers. • Track and monitor the sending and receipt of documents through reporting functions. • Notify the Residential Care Services (RCS) headquarter and regional offices when surveys have been completed, but not posted to the ePOC website. • Notify facility and RCS Field Manager that a SOD is issued. Email notification will also be sent ten calendar days after the date of SOD issuance and every other day thereafter until the facility submits a POC. • Notify RCS headquarter and regional offices when a POC has been submitted and has not been reviewed within 5 business days after submission and every other day thereafter until it is reviewed. <p>The conditions noted in this finding were previously reported in finding 2015-044 and 2014-046.</p> <p>Completion Date: Estimated April 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2016	037	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure surveys for Medicaid intermediate care facilities were completed in a timely manner.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 604 954 751"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> <tr> <td>93.778A</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially agrees with this finding.</p> <p>The Department has established internal controls to ensure statement of deficiencies (SODs) are mailed out to providers within ten working days and Plans of Correction (POCs) are received from providers within ten calendar days.</p> <p>The Department did not agree with the auditors' finding that four facilities submitted their acceptable POCs after ten calendar days. The Department received the initial POCs from the providers within the required time frame, which were then deemed not acceptable by the Department.</p> <p>The Department recognizes that the POCs were not always received within ten calendar days from issuance of the SODs. However, the Department used the POC receipt date as its metric whereas the auditor's testing used the date POC was determined acceptable by the Department. The Department follows the Centers for Medicare and Medicaid Services (CMS) State Operational Manual (SOM) guidelines for receiving POCs. If deficiencies are noted on the initial POC, it will not be accepted. Sometimes, the process may require more than ten calendar days to complete an acceptable POC.</p> <p>During the current audit, the Department requested and received clarification from the CMS Technical Director for Enforcement and Certification for the Division of Nursing Homes. Email correspondences with CMS supported and confirmed the Department's interpretation of the CMS policy which was consistent with the current practices of other states when initial POCs are not acceptable.</p> <p>The Department agrees with the Statement of Deficiency (SOD) finding based on the auditor's testing methodology. Beginning in September 2016, additional data elements were added to enable tracking due dates and receipt dates on a shared document located on the Department's SharePoint site.</p> <p>By April 2017, procedures will be updated to direct staff to forward SODs to the provider by facsimile when necessary and retain supporting documentation on file to meet compliance requirement.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778		93.778A	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
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93.778A												

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	037 (cont'd)	<p>The Department also agrees that surveys were not performed in accordance with the frequency required by state and federal laws of 12.9 months. This was attributable to providers' non-compliance with the federal Conditions of Participation (CoPs) identified in subsequent surveys conducted in the prior fiscal year. Under this condition, the Department cannot conduct annual surveys unless the Department conducts credible allegation surveys to verify the facilities have met the CoPs. This condition caused delays in conducting the annual recertification surveys.</p> <p>To assist facilities in meeting compliance with CoPs, the Department conducted informal presentations in April 2016 to four facilities to provide proper interpretation of the regulations. The remaining training requests from facilities will be completed by July 2017.</p> <p>The Department has initiated actions to amend the State Plan. By September 2017, three alternative sanctions will be added to strengthen the Department's ability to impose sanctions on non-complying facilities.</p> <p>The Department's Residential Care Services Unit was fully staffed by July 2016 which would improve the department's ability to meet survey timeframes.</p> <p>The conditions noted in this finding were previously reported in finding 2015-045 and 2014-046.</p> <p>Completion Date: Estimated September 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	038	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over its examinations of Medicaid nursing home cost reports.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>CFDA #</u></th> <th style="text-align: left;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially agrees with the finding.</p> <p>While there was adequate documentation when cost reports examiners determined an adjustment was needed for Unallowable Costs and Account Code Reclassification reason codes, the Department did not have a process for examiners to document their reviews when no issue was found.</p> <p>By March 2017, the Department will implement the following corrective actions:</p> <ul style="list-style-type: none"> • Add a description in the cost report examination manual to clarify the minimum requirement in the review of the Unallowable Costs and Account Code Reclassification reason codes, particularly when no adjustments are necessary. • Update the electronic cost report exam guide to include designated areas for reviewer's initials and date. In addition, a new statement will be added to the exam guide for examiners' comments and notes. • Update the examination manual to instruct cost report examiners to initial and date all reason code pages reviewed. • Provide training and communicate to all cost report examiners on the requirement of properly documenting examination for all reason codes. <p>Establish an official policy including a supervisory review requirement for all nursing home cost report examinations. A copy of the new policy will be distributed to all staff in the unit.</p> <p>Completion Date: Estimated April 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$0									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	039	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure complaints of abuse and neglect of clients at Medicaid residential facilities were responded to properly.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 630 941 745"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department disagrees with the non-statistical sampling methodology the auditors used when reviewing the Complaint Resolution Unit’s (CRU) daily extract reports. It may have appeared that the Department was not tracking complaints received in 22 out of 24 days examined but the extract reports were not considered a valid tracking tool. At the time of the audit, the Department was using the Tracking Incidents of Vulnerable Adults (TIVA) 2016 report to determine timeliness of responses from initiation of complaints.</p> <p>The Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • Since April 2016, the Department added additional staff to assist with processing complaints. The Department has also been authorizing overtime as a temporary measure to ensure that complaints are responded to within 24 hours of receipt. • In May 2016, the on-call staffing program was implemented to help improve the timeliness of field investigations. • Since July 2016, CRU implemented weekly monitoring using the TIVA 2016 report for complaints that required responses within 24 hours and those that required two working days response time. Management reviews all complaints that exceed the required response time and correct errors or discuss timeliness issues with the CRU staff. The weekly reports and statistics are also communicated to staff each week to compare performance with required benchmarks. Ongoing monitoring of complaint investigation timeliness will be performed. • In August 2016, CRU implemented the public online reporting system which is a shared system with Adult Protective Services. The online reports are imported into TIVA, streamlining the complaint process by reducing manual transcription time. The hotline script was updated the following month informing callers that an online option was available for providers and the public. <p>These actions taken by the Department have helped reduce the backlog of complaint investigations, improve the timeliness of complaint processing at intake, as well as improve the timeliness of investigations.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$0									
93.777										
93.778										

Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	039 (cont'd)	<p>By April 2017, the Department will implement planned enhancements to the TIVA database to eliminate input errors. CRU staff will no longer be able to link a nursing home or intermediate care facilities/Individuals with Intellectual Disabilities (ICF/IID) complaint to the system information field without prior review by a clinical triage nurse. In addition, a message will appear if the response time exceeds 24 hours from the time the complaint is received.</p> <p>By July 2017, CRU will develop Standard Operating Procedures to define extenuating circumstances for non-immediate jeopardy complaints. A TIVA system enhancement has been requested to allow only supervisors to link a complaint that falls into one of the approved extenuating circumstances. This enhancement will not allow any complaint over two working days old to be linked without supervisor override.</p> <p>To improve response times to initiate complaint investigations, the Department continues to work on filling vacancies and ensuring new hires complete the federally required basic surveyor training for Nursing Home and ICF/IID surveys. In addition, the Department will continue to pursue TIVA design and processing enhancements to mitigate the need for overtime and to meet timeliness requirements. The conditions noted in this finding were previously reported in finding 2015-047, 2014-045, and 2013-033.</p> <p>Completion Date: Estimated July 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

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Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	040	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community Options Program Entry System and Community First Choice in-home care providers had proper background checks.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 604 954 722"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$58,973</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department disagrees with the auditors' statement that there were inadequate internal controls to ensure in-home care providers (IPs) had proper background checks. Of the 200 IPs sampled and tested by the auditors, four were found to have errors with their background checks ranging from a data entry mistake to a missing fingerprint check. This represented 98 percent proficiency rate which reflected the strong internal controls established by the Department to ensure that IPs had proper background checks.</p> <p>As noted by the auditors, due to the Washington Service Employees International Union Training Partnership lawsuit, the Department was not able to access provider documents held by the Partnership. Due to this reason, the Department did not complete its quality assurance IP review until August 2016 when a work around was put in place to access the data. The auditors determined that IP monitoring and file review was not performed during the audit period. However, there is no federal requirement stipulating that file reviews must be completed by fiscal year rather than calendar year.</p> <p>The Department also disagrees with the auditor's determination that providers for whom a background check or a character, competence, or suitability (CC&S) was not renewed every two years are unqualified. WAC 388-71-0510 states that the provider must complete a background check to become an individual provider, but does not state that the IP will become unqualified if another background check is not completed within two years. WAC 388-71-0513 states an IP must not have a disqualifying crime or be determined unqualified based on a CC&S. There is no state or federal regulations requiring that a background check or CC&S be repeated every two years. As such, the Department does not agree that the findings should be tied to questioned costs.</p> <p>In December 2016, the Department submitted the change request to modify the Department's Agency Contract Database and the Background Check Central Unit's data feed for better monitoring and tracking of IP background check compliance.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$58,973	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$58,973									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	040 (cont'd)	<p>By July 2017, the Department will:</p> <ul style="list-style-type: none"> • Develop a report from the contract database that will include IP background check due dates. Field staff will be able to access the report as a tool to monitor contracted providers to ensure ineligible providers do not have access to vulnerable Medicaid clients. • Consult with Health and Human Services regarding the disagreement with repayment of questioned costs. <p>The conditions noted in this finding were previously reported in finding 2015-040, 2014-049, 2013-040, 12-41, and 11-34.</p> <p>Completion Date: Estimated July 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	041	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements for cost of care adjustments paid to Medicaid supported living providers.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 604 954 724"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$34,366</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department agrees that two payments were made to providers when clients were in a hospital and that one payment was inaccurately calculated. However, the Department disagrees that justification forms were inadequate.</p> <p>The Department believes that the exceptions identified in the finding are based upon the auditors' subjective analysis of the justification information contained in the cost of care adjustment (COCA) requests. The auditors did not give consideration to the Resource Managers' knowledge or expertise of the program. Furthermore, they did not consider the review of other related documents performed by Resource Managers while processing the COCA requests.</p> <p>Department staff who are responsible for reviewing and approving COCA requests have in-depth knowledge of the policies and of the instructions that are given to providers. The Department believes the instructions are concise and clear.</p> <p>The Department will continue to communicate the justification requirements to staff in accordance with department policies. In addition, instructions will be provided on accurately completing the COCA forms to the Residential Providers and to the Resource Managers.</p> <p>By July 2017, the Department will review the policy as part of contract negotiations with stakeholders and will update the policy if necessary.</p> <p>By January 2018, any updates to policy will be submitted as part of the waiver renewal or amendment. The Department will communicate the changes and provide on-going training to staff and providers.</p> <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2015-052, 2014-041, and 2013-038.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$34,366	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$34,366									
93.777										
93.778										

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	041 (cont'd)	Completion Date: Estimated January 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	042	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration did not ensure two Medicaid Community First Choice in-home care providers had proper background checks.</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>93.775</td> <td>\$16,124</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the audit finding.</p> <p>The Department recognizes client safety as a top priority and will ensure background checks are completed as required.</p> <p>Employees are trained throughout the year and the Department has found training employees in the area of background checks has proven to be effective.</p> <p>The Department confirmed the two individual providers identified in the finding have completed and passed the background checks, including the fingerprint check for the one individual.</p> <p>By January 2018, the Department will implement a new system that will provide an automated solution to prevent and/or cancel active service authorizations to individual providers who fail to meet or comply with background check requirements.</p> <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>Completion Date: Estimated January 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$16,124	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$16,124									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	043	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.</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>93.775</td> <td>\$79,912</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the audit finding.</p> <p>The auditors' review found 18 person-centered service plans that did not have signatures or signatures not received timely. The auditors also identified one case relating to financial eligibility. The Department acknowledges that the target for timely signatures and accurate financial eligibility determination is 100 percent and seeks to reach that mark.</p> <p>To ensure person-centered service plans are signed timely in accordance with federal requirements, the Department provides training to staff responsible for obtaining the signatures. Training is also provided to the compliance monitoring team who are responsible for annual monitoring.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • By May 2017, clarify written policies regarding signature requirements. • By June 2017, provide additional statewide training regarding signature requirements. • By September 2017, conduct an enhanced, targeted review to monitor adherence to policies and compliance with signature requirements. <p>The Department will consult with the Department of Health and Human Services to discuss repaying the questioned costs.</p> <p>Completion Date: Estimated September 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$79,912	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$79,912									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	044	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with regulations to adequately monitor Adult Family Home providers to ensure Medicaid providers and their employees had proper background checks.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 630 974 756"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$416,523</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the audit finding.</p> <p>The Department agrees with the number of audit exceptions. The following actions have been taken to address adult family homes' (AFH) noncompliance with background check licensing requirements:</p> <ul style="list-style-type: none"> • As of November 2016, the Department updated the AFH provider orientation and AFH provider administration training to include the requirement of timely completion of background checks and the possible penalties for not meeting the requirement. • As of December 2016, the Department: <ul style="list-style-type: none"> ○ Revised the online training on the Department's Residential Care Services Division internet site to include information on the background check renewal process. ○ Worked with the AFH provider association to share information about background checks through the association's newsletters and intranet site, as well as the Department's Background Check Central Unit's project communication plan. The Department also ensured that all providers have access to the information. • As of January 2017, the Department added language to the provider contract renewal letter and the annual license renewal statement reminding providers that they need a current background check to renew the contract. <p>The following additional step will be taken to ensure compliance with background check requirements:</p> <ul style="list-style-type: none"> • The Department has created a report that will proactively identify provider renewals coming due. When a provider has 60 days left before expiration, the Department will send a reminder notice. This report is currently in the testing phase with a target implementation of April 2017. • By July 2017, the Department will review and revise the State Plan and WAC if necessary to consistently reflect the minimum AFH provider qualifications as stated in RCW. <p>The Department does not agree the exceptions should be tied to questioned costs. The auditor's finding did not identify any providers who did in fact have a disqualifying crime or negative action.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$416,523	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$416,523									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	044 (cont'd)	<p>Neither RCW 70.128.120 nor RCW 74.39A.056 requires the Department or the provider to conduct additional background checks after the initial screening.</p> <p>While the adult family homes identified in the finding were not in compliance with the Department’s licensing requirements by not having current background check results in their files, and are therefore subject to corrective action and sanctions by the Department, the providers are not unqualified to provide Medicaid paid services. Thus, the payments to the providers were proper.</p> <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2015-051, 2014-048, and 13-37.</p> <p>Completion Date: Estimated July 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2016	045	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 604 950 756"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$43,573</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> <tr> <td>93.778A</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with this finding.</p> <p>Statute provides the Department the authority to authorize payments for individuals in community residential programs. The Department uses the annual cost reporting process which requires payments for the total annual contracted Instruction and Support Services (ISS) hours to be reconciled to the actual hours provided. The supported living (SL) providers attest to the accuracy of their cost report. The Department may request additional evidence to verify if the ISS hours were provided. The Department seeks recovery through an overpayment if the cost report indicates that either the hours or the funds provided for the ISS hours were not used by the agency for ISS purposes.</p> <p>The approved system is designed to allow resource flexibility for the SL provider throughout the year to meet the changing needs of the individual client. It also enables more efficient use of taxpayer resources by allowing additional staffing for peak demand. The Department requires that clients served by the agency receive all authorized ISS hours for the year. Providers are given the calendar year to address client instructions and support needs. As such, audit reviews based on a fiscal year timeframe do not accurately capture the entire delivery of service, or any corresponding annual underpayment or overpayment.</p> <p>The Department also believes the audit inappropriately treated cost settlements as overpayments. Cost settlements are based on reimbursement methodologies defined in policy, rule and contract, and are typically done in the aggregate on an annual basis, rather than a client by client or case by case basis.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Continues its cost report reconciliations annually. • Revised its policy to: <ul style="list-style-type: none"> ○ Clarify the expectations that the service provider's payroll system must adequately document ISS hours delivered. ○ Outline acceptable margins of flexibility of ISS hours delivered. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$43,573	93.777		93.778		93.778A	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$43,573											
93.777												
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93.778A												

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	045 (cont'd)	<ul style="list-style-type: none"> ○ Require additional schedules to report ISS hours in a format reconcilable to payroll records. <p>Training on updated policies occurred over the summer and fall of 2015.</p> <p>By June 2017, the updated policy will be reviewed as a part of contract negotiations and changes will be made if necessary. By January 2018, the updated policy will be submitted to Center for Medicaid and Medicare Services along with the waiver renewals and amendments.</p> <ul style="list-style-type: none"> • Conducted reviews on approximately 20 percent of residential providers' ISS hours. The scope of this compliance review includes reconciling hours in the contract by households with employee payroll records delivered to the household. Consultation and training to service providers related to the tracking and documentation of ISS hours is provided at the time of the review. • Implemented the following additional measures in auditing provider cost reports: <ul style="list-style-type: none"> ○ The Department's Residential Care Services performs a cursory review of hours provided as part of the certification evaluation process. If concerns are identified, the Department will conduct an additional review of the SL provider. ○ Review a sample of 24 agencies per year. Technical assistance and training are provided to SL providers during these reviews. ○ Remove the two-year settlement request option from the policy effective January 2017 when the existing approvals expire. The Department discontinued the approval of this option in calendar year 2014. <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2015-049, 2014-042, 2013-036, and 12-39.</p> <p>Completion Date: Estimated January 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	046	<p>Finding: The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments processed through the Social Service Payment System.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$106,055</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with the audit finding.</p> <p>During the implementation and data conversion for Community First Choice, not all data converted correctly from the Social Service Payment System (SSPS). Due to accounting and staff workload related to the implementation of Provider One and Individual Provider One (IPOne), it took an unanticipated amount of time to obtain data reports from SSPS and to process corrections in the state's accounting system.</p> <p>For cases where incorrect cost allocation social service codes were authorized by case managers resulting in incorrect federal matching rates, Department staff notified accounting upon discovery and expenditures were subsequently corrected. Even though this is normal business practice, the auditors included these journal voucher transactions in the calculation of the questioned costs.</p> <p>As of March 2016, with the exception of some minor prior authorization corrections, services are no longer authorized in SSPS. With the implementation of Provider One and IPOne, there are more controls to limit the selection of service codes for case managers when authorizing services. Additionally, the Home and Community Services Quality Assurance Unit continues to monitor payment authorizations for compliance with requirements.</p> <p>As of October 2016, the questioned costs were returned to the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services.</p> <p>Completion Date: October 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$106,055	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$106,055									
93.777										
93.778										

**State of Washington
Corrective Action Plan**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	047	<p>Finding: Medicaid funds were overpaid to supported living agencies that contracted with the Department of Social and Health Services, Developmental Disabilities Administration because of employee misappropriation and non-compliance with contract terms.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$1,258,250</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department processed the payment notice to the Department’s Office of Financial Recovery (OFR) in February 2017.</p> <p>Per federal rules, the Department is not required to refund the federal share of an overpayment made to a provider to the extent that the Department is unable to recover the overpayment because the provider has been determined bankrupt.</p> <p>The agency in question has filed for bankruptcy. The Department has submitted the required information to the bankruptcy court for the amount owed.</p> <p>The Department will work with OFR to follow the federal and state rules for financial recovery that pertains to bankruptcy proceedings.</p> <p>Before fiscal year 2017 close, the Department will confirm with the U.S. Department of Health and Human Services that the funds do not need to be repaid.</p> <p>Completion Date: Estimated June 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,258,250	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$1,258,250									
93.777										
93.778										

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2016	048	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Care Administration, made improper Medicaid payments to individual providers.</p> <table border="1" data-bbox="686 573 971 695"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$90,685</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the audit finding.</p> <p>The auditors used payment data to identify payments made to individual providers who claimed payment for personal care and mileage services on the same date of service that payment was made to a hospital or long-term care facility. The Department concurs that unallowable payments were made, but it is not known whether payments were incorrectly claimed by the individual providers, rather than the hospital or long term care facility.</p> <p>The audit work was performed during the first three months after the Department’s new billing system, Individual ProviderOne (IPOne), went live. During this time, providers were experiencing a learning curve in using the new system, which may have contributed to incorrect claims made during this time period.</p> <p>Since the implementation of the IPOne system, internal controls have strengthened in processing payments to individual providers. It is now easier for the Department to discover incidents when providers are claiming hours for a time period in which a client is in a hospital, long-term care facility, or other institutional setting.</p> <p>By July 2017, the Department will develop a process to research and remediate occurrences of payments made for personal care and mileage services while a client was either hospitalized or admitted to a long-term care facility.</p> <p>The Department will consult with the Department of Health and Human Services to discuss repayment of the questioned costs.</p> <p>Estimated January 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$90,685	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$90,685										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2016	049	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments made through the Social Service Payment System to individual providers were allowable.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$161,299</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department concurs that there were 48 payments not supported with timesheets or other documentation for hours worked or mileage claimed. However, the Department does not concur with all of the questioned costs associated with duplicate payments.</p> <p>To address the audit recommendations, the Department is taking the following corrective actions:</p> <ul style="list-style-type: none"> • With the implementation of the Individual ProviderOne system in March 2016, provider timesheets are now submitted electronically by providers as supporting documentation prior to payment. • As of June 2016, a portion of the duplicate payments were submitted for overpayments and were returned to the federal government. • In January 2017, the Department’s Developmental Disabilities Administration started verifying providers’ services by phone calls to a random sample of clients each month. • By April 2017, the new system will automatically send letters to a random sample of clients to verify services as part of the quality assurance review process. • By June 2017, overpayments will be submitted to the Office of Financial Recovery for recoupment from individual providers. <p>The Department will consult with the U.S. Department of Health and Human Services to discuss the repayment of other questioned costs.</p> <p>Completion Date: Estimated September 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$161,299	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$161,299									
93.777										
93.778										

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2016	050	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over the level of effort requirements for the Block Grants for Prevention and Treatment of Substance 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>93.959</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department agrees with the finding.</p> <p>The Department will formalize a written procedure to ensure established policies are followed in monitoring and managing maintenance of efforts requirement for both treatment services for pregnant women and women with dependent children, as well as for tuberculosis services. The procedure will reference the data sources necessary for monitoring expenditure levels; frequency of monitoring efforts; and the appropriate actions to be implemented if expenditures are below the maintenance of effort levels. The formal procedure will be communicated to responsible staff across the agency.</p> <p>The Department will collaborate with the Department of Health to capture tuberculosis data quarterly and will develop a methodology to determine and document the percentage of expenditures spent on individuals in substance abuse disorder treatment.</p> <p>The conditions noted in this finding were previously reported in finding 2015-053 and 2014-051.</p> <p>Completion Date: Estimated May 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.959	\$0
<u>CFDA #</u>	<u>Amount</u>					
93.959	\$0					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2015-001	State of Washington	N/A	H-10	Complete
2015-002	State of Washington	N/A	H-11	Repeat Finding 2016-006
2015-003	Department of Social and Health Services	10.551, 10.561, 93.558, 93.566, 96.001, 96.006	H-13	Repeat Finding 2016-002
2015-004	Superintendent of Public Instruction	10.558	H-14	Complete
2015-005	Department of Commerce	14.239	H-15	Complete
2015-006	Employment Security Department	17.225	H-17	Complete
2015-007	Employment Security Department	17.225	H-18	Complete
2015-008	Employment Security Department	17.225	H-19	Repeat Finding 2016-005
2015-009	Employment Security Department	17.245	H-20	Complete
2015-010	Employment Security Department	17.245	H-21	Complete
2015-011	Department of Health	66.468	H-22	Complete
2015-012	Superintendent of Public Instruction	84.369	H-23	Complete
2015-013	Superintendent of Public Instruction	84.369	H-24	Complete
2015-014	Department of Health	93.069, 93.889	H-25	Complete
2015-015	Department of Health	93.069, 93.889	H-26	Complete

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2015-016	Department of Social and Health Services	93.243, 93.959	H-27	Repeat Finding 2016-014
2015-017	Department of Social and Health Services	93.243, 93.959	H-28	Complete
2015-018	Department of Social and Health Services	93.558	H-29	Repeat Finding 2016-015
2015-019	Department of Social and Health Services	93.558	H-30	Complete
2015-020	Department of Social and Health Services	93.558	H-31	Repeat Finding 2016-017
2015-021	Department of Social and Health Services	93.558	H-32	Repeat Finding 2016-018
2015-022	Department of Social and Health Services	93.566	H-33	Complete
2015-023	Department of Early Learning	93.575, 93.596	H-35	Repeat Finding 2016-021
2015-024	Department of Early Learning	93.575, 93.596	H-38	Repeat Finding 2016-022
2015-025	Department of Early Learning	93.575, 93.596	H-39	Repeat Finding 2016-020
2015-026	Department of Social and Health Services	93.575, 93.596	H-40	Repeat Finding 2016-023
2015-027	Department of Early Learning / Department of Social and Health Services	93.575, 93.596	H-43	Complete
2015-028	Department of Social and Health Services	93.658	H-44	Repeat Finding 2016-024
2015-029	Department of Health	93.775, 93.777, 93.778, 93.778A	H-45	Complete
2015-030	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-46	Repeat Finding 2016-028

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2015-031	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-47	Unresolved, no finding issued
2015-032	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-48	Repeat Finding 2016-029
2015-033	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-49	Repeat Finding 2016-030
2015-034	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-50	Repeat Finding 2016-032
2015-035	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-51	Unresolved, no finding issued
2015-036	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-52	Unresolved, no finding issued
2015-037	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-53	Unresolved, no finding issued
2015-038	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-54	Unresolved, no finding issued
2015-039	State Health Care Authority	93.775, 93.777, 93.778, 93.778A	H-55	Repeat Finding 2016-034
2015-040	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-56	Repeat Finding 2016-040
2015-041	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-58	Unresolved, no finding issued
2015-042	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-60	Unresolved, no finding issued
2015-043	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-61	Unresolved, no finding issued
2015-044	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-62	Repeat Finding 2016-036
2015-045	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-63	Repeat Finding 2016-037

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2015-046	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-64	Unresolved, no finding issued
2015-047	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-65	Repeat Finding 2016-039
2015-048	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-67	Unresolved, no finding issued
2015-049	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-68	Repeat Finding 2016-045
2015-050	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-70	Unresolved, no finding issued
2015-051	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-72	Repeat Finding 2016-044
2015-052	Department of Social and Health Services	93.775, 93.777, 93.778, 93.778A	H-74	Repeat Finding 2016-041
2015-053	Department of Social and Health Services	93.959	H-75	Repeat Finding 2016-050
2015-054	Department of Social and Health Services	93.959	H-76	Complete
2015-055	Department of Social and Health Services	96.001, 96.006	H-77	Complete
2015-056	Military Department	97.042	H-78	Complete
2014-005	Department of Commerce	14.239	Refer to finding 2015-005 at H-15	Repeat Finding 2015-005
2014-007	Department of Commerce	16.575	H-79	Complete
2014-008	Employment Security Department	17.245	Refer to finding 2015-010 at H-21	Repeat Finding 2015-010
2014-009	Employment Security Department	17.245	Refer to finding 2015-009 at H-20	Repeat Finding 2015-009

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2014-012	Workforce Training and Education Coordinating Board	84.048	H-80	Unresolved, no finding issued
2014-013	Workforce Training and Education Coordinating Board	84.048	H-81	Complete
2014-014	Department of Early Learning	84.412	H-82	Complete
2014-016	Department of Health	93.069, 93.889	Refer to finding 2015-015 at H-26	Repeat Finding 2015-015
2014-018	Department of Social and Health Services	93.243	H-83	Unresolved, no finding issued
2014-019	Department of Social and Health Services	93.243, 93.959	Refer to finding 2015-016 at H-27	Repeat Finding 2016-014, 2015-016
2014-020	Department of Social and Health Services	93.243, 93.959	Refer to finding 2015-017 at H-28	Repeat Finding 2015-017
2014-021	Department of Social and Health Services	93.566	Refer to finding 2015-022 at H-33	Repeat Finding 2015-022
2014-022	Department of Social and Health Services	93.566	Refer to finding 2015-003 at H-13	Repeat Finding 2016-002, 2015-003
2014-023	Department of Early Learning	93.575, 93.596	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023
2014-026	Department of Social and Health Services	93.575, 93.596	Refer to finding 2015-026 at H-40	Repeat Finding 2016-023, 2015-026
2014-027	Department of Social and Health Services	93.658	Refer to finding 2015-028 at H-44	Repeat Finding 2016-024, 2015-028
2014-028	Department of Health	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-029 at H-45	Repeat Finding 2015-029
2014-029	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-036 at H-52	Repeat Finding 2015-036
2014-030	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-035 at H-51, 2015-036 at H-52	Repeat Finding 2015-035 Repeat Finding 2015-036

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June 30, 2016**

Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2014-031	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-034 at H-50	Repeat Finding 2016-032, 2015-034
2014-032	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-038 at H-54	Repeat Finding 2015-038
2014-033	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-037 at H-53	Repeat Finding 2015-037
2014-034	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030
2014-036	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-033 at H-49	Repeat Finding 2016-030, 2015-033
2014-037	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-039 at H-55	Repeat Finding 2016-034, 2015-039
2014-039	State Health Care Authority	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-032 at H-48	Repeat Finding 2016-029, 2015-032
2014-040	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	H-84	Complete
2014-041	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-052 at H-74	Repeat Finding 2016-041, 2015-052
2014-042	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-049 at H-68	Repeat Finding 2016-045, 2015-049
2014-043	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-049 at H-68	Repeat Finding 2016-045, 2015-049
2014-044	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-050 at H-70	Repeat Finding 2015-050
2014-045	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-047 at H-65	Repeat Finding 2016-039, 2015-047
2014-046	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-044 at H-62, 2015-045 at H-63	Repeat Finding 2016-036, 2016-037, 2015-044, 2015-045
2014-048	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-051 at H-72	Repeat Finding 2016-044, 2015-051

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2014-049	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-040 at H-56	Repeat Finding 2016-040, 2015-040
2014-050	Department of Social and Health Services	93.775, 93.777, 93.778A, 93.778	Refer to finding 2015-041 at H-64, 2015-048 at H-67	Repeat Finding 2015-041, 2015-048
2014-051	Department of Social and Health Services	93.959	Refer to finding 2015-053 at H-75	Repeat Finding 2016-050, 2015-053
2013-004	Department of Commerce	14.239	Refer to finding 2015-005 at H-15	Repeat Finding 2015-005, 2014-005
2013-012	Department of Health	93.069, 93.889	Refer to finding 2015-015 at H-26	Repeat Finding 2015-015, 2014-016
2013-016	Department of Early Learning	93.575, 93.596	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023, 2014-023
2013-017	Department of Social and Health Services	93.575, 93.596	Refer to finding 2015-026 at H-40	Repeat Finding 2016-023, 2015-026, 2014-026
2013-019	Department of Health	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-029 at H-45	Repeat Finding 2015-029, 2014-028
2013-020	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030, 2014-034
2013-023	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-038 at H-54	Repeat Finding 2015-038, 2014-032
2013-026	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-033 at H-49	Repeat Finding 2016-030, 2015-033, 2014-036
2013-027	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-037 at H-53	Repeat Finding 2015-037, 2014-033
2013-031	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-032 at H-48	Repeat Finding 2016-029, 2015-032, 2014-039
2013-033	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-047 at H-65	Repeat Finding 2016-039, 2015-047, 2014-045
2013-034	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-050 at H-70	Repeat Finding 2015-050, 2014-044

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
2013-036	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-049 at H-68	Repeat Finding 2016-045, 2015-049, 2014-042, 2014-043
2013-037	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-051 at H-72	Repeat Finding 2016-044, 2015-051, 2014-048
2013-038	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-052 at H-74	Repeat Finding 2016-041, 2015-052, 2014-041
2013-039	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2014-040 at H-84	Repeat Finding 2014-040
2013-040	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-040 at H-56	Repeat Finding 2016-040, 2015-040, 2014-049
12-08	Department of Commerce	14.239	Refer to finding 2015-005 at H-15	Repeat Finding 2015-005, 2014-005, 2013-004
12-21	Department of Health	93.069, 93.889	Refer to finding 2015-015 at H-26	Repeat Finding 2015-015, 2014-016, 2013-012
12-28	Department of Early Learning	93.575, 93.596, 93.713A	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023, 2014-023, 2013-016
12-30	Department of Social and Health Services	93.575, 93.596, 93.713A	Refer to finding 2015-026 at H-40	Repeat Finding 2016-023, 2015-026, 2014-026, 2013-017
12-33	Department of Health	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-029 at H-45	Repeat Finding 2015-029, 2014-028, 2013-019
12-39	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-049 at H-68	Repeat Finding 2016-045, 2015-049, 2014-042, 2014-043, 2013-036
12-41	Department of Social and Health Services	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-040 at H-56	Repeat Finding 2016-040, 2015-040, 2014-049, 2013-040
12-45	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-033 at H-49	Repeat Finding 2016-030, 2015-033, 2014-036, 2013-026
12-49	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030, 2014-034, 2013-020
12-53	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-037 at H-53	Repeat Finding 2015-037, 2014-033, 2013-027

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Finding Number	State Agency	CFDA Number	Page Number	Audit Status
12-54	State Health Care Authority	93.720A, 93.775, 93.777, 93.778, 93.778A	Refer to finding 2015-032 at H-48	Repeat Finding 2016-029, 2015-032, 2014-039, 2013-031
11-20	Department of Health	93.069, 93.889	Refer to finding 2015-015 at H-26	Repeat Finding 2015-015, 2014-016, 2013-012, 12-21
11-23	Department of Early Learning / Department of Social and Health Services	93.575, 93.596, 93.713A	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023, 2014-023, 2013-016, 12-28
11-25	Department of Health	93.720, 93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-029 at H-45	Repeat Finding 2015-029, 2014-028, 2013-019, 12-33
11-34	Department of Social and Health Services	93.720, 93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-040 at H-56	Repeat Finding 2016-040, 2015-040, 2014-049, 2013-040, 12-41
11-38	State Health Care Authority	93.720, 93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030, 2014-034, 2013-020, 12-49
11-39	State Health Care Authority	93.720, 93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-032 at H-48	Repeat Finding 2016-029, 2015-032, 2014-039, 2013-031, 12-54
10-31	Department of Early Learning / Department of Social and Health Services	93.575, 93.596, 93.713A	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23
10-40	Department of Social and Health Services	93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38
09-12	Department of Early Learning / Department of Social and Health Services	93.575, 93.596, 93.713A	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31
09-19	Department of Social and Health Services	93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40
08-13	Department of Early Learning / Department of Social and Health Services	93.575, 93.596	Refer to finding 2015-023 at H-35	Repeat Finding 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 09-12
08-25	Department of Social and Health Services	93.775, 93.776, 93.777, 93.778, 93.778A	Refer to finding 2015-030 at H-46	Repeat Finding 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19

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State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	001	<p>Finding: The State’s internal controls over Medicaid payments processed by ProviderOne are inadequate to ensure those payments are properly processed and recorded.</p> <p>Questioned Costs: None</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The state recognizes the significance and priority of internal controls over recording and reporting financial transactions. Currently the ProviderOne vendor provides an independent service organization control audit every other year. The state is negotiating with the vendor to provide annual audit reports that cover an entire fiscal year, and has requested funding from the legislature to do so.</p> <p>Completion Date: December 2016</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>

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State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	002	<p>Finding: The State should improve internal controls over the processing and recording of Unemployment Insurance premium payment and wage information to ensure accurate reporting.</p> <p>Questioned Costs: None</p> <p>Status: Refer to finding 2016-006</p> <p>Corrective Action: As of June 2015, the state’s Department of Employment Security began a process to ensure the nightly file received from the bank is available in the Next Generation Tax System (NGTS) and the daily bank reconciliation is performed. The Department’s Tax Accounting Unit Manager reviews the reconciliation to ensure it is completed daily.</p> <p>In September 2015, as soon as the finding was received, the Department created a workgroup, including the Department’s Commissioner, to review the recommendations identified in the finding to ensure all recommendations are addressed timely. By April 2016, this workgroup will conduct a root cause analysis of all issues identified in the audit and determine the next steps to correct the issues.</p> <p>As of October 2015, to address the defects within NGTS, the Department implemented a temporary work around process that is being used to reconcile NGTS with the Agency Financial Reporting System (AFRS), the state’s general ledger accounting system. This new process will be used until the permanent fixes are implemented.</p> <p>As of December 2015, the Department implemented system enhancements within NGTS to ensure all new tax and wage report and payment exceptions identified are assigned to Department staff daily. Each unit manager is responsible for reviewing the exception queues daily to ensure exceptions are being processed timely.</p> <p>Also as of December 2015, the Department manually corrected all errors identified in the audit related to NGTS incorrectly assessing tax rates for employer experience ratings when a business is purchased by a successor owner. Additionally, the Department made changes within NGTS, including correcting the coding formula, which has decreased the number of errors significantly.</p> <p>The Department is continuing work to address the issues noted in this finding including:</p> <ul style="list-style-type: none"> • Developing and implementing a new review and approval process for validating wage adjustment accuracy in the Department’s Tax Accounting unit. • Establishing and implementing a process to identify new successor employer accounts that are not applying the correct tax rate.

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State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	002 (cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> • Correcting the coding within NGTS to ensure that benefit charges are consistent with the benefit charge history. • Implementing a process to ensure employer payments and tax and wage information identified for manual reviews are processed timely. • Ensuring all old tax and wage report and payment exceptions are processed and corrected. Additionally, the Department plans to establish a process to ensure that documents are scanned into the appropriate document type so they can be processed timely. • Establishing and implementing a process to identify accounts that are incorrectly assessing the predecessor and successor rate to employer accounts. • Creating or revising NGTS reports to ensure they are complete and accurate. • Working with the programmers for NGTS to revise current accounting reports and identify new reports needed. • Prioritizing and correcting interfaces to ensure information transmitted is complete and accurate. <p>Due to the significant number of issues requiring system changes, it is difficult to estimate a completion date but the Department has a goal of December 2016 to complete corrective action.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-006.</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>

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**For the Fiscal Year Ended
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)														
2015	003	<p>Finding: The Department of Social and Health Services improperly charged \$5.6 million to multiple federal grants.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA#</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>10.551</td> <td>\$5,610,700</td> </tr> <tr> <td>10.561</td> <td></td> </tr> <tr> <td>93.558</td> <td></td> </tr> <tr> <td>93.566</td> <td></td> </tr> <tr> <td>96.001</td> <td></td> </tr> <tr> <td>96.006</td> <td></td> </tr> </tbody> </table> <p>Status: Refer to finding 2016-002</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>As an immediate fix to rectify the existing issue, including questioned costs, the Department’s Economic Services Administration (ESA) will utilize a manual journal voucher process to ensure expenditures charged to federal grants are obligated in the period of availability. To address the root cause of the issue, the Department plans to establish, sponsor and lead a cross-agency committee to review the processes involved and recommend implementation of changes to the existing Cost Allocation System methodology.</p> <p>The Department will also work with the appropriate federal agencies to discuss changing and/or updating the compliance supplement to better align with the state’s business practices for cash draws and reporting of the federal grants.</p> <p>The Department will continue discussions with its federal partners regarding what, if any, of the questioned costs should be repaid and acceptance of its prospective corrections.</p> <p>The conditions noted in this finding were previously reported in finding 2014-022.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-002.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	10.551	\$5,610,700	10.561		93.558		93.566		96.001		96.006	
<u>CFDA#</u>	<u>Amount</u>															
10.551	\$5,610,700															
10.561																
93.558																
93.566																
96.001																
96.006																

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Superintendent of Public Instruction

Agency 350

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	004	<p>Finding: The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with federal reporting requirements for the Child and Adult Care Food Program.</p> <p>Questioned Costs: <u>CFDA#</u> 10.558 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: During the implementation of the new application and claiming system, Washington Integrated Nutrition System (WINS), there were issues with the system data query developed for the Report of the Child and Adult Care Food Program (FNS-44). The Office worked closely with the WINS contracted developer to ensure the system data queries are now complete and accurate. The FNS-44 reports have been corrected and re-submitted to the U.S. Department of Agriculture. The Office’s financial analyst supervisor ensures that the reports and detailed backup documentation are reconciled and properly maintained.</p> <p>Completion Date: February 2016</p> <p>Agency Contact: Toni Bernethy Director of Audit Management PO Box 47200 Olympia, WA 98504-7200 (360) 725-6288 Toni.Bernethy@k12.wa.us</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	005	<p>Finding: The Department of Commerce did not have adequate internal controls to ensure HOME Investment Partnerships Program income was used before requesting federal cash draws.</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 style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>14.239</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding. The Department conducted a Lean process improvement event documenting the current process, including functions in both the accounting and program areas and created a new process to ensure available program income was used prior to requesting federal cash draws. The new process includes a number of improvements designed to increase efficiency and internal controls.</p> <p>The Department continues to:</p> <ul style="list-style-type: none"> • Maintain a “check” register showing the deposits made to the HOME Program income account. • Identify the balance in the HOME Program income account at a minimum of twice a month. • Require the approval of the federal draw and the HOME Program income payment be completed by the supervisor that oversees banking authorizations. • Require the approval of the HOME Program income account bank reconciliation to be conducted by the Accounting Manager. • Identify, document, and communicate roles and responsibilities. • Provide training on policies and procedures both initially and ongoing. <p>The new process is currently being tested and once testing is complete by October 2016, the Department will:</p> <ul style="list-style-type: none"> • Implement additional process improvements as identified by the process improvement team. • Update the desk manual for HOME Program income and federal draws to include the process identified above. • Update policies and procedures and communicate to all necessary staff. • Consult with the federal grantor to determine if any interest earnings are owed to the federal government and respond accordingly. <p>The conditions noted in this finding were previously reported in findings 2014-005, 2013-004, and 12-08.</p> <p>Completion Date: Estimated October 2016</p>	<u>CFDA#</u>	<u>Amount</u>	14.239	\$0
<u>CFDA#</u>	<u>Amount</u>					
14.239	\$0					

State of Washington
Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended
June 30, 2016

Department of Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)	
2015	005 (cont'd)	Agency Contact:	Shanna-Mae Cullen-Oden Internal Audit & Risk Manager PO Box 42525 Olympia, WA 98504-2525 (360) 725-4030 Shanna-Mae.Cullen-Oden@commerce.wa.gov

State of Washington
Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended
June 30, 2016

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	006	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible claimants of the Unemployment Insurance program received benefits.</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;">17.225</td> <td style="text-align: right;">\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: As of February 2016, the Department has reviewed the work search verification and job search review processes to determine what new processes need to be implemented or changed to ensure that only eligible claimants receive benefits.</p> <p>By September 2016, the Department will develop new policies and procedures to improve work search verification and job search review and monitoring processes. These procedures will include: management oversight to ensure accuracy and completeness, a new monitoring system that ensure the weekly in-person reviews have been completed, documentation retention requirements, and the minimum number of required verifications.</p> <p>Completion Date: Estimated October 2016</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	17.225	\$0
<u>CFDA#</u>	<u>Amount</u>					
17.225	\$0					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	007	<p>Finding: The Employment Security Department paid Trade Readjustment Allowance program benefits to participants who were not eligible to receive them.</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;">17.225</td> <td style="text-align: right;">\$5,530</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: As of March 2016, the Department has implemented the following controls to improve the program compliance and to ensure that only eligible participants receive services and benefits:</p> <ul style="list-style-type: none"> • Developed new policies and procedures to improve application eligibility review process, established secondary review and oversight to reduce errors and increase program compliance and accuracy. • Set up new requirements for managerial oversight, conducting ongoing reviews, random testing and sampling. • Began quarterly trainings to increase staff’s knowledge on the Trade Readjustment Allowance program requirements. <p>By August 2016, the Department will contact the federal awarding agency, U.S. Department of Labor, to determine what, if any, of the questioned costs should be repaid.</p> <p>Completion Date: Estimated August 2016</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	17.225	\$5,530
<u>CFDA#</u>	<u>Amount</u>					
17.225	\$5,530					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)					
2015	008	Finding:	The Employment Security Department made unsupported payments to Trade Readjustment Allowance program participants.				
		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;">17.225</td> <td style="text-align: right;">\$4,772</td> </tr> </table>	<u>CFDA#</u>	<u>Amount</u>	17.225	\$4,772
<u>CFDA#</u>	<u>Amount</u>						
17.225	\$4,772						
		Status:	Refer to finding 2016-005				
		Corrective Action:	As of February 2015, the Department began scanning and maintaining supporting payment documentation in accordance with federal and state record retention guidelines.				
			<p>By October 2016, the Department will:</p> <ul style="list-style-type: none"> • Implement a new computer system that will increase the payment accuracy and documentation process. • Establish new procedures over the Trade Readjustment Allowance (TRA) program payment documentation and retention. TRA staff will submit a copy of the payment supporting documentation to the Finance Department for their records. • Establish ongoing managerial oversight and review to improve the program compliance over the payment documentation and retention. • Contact the federal awarding agency, U.S. Department of Labor, to determine what, if any, of the questioned costs should be repaid. 				
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-005.				
		Agency Contact:	<p>Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>				

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)			
2015	009	<p data-bbox="483 443 1409 527">Finding: The Employment Security Department did not have adequate internal controls to ensure only eligible participants of the Trade Adjustment Assistance program received benefits.</p> <table data-bbox="483 562 954 625"> <tr> <td data-bbox="483 562 613 590">Questioned Costs:</td> <td data-bbox="667 562 760 590"><u>CFDA#</u> 17.245</td> <td data-bbox="857 562 954 590"><u>Amount</u> \$0</td> </tr> </table> <p data-bbox="483 653 954 680">Status: Corrective action complete</p> <p data-bbox="483 716 1472 1178">Corrective Action: As of February 2016, the Department:</p> <ul data-bbox="716 743 1472 1178" style="list-style-type: none"> • Added additional staff to increase support and initiated separation of duties by assigning one individual to determine the eligibility for benefits using the General Unemployment Insurance Design Effort system and a second individual to enter information into the Case Management System. • Established a plan to increase accuracy and efficiency within the Trade Adjustment Assistance (TAA) program, which included the following activities: increased managerial oversight and review over the eligibility determination process, completing spot checks and conducting random testing. • Set up new guidelines to assist TAA program staff in determining eligibility and ensuring participants meet federal requirements before authorizing payment, and developed a checklist to ensure proper documentation is in place. <p data-bbox="667 1205 1435 1268">The conditions noted in this finding were previously reported in finding 2014-009.</p> <p data-bbox="483 1297 824 1360">Completion Date: February 2016</p> <p data-bbox="483 1388 954 1570">Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	Questioned Costs:	<u>CFDA#</u> 17.245	<u>Amount</u> \$0
Questioned Costs:	<u>CFDA#</u> 17.245	<u>Amount</u> \$0			

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	010	<p>Finding: The Employment Security Department did not have support for transportation reimbursement payments to Trade Adjustment Assistance program participants.</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>17.245</td> <td>\$643</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: As of May 2016, the Department:</p> <ul style="list-style-type: none"> • Began scanning and maintaining transportation reimbursement payment supporting documentation in accordance with federal and state record retention guidelines. • Redesigned the claim forms requiring an additional review of the payment calculation for accuracy by field staff and a second review by central office staff. • Implemented segregation of duties within the payment process where one individual enters the payment information and another individual verifies the payment before delivering the payment batch to vendor payment unit. • Created new procedures that incorporated strong internal controls that are reviewed and monitored by management on an ongoing basis. <p>By August 2016, the Department will contact the federal awarding agency, U.S. Department of Labor, to determine what, if any, of the questioned costs should be repaid.</p> <p>By December 2016, the Department will update and revise written policies and procedures to address the new payment process.</p> <p>The conditions noted in this finding were previously reported in finding 2014-008.</p> <p>Completion Date: Estimated December 2016</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	17.245	\$643
<u>CFDA#</u>	<u>Amount</u>					
17.245	\$643					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	011	<p>Finding: The Department of Health did not have adequate internal controls to ensure compliance with the earmarking requirements for the Drinking Water State Revolving Funds 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 style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>66.468</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: In order to qualify additional requests for subsidy that in previous years were not captured, the Department added a third tier of application screening. This is done during the underwriting process by identifying those applicants who have a Debt Service Coverage Ratio less than 1.20:1. The applicants identified and placed on a list for consideration for subsidy dollars if they have not been utilized using the first two screening methodologies. The Department has begun the screening and drafted changes to its guidance manual to document this process. The Department expects to publish the guidance within the next couple of months.</p> <p>As of January 2016, the Department’s Loan and Grant Program Supervisor began tracking subsidies. The Department is also verifying and documenting subsidy dollars on an ongoing basis in the Drinking Water State Revolving Fund weekly team meetings to ensure accuracy of the dollars. The Department will notify the grantor prior to the year-end annual report if it is determined that the minimum requirement of 20 percent subsidy will not be met.</p> <p>Completion Date: January 2016</p> <p>Agency Contact: Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	66.468	\$0
<u>CFDA#</u>	<u>Amount</u>					
66.468	\$0					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Superintendent of Public Instruction

Agency 350

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	012	<p>Finding: The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with federal suspension and debarment requirements for the Grants for State Assessments and Related Activities program.</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 style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>84.369</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: As acknowledged by the auditors in their concluding remarks, the instance noted in this finding was isolated. The Office generally utilizes a standard contract template that includes suspension and debarment language. However in the instance noted in the finding, the Office, based on direction from the U.S. Department of Education, entered into a required contract with the University of California Los Angeles as part of the Smarter Balanced Assessment Consortium grant agreement. The required contract lacked suspension and debarment language.</p> <p>In response to this finding, in the future if there is a circumstance in which the Office does not use its standard contract template, the Director of Agency Financial Services will ensure that suspension and debarment language is included in the contract. If the required language is not included, evidence will be retained to confirm that the Office checked the System for Award Management to ensure vendors have not been suspended or debarred.</p> <p>Completion Date: February 2016</p> <p>Agency Contact: Toni Bernethy Director of Audit Management PO Box 47200 Olympia, WA 98504-7200 (360) 725-6288 Toni.Bernethy@k12.wa.us</p>	<u>CFDA#</u>	<u>Amount</u>	84.369	\$0
<u>CFDA#</u>	<u>Amount</u>					
84.369	\$0					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Superintendent of Public Instruction

Agency 350

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	013	<p>Finding: The Office of Superintendent of Public Instruction did not maintain required documentation for payroll costs charged to the Grants for State Assessments and Related Activities program.</p> <table border="0"> <tr> <td data-bbox="483 562 607 590">Questioned</td> <td data-bbox="667 562 753 590"><u>CFDA#</u></td> <td data-bbox="862 562 948 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 548 617">Costs:</td> <td data-bbox="667 590 743 617">84.369</td> <td data-bbox="862 590 964 617">\$196,904</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: In accordance with the Uniform Grant Guidance (2 CFR 200.430), the Office will evaluate and implement other options for providing reasonable assurance that payroll charges to federal awards are accurate, allowable and properly allocated. Until any changes are made, the Office's Accounting Manager will ensure that semi-annual certifications are obtained in a timely manner.</p> <p>In June 2016, the Office submitted time and effort documentation to the U.S. Department of Education regarding resolution of questioned costs.</p> <p>Completion Date: September 2016</p> <p>Agency Contact: Toni Bernethy Director of Audit Management PO Box 47200 Olympia, WA 98504-7200 (360) 725-6288 Toni.Bernethy@k12.wa.us</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	84.369	\$196,904
Questioned	<u>CFDA#</u>	<u>Amount</u>						
Costs:	84.369	\$196,904						

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)									
2015	014	<p>Finding: The Department of Health did not follow established internal controls over and did not comply with Federal Financial Reporting requirements for the Public Health Emergency Preparedness and National Bioterrorism Hospital Preparedness Programs.</p> <table border="0"> <tr> <td data-bbox="483 590 607 617">Questioned</td> <td data-bbox="667 590 753 617"><u>CFDA#</u></td> <td data-bbox="862 590 948 617"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 548 648">Costs:</td> <td data-bbox="667 621 753 648">93.069</td> <td data-bbox="862 621 889 648">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 653 740 680">93.889</td> <td></td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department has reviewed its written policies and procedures with all fiscal staff responsible for preparing, reviewing, approving and submitting Federal Financial Reports (FFR).</p> <p>Internal controls include separation of duties between fiscal staff who prepare the FFR, program staff who review and approve the draft FFR, and the Grants Manager or designee who reviews, approves and submits the FFR.</p> <p>The Department strives to accurately submit all Federal Financial Reports and will continue to do so in the future.</p> <p>Completion Date: February 2016</p> <p>Agency Contact: Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.069	\$0		93.889	
Questioned	<u>CFDA#</u>	<u>Amount</u>									
Costs:	93.069	\$0									
	93.889										

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	015	<p>Finding: The Department of Health did not have adequate internal controls over federal level of effort requirements for the Public Health Emergency Preparedness and National Bioterrorism Hospital Preparedness programs and did not comply with federal level of effort requirements for the National Bioterrorism Hospital Preparedness 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 style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.069</td> <td>\$0</td> </tr> <tr> <td>93.889</td> <td></td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with the finding. The Department established, and now follows, written policies and procedures for tracking, documenting, and requirements for reporting the level of effort.</p> <p>The Department communicated with its federal grantor to determine the best method for how and when to provide notification in the event that the required level of effort will not be met. The Department will be communicating with its federal partners on a quarterly basis.</p> <p>The conditions noted in this finding were previously reported in findings 2014-016, 2013-012, 12-21, and 11-20.</p> <p>Completion Date: February 2016</p> <p>Agency Contact: Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.069	\$0	93.889	
<u>CFDA#</u>	<u>Amount</u>							
93.069	\$0							
93.889								

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	016	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</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>93.243</td> <td>\$0</td> </tr> <tr> <td>93.959</td> <td></td> </tr> </table></p> <p>Status: Refer to finding 2016-014</p> <p>Corrective Action: The Department originally dedicated one staff person to do this work, but due to downsizing and turn over, this position was eliminated. The Department is re-evaluating where this workload should be.</p> <p>As of December 2015, the Department conducted follow-up telephone interviews or on-site visits with subrecipient contractors as appropriate when findings were reported to ensure corrective action plans were followed. Follow-up is documented in the subrecipient tracking system.</p> <p>By August 2016, the Department will:</p> <ul style="list-style-type: none"> • Establish policies and procedures to ensure all required audits occur. Changes in procedures will likely include revised contract language and a clearly defined process for following up on findings and ensuring federal funds are properly reported. • Ensure all completed subrecipient audits are also included in the subrecipient tracking system. <p>The conditions noted in this finding were previously reported in finding 2014-019.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-014.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.243	\$0	93.959	
<u>CFDA#</u>	<u>Amount</u>							
93.243	\$0							
93.959								

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	017	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with its required collection of Data Universal Numbering System (DUNS) numbers from subrecipients under the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse 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>93.243</td> <td>\$0</td> </tr> <tr> <td>93.959</td> <td></td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: In February 2015, the Department established policies, procedures and internal controls to obtain Data Universal Numbering System (DUNS) numbers from subrecipients prior to making subawards in accordance with 2 CFR, Appendix A to Part 25. DUNS numbers are now recorded in the special terms and conditions of all applicable contracts.</p> <p>The new procedures include a requirement for program staff to reject contract forms received from a subrecipient that do not include the subrecipient’s DUNS number. New procedures also include maintaining of a list of and annually reporting DUNS numbers for all subrecipients.</p> <p>The conditions noted in this finding were previously reported in finding 2014-020.</p> <p>Completion Date: February 2015</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.243	\$0	93.959	
<u>CFDA#</u>	<u>Amount</u>							
93.243	\$0							
93.959								

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	018	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.</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;">93.558</td> <td style="text-align: right;">\$943</td> </tr> </table></p> <p>Status: Refer to finding 2016-015</p> <p>Corrective Action: All issues identified by the auditors were for clients served by both Division of Child Support (DCS) and the Community Services Division (CSD). The root cause of this issue was a miscommunication between the DCS and CSD systems. Once the issue was brought to the Department’s attention, DCS and CSD collaborated to identify and resolve the system issue. In addition to the immediate correction, CSD and DCS have worked together to proactively identify and resolve any further systems communication gaps relative to sanctioning a shared client in noncooperation status.</p> <p>In February 2016, CSD issued overpayments for the exceptions identified in the audit. All overpayments were referred to the Department’s Office of Financial Recovery (OFR) for processing.</p> <p>In March 2016, CSD leadership reminded staff to review each case record for non-cooperation notices prior to approving TANF payments. This communication was posted to the ESA SharePoint site.</p> <p>Also in March 2016, CSD commissioned a workgroup to develop and recommend an automated solution for updating and/or flagging closed cases in non-cooperation status to ensure these cases will be handled appropriately if the case is reopened.</p> <p>In June 2016, CSD reviewed and took appropriate actions on all cases with non-cooperation sanctions during the audit period.</p> <p>To further prevent another technical glitch, DCS made improvements to their release planning and implementation process in October 2015, including a quality assurance process which occurs prior to new release implementations.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-015.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.558	\$943
<u>CFDA#</u>	<u>Amount</u>					
93.558	\$943					

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	019	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements of its Temporary Assistance for Needy Families grant work verification plan.</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 style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td>\$0</td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: In March 2016, the Department’s Community Services Division (CSD) staff created electronic reminders to request monitoring reports and schedules, as appropriate, from partner agencies. CSD leadership provided training in April 2016, to ensure the tools and schedules were effectively implemented.</p> <p>In June 2016, CSD initiated a workgroup that developed effective monitoring tools and schedules to ensure the Department is following its federally approved work verification plan. The schedule includes retroactively monitoring and taking appropriate action on the partner contracts for the audit period. This workgroup also recommended additional staffing to remedy workload issues.</p> <p>CSD also created an internal quality assurance process to further ensure that staff continues to adequately monitor the contracts.</p> <p>The Department would like to note that contract monitoring is not the sole activity quantifying the accuracy of the data used in calculating the work participation rates. The Department performs the following control procedures in accordance with the Work Verification Plan:</p> <ul style="list-style-type: none"> • An extensive Quality Assurance process that the Department annually conducts for each of the three contracted agencies. • A review and verification process that the Department conducts monthly related to the integrity and accuracy of the data provided for the work participation rates. <p>Completion Date: June 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.558	\$0
<u>CFDA#</u>	<u>Amount</u>					
93.558	\$0					

**State of Washington
Summary Schedule of Prior Audit Findings**

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)				
2015	020	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place to ensure compliance with the maintenance of effort requirements for the Temporary Assistance for Needy Families grant program.</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 style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td>\$0</td> </tr> </table></p> <p>Status: Refer to finding 2016-017</p> <p>Corrective Action: The Department concurs with the finding. The Department will modify its internal controls, policies and procedures specific to monitoring expenditures throughout the year, at least quarterly, in order to ensure that the minimum maintenance of effort (MOE) requirements will be met. These policies and/or procedures will also identify the steps and processes for staff to ensure that the MOE expenditures are accurate, allowable and adequately supported. The Department will communicate the modified procedures to those individuals responsible for monitoring MOE to ensure compliance with federal requirements.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-017.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.558	\$0
<u>CFDA#</u>	<u>Amount</u>					
93.558	\$0					

**State of Washington
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	021	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families Grant.</p> <p>Questioned Costs: <u>CFDA#</u> 93.558 <u>Amount</u> \$0</p> <p>Status: Refer to finding 2016-018</p> <p>Corrective Action: The Department concurs with the overall findings of the auditors and appreciates the auditors' acknowledgement that they have verified the amounts reported by the Department were materially correct.</p> <p>The Department asserts that staff completing the reports reviewed documentation and analyzed costs to confirm that reported amounts met the federal maintenance of effort (MOE) requirements. This documentation, which includes a comprehensive matrix that identifies services and costs charged to the program, was reviewed by Department staff to ensure reported amounts were accurate, allowable and supported prior to the MOE being reported to the federal government.</p> <p>The Department agrees that documentation should be immediately available, well organized, and updated as appropriate. The Department will develop written procedures and policies requiring yearly certifications for the MOE report prior to submitting to the federal government. The policies and procedures will identify the steps and processes for staff to ensure that the MOE report is accurate, allowable and adequately supported. The Department will also develop and implement additional controls to ensure reporting requirements are met.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-018.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	022	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure only eligible refugees of the Refugee and Entrant Assistance program received cash assistance.</p> <p>Questioned Costs: <u>CFDA#</u> 93.566 <u>Amount</u> \$23,213</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department takes its responsibility to provide strong program oversight through appropriate internal controls seriously. The Department’s Office of Refugee and Immigrant Assistance (ORIA) implemented many action items aimed at resolving the finding. Unfortunately, the timing of the audit and subsequent findings allowed only three months for the corrective action plan to be fully effective. The majority of the clients identified as not referred to Work and Training (W&T) in the current audit were enrolled prior to the full implementation of the prior audit corrective action plan items.</p> <p>From the fiscal year 2014 to the fiscal year 2015 audit, the Department’s accuracy rate increased and questioned costs decreased in both areas (eligibility and documentation). For this audit, the auditors determined that two applicants were improperly approved for Refugee Cash Assistance (RCA) benefits because they were eligible to receive Temporary Assistance for Needy Families funds, and 13 applicants lacked required documentation.</p> <p>As of January 2015, the Department’s Community Services Division (CSD) introduced a RCA referral tool in the electronic Jobs Automated System (eJAS) to refer and track RCA recipients. The tool requires CSD staff to complete an employability screening for eligible clients and to create a referral to an authorized employment provider. This tool has significantly increased appropriate referrals, and the Department will provide continued staff training and monitoring to ensure this new automated system is functioning and that all eligible refugees are referred to W&T programs.</p> <p>By September 2016, CSD will ensure all Community Service Office staff receives annual training to facilitate accurate RCA eligibility determination and W&T referrals. To complement the annual training, ORIA program managers will regularly visit local offices across the state to provide outreach and onsite technical assistance to ensure staff is appropriately trained and able to make accurate RCA eligibility determinations and W&T referrals.</p>

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	022 (cont'd)	<p>ORIA will continue to review, track, and monitor RCA enrollments and employment referrals through a monthly report from the ESA Management Accountability and Performance Statistics unit. For those clients not referred to a W&T program, ORIA will work with CSD Operations staff to correct errors in eligibility determination and employment referrals.</p> <p>By September 2016, ORIA will work with ESA’s Information Technology Solutions team to explore the feasibility of implementing a system edit, or “hard stop”, to prevent financial workers from inappropriately enrolling a minor into RCA (in the Automated Client Eligibility System).</p> <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-021.</p> <p>Completion Date: Estimated September 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)									
2015	023	<p>Finding: The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 588 941 682"> <thead> <tr> <th></th> <th><u>CFDA#</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.575</td> <td></td> <td>\$64,802</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </tbody> </table> <p>Status: Refer to finding 2016-021</p> <p>Corrective Action: The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments. The Department currently audits randomly selected attendance records within four months after the end of the payment month.</p> <p>In January 2012, the Working Connection Child Care (WCCC) subsidy audit team was created within the Department to meet federal internal control requirements of the WCCC subsidy program. The team started with four Quality Assurance (QA) specialists and one lead worker. In December 2013, the team hired three new QA specialists. From February 2014 through May 2014, the Department had two QA specialists dedicated to the Federal Improper Payment Audit.</p> <p>In 2012, the Washington State Legislature required the Department in coordination with DSHS to contract with an independent consultant to evaluate and recommend the optimum system for the eligibility determination process. The evaluation was required to include an analysis of Lean management processes that, if adopted, could improve the cost effectiveness and delivery of eligibility determination.</p> <p>The Department contracted with the Aclara Group to provide an evaluation of the Child Care Subsidy Programs (CCSP) and develop recommendations for business process improvements. Aclara’s final report was completed on October 31, 2012. The report identified 29 recommendations for improvement that span policy, business processes, and information technology supports. The Department is taking a structured project approach to address the report recommendations. The proposed project structure fosters a close partnership between the Department and DSHS to streamline and simplify CCSP policies and processes. The Department and DSHS formed 14 interagency workgroups to analyze these recommendations and implement those that would improve the program. This project was completed in July 2015.</p> <p>Starting in July 2014, the Department collaborated with DSHS on an interagency and interdivision Lean Six Sigma process improvement effort to address the high rate of overpayments the Department is currently experiencing. The effort includes mapping multiple related work processes to identify variables that may contribute to overpayments and identifying</p>		<u>CFDA#</u>	<u>Amount</u>	93.575		\$64,802	93.596		
	<u>CFDA#</u>	<u>Amount</u>									
93.575		\$64,802									
93.596											

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	023 (cont'd)	<p>improvements that can be made to these processes that could help lower the rate of overpayments. As of July 2015, the Department completed Lean process maps for all subsidy audit work processes and identifying areas for improvement. Work is ongoing in many areas to implement improvements.</p> <p>In November 2014, the Department and DSHS formed a WCCC reframe workgroup designed to address the recent reauthorization of the Child Care Development Fund grant.</p> <p>Part of the scope of this work is to conduct a comprehensive analysis of billing and other child care provider requirements that have the potential to cause confusion or otherwise increase the risk of improper billing. The workgroup continues to collaborate on this analysis on an ongoing basis. The Department will continue to audit records up to twelve months old in cases where providers back bill for a prior period. If the Department reviewed only very recent records as requested by the auditor, the population of records to review would be incomplete and providers could submit invoices for time periods that wouldn't be subject to audit, which would create a significant risk factor that could increase fraud. Also, the statute of limitations is three years for establishing an overpayment and the Department's reviews have historically been made within this timeframe.</p> <p>In February 2015, the Department and DSHS formed a Child Care Audit Committee designed to address internal and external audit issues, and improve internal controls over client eligibility and direct payments to child care providers. This group continues to meet and collaborate on process improvements.</p> <p>In the most recent required Child Care Development Fund Program State Improper Payment Report submitted in July 2014, the Department reported that, of 276 cases sampled, nine cases (3.3 percent of the total) had an improper payment error (overpayment or underpayment). The national improper payment error rate for this same period was 5.7 percent, so the Department is well below this national average. The federal government requires a corrective action plan for states exceeding 10 percent.</p> <p>In March 2016, the Department began clarifying subsidy program rules and policies, using provider feedback to improve training, developing record keeping templates, and communicating more frequently with DSHS.</p> <p>The Department will continue to request funding for an electronic time and attendance billing system, which will ensure attendance data for all providers are available and reconciled to billing before payment is made. Such a system would eliminate many forms of potential fraud and decrease the number of unintentional billing errors that cause high levels of improper payments.</p>

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Summary Schedule of Prior Audit Findings**

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Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)	
2015	023 (cont'd)	<p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department is exploring an interim IT solution that will allow the Department to receive electronic attendance records from all child care providers receiving subsidy payments. The Department has also initiated a project to implement a new case management system to improve provider monitoring, fraud detection and data reporting.</p> <p>The Department is committed to improving its audit approach to include changing how cases are assigned, increasing auditor training, and implementing risk-based auditing techniques. For example, the Department is considering expanding attendance record review in cases where the Department has information to suggest it is likely to uncover additional types of billing errors, return substantial sums to the grant, or assist with fraud investigations. The Department will also continue the recent change to audit providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews.</p> <p>The conditions noted in this finding were previously reported in finding 2014-023, 2013-016, 12-28, 11-23, 10-31, 09-12, and 08-13.</p> <p>The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-021.</p> <p>Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	024	<p>Finding: The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</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>93.575</td> <td>\$0</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table></p> <p>Status: Refer to finding 2016-022</p> <p>Corrective Action: The Department concurs with this finding. To address the weaknesses noted in the finding, the Department has taken or is taking the following steps:</p> <ul style="list-style-type: none"> • Recently created a licensing background unit that will allow staff to better manage fingerprint requirements. • Immediately shifting licensing staff resources from regions where work is being completed timely to regions where staffs are behind, while an analysis of the number of staff needed is conducted to satisfy the licenser-to-childcare provider requirements of the Child Care and Development Block Grant (CCDBG) Act of 2014. • Undertaking emergency rulemaking and update policies to clarify that licensors do not need to inspect licensees that have become inactive. • Clarify policies and procedures and provide additional training to licensing staff on the revisions. • Continue to request funding from the legislature to develop an integrated licensing management system. <p>The above steps will increase compliance with state rules and agency policies and procedures to ensure that childcare providers are meeting all applicable health and safety requirements.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-022.</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.575	\$0	93.596	
<u>CFDA#</u>	<u>Amount</u>							
93.575	\$0							
93.596								

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Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)							
2015	025	<p>Finding: The Department of Early Learning did not have adequate internal controls over child care fraud detection and repayments.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA#</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.575</td> <td>\$0</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </tbody> </table> <p>Status: Refer to finding 2016-020</p> <p>Corrective Action: To address the finding, the Department is taking the following actions:</p> <ul style="list-style-type: none"> • Developing written policies and procedures for staff to follow when potential fraud is suspected. • Providing training, in collaboration with the Department of Social and Health Services (DSHS) Office of Fraud and Accountability (OFA), on the elements of fraud to Department audit and licensing staff responsible for making decisions to refer cases to Subsidy Policy and Audit Manager, who makes the final decision to refer to OFA for action. • In cases of suspected fraud, expanding review of provider attendance records where necessary to support fraud investigation. • Continuing to request funding for an electronic time and attendance billing system whereby attendance data for all providers is available and reconciled to billings before payment is made. Such a system would eliminate many forms of potential fraud and decrease the number of unintentional errors that cause high levels of improper payments. • Exploring an interim IT solution that will allow the Department to receive electronic attendance records from all child care providers receiving subsidy payments. <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-020.</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.575	\$0	93.596		
<u>CFDA#</u>	<u>Amount</u>								
93.575	\$0								
93.596									

**State of Washington
Summary Schedule of Prior Audit Findings**

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)									
2015	026	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.</p> <table border="0" data-bbox="483 562 954 651"> <tr> <td data-bbox="483 562 613 592">Questioned</td> <td data-bbox="669 562 760 592"><u>CFDA#</u></td> <td data-bbox="863 562 954 592"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 592 613 621">Costs:</td> <td data-bbox="669 592 760 621">93.575</td> <td data-bbox="863 592 954 621">\$12,967</td> </tr> <tr> <td></td> <td data-bbox="669 621 760 651">93.596</td> <td></td> </tr> </table> <p>Status: Refer to finding 2016-023</p> <p>Corrective Action: The Department does not concur with this finding. The Department thoroughly reviewed each of the 34 cases in question, and maintains Department staff correctly determined eligibility in every single case.</p> <p>The Department must make “point in time” eligibility determinations based on the information available at the time of application. Per Washington Administrative Code, if a consumer does not provide all of the verification information requested, the Department is required to determine eligibility based on the information already available to the Department.</p> <p>While the Department made accurate initial eligibility determinations in 100 percent of the 399 cases reviewed by the auditors, the Department concurs that it is likely that in six cases improper payments were made to childcare providers, not 34 as identified in the finding. In five of the six cases in question, the clients failed to accurately report information in the initial application or failed to report changes in their circumstances as required by rule. The Department became aware of this information after making the initial, accurate eligibility determinations. In the sixth case, the Department had appropriately terminated the client’s eligibility, however, a minor procedural error allowed child care to briefly continue.</p> <p>In all six cases, the Department was already aware of and actively addressing the client’s change in circumstances prior to the auditor’s review of the cases and associated payments. It is important to note that changes in a client’s circumstances do not necessarily result in changes to a client’s eligibility status. Minor changes may result in a slight fluctuation of co-payment or hours of care approved.</p> <p>The Department’s calculation of total questioned costs is \$2,919, not \$12,967 as proposed by the auditor. The Department has reviewed the cases in question, and is pursuing overpayments as appropriate.</p> <p>The Department implemented monitoring protocols to establish appropriate separation of duties between staff who determine eligibility and staff who authorize payments. Specifically:</p> <ul style="list-style-type: none"> • The Department’s “universal caseload model” utilizes analytics to prioritize and randomly assign work activities to staff. This provides a process where case actions, such as eligibility determination and authorization for care, are highly likely to be 	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.575	\$12,967		93.596	
Questioned	<u>CFDA#</u>	<u>Amount</u>									
Costs:	93.575	\$12,967									
	93.596										

**State of Washington
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Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	026 (cont'd)	<p>completed by different workers. The assigned worker will review the case (a secondary review) each time they receive an assignment. This allows the worker to familiarize themselves with the case and confirm eligibility and payment information prior to completing the required case action. The worker will correct any errors they find prior to completing the assignment. Approximately 140 staff process child care cases and the probability of the same case being assigned to the same worker for two case actions in a row is less than one percent.</p> <ul style="list-style-type: none"> • The Department modified the system so a staff member who activates a license-exempt provider cannot make any payment authorizations for that provider. This electronic process reduces the potential for fraudulent payment authorizations. • Quarterly, regional staffs review an integrity report which identifies cases where the same staff member has authorized four or more payments in a 15 month period without authorization activity from other staff. To date, the report has not identified any cases resulting in a finding of improper authorization activities. <p>The Department also continues to perform the following child care authorization audits:</p> <ul style="list-style-type: none"> • At least one percent of child care caseload monthly. • Exceptional payment authorizations are reviewed and approved by a supervisor before payment can be made. An example of an exceptional payment is when a child requires and is eligible for care six days per week due to parent work activity. • 100 percent pre/post authorization audits for all new childcare workers. • Review data provided by the Health Care Authority (HCA) and audit additional childcare payments identified as potentially error prone. HCA has developed and runs algorithms which identify billing anomalies. Providers who over-bill or are paid an incorrect rate are identified and overpayments are established. All paid authorizations are reviewed on a scheduled basis or where immediate, ad-hoc policy clarification, training or systems support may increase accuracy. • Review cases identified by eligibility workers where it appears likely that an improper payment may have occurred and verification is requested. Specialized eligibility staff reviews the case specifics and verification documentation. Attendance records are requested to determine the amount of the improper payment. <p>In March 2016, the Department updated the Working Connections Automated Program (WCAP) screens so the eligibility determination function and the benefit calculation function displayed on separate screens, therefore, requiring staff to process each function separately.</p> <p>By September 2016, Community Services Division staff will write overpayments as appropriate.</p>

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	026 (cont'd)	<p>If the Department of Health and Human Services (DHHS) contacts the Department regarding questionable costs that should be repaid, the Department will confirm these costs with DHHS and will take appropriate action in the form of payment.</p> <p>The conditions noted in this finding were previously reported in finding 2014-026, 2013-017, and 12-30.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-023.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

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**Department of Early Learning
Department of Social and Health Services**

**Agency 357
300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	027	<p>Finding: The Departments of Early Learning and Social and Health Services did not establish adequate internal controls over and did not comply with period of availability requirements for the Child Care and Development Fund program.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th><u>CFDA#</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.575</td> <td>\$21,320,595</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department of Social and Health Services (DSHS) Economic Services Administration (ESA) has a process in place for monitoring period of availability compliance and processing journal vouchers to ensure compliance with the period of availability in regards to the federal grant. The amount in question of \$21,320,595 was reversed in Fiscal Year 2015.</p> <p>The Departments will also work with the appropriate federal agency to discuss changing and/or updating the Federal OMB compliance supplement to better align with the state's business practices for cash draws and reporting of the federal grants. The Departments will continue discussions with their federal partner regarding the amount, if any, of the questioned costs that should be repaid and acceptance of prospective corrections.</p> <p>The Division of Finance and Financial Recovery (DFFR) is currently working with the DSHS Office of Accounting Services to establish written policies and procedures to ensure compliance with grant requirements and determination of what is needed to change the Department's Cost Allocation System. DFFR has coordinated with DEL to develop and implement manual processes that are currently in place. This will be communicated with DEL by August 2016.</p> <p>The Department plans to establish, sponsor and lead a cross-agency committee to review the processes involved and potentially recommend implementation of changes to the existing Cost Allocation System methodology.</p> <p>Completion Date: Estimated September 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.575	\$21,320,595	93.596	
<u>CFDA#</u>	<u>Amount</u>							
93.575	\$21,320,595							
93.596								

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	028	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with foster care payment rate setting and application requirements for the Foster Care program.</p> <table border="0"> <tr> <td data-bbox="483 562 613 590">Questioned</td> <td data-bbox="667 562 760 590"><u>CFDA#</u></td> <td data-bbox="857 562 950 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 613 617">Costs:</td> <td data-bbox="667 590 760 617">93.658</td> <td data-bbox="857 590 950 617">\$0</td> </tr> </table> <p>Status: Refer to finding 2016-024</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>The settlement of the Foster Parents Association of Washington State lawsuit and subsequent funding by the legislature beginning state fiscal year 2016 increased the basic maintenance rate paid to licensed foster care homes on July 1, 2015. The rate is based on an economic analysis of the cost of raising a child.</p> <p>The Department will review the maintenance payment rate again in 2019, based upon an economic analysis, to determine if the rate needs to be adjusted. If an increase is needed, the Department will submit a decision package for additional funding. Reviews after 2019 will occur periodically per federal regulation.</p> <p>The Department added the periodic review of the maintenance payments to the Title IV-E State Plan in February 2016.</p> <p>The conditions noted in this finding were previously reported in finding 2014-027.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-024.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.658	\$0
Questioned	<u>CFDA#</u>	<u>Amount</u>						
Costs:	93.658	\$0						

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	029	<p>Finding: The Department of Health did not ensure Medicaid hospital and home health agency surveys were performed with the frequency required by federal regulations and state law.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 93.775 \$0 93.777 93.778 ARRA and non-ARRA</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding. In an effort to meet state licensing requirements, the Department went through a hospital survey Lean process to help improve administrative processing and develop surveyor worksheets designed to create a more focused survey approach and concentrate on infection control, quality assurance, performance improvement, and care continuity (transitions in care).</p> <p>Both the hospital and home health agency (HHA) programs implemented improved scheduling practices that assured each facility type adhered to the respective survey timelines. Based on the data generated from this report, the previous average between Hospital surveys was 24.2 months. This average is now 18.2 months. Similar improvements were achieved in HHAs where the average for exceptions has been reduced to 37.8 months.</p> <p>The Department hired a manager to work specifically with the HHA surveyors to maintain current progress and push toward 100 percent compliance. Both the hospital and HHA survey managers will work with the accrediting organization to ensure continued coordination and ensure surveys are completed within prescribed timelines.</p> <p>The survey frequency requirements of 18 months for hospitals and 36.9 months for HHAs, means improvement are measured and recognized over a period of years. Lean activities, increased staffing, and enhanced management oversight have all contributed to improvements which the Department expects to be duplicated in the coming years. Based on the above, the Department estimates completion by December 2017.</p> <p>The conditions noted in this finding were previously reported in findings 2014-028, 2013-019, 12-33, and 11-25.</p> <p>Completion Date: Estimated December 2017</p> <p>Agency Contact: Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	030	<p>Finding: The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 93.775 \$0 93.777 93.778 ARRA and non-ARRA</p> <p>Status: Refer to finding 2016-028</p> <p>Corrective Action: RCW 74.09A.020 requires the Authority to provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information, and requires health insurers to use this information to identify joint beneficiaries. The Authority does not have legal authority to compel insurers to comply with this law.</p> <p>The Authority meets the intent of the law by performing data matching with insurance carriers in the State of Washington on a regular basis, and by contracting with a vendor to supplement the Authority’s data matching capabilities.</p> <p>The Authority will implement changes to ProviderOne to enhance the accuracy and efficiency of the Payer Initiated Eligibility transaction, which will allow the Authority to pursue additional automated data matches with carriers. The Authority will continue to encourage health insurers to develop systems capable of participating in a data exchange.</p> <p>The Authority met with the Office of Financial Management in June 2016 to consider options for working with the Legislature to align state law to the current practice.</p> <p>The conditions noted in this finding were previously reported in finding 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-028.</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	031	<p>Finding: The Health Care Authority did not collect application fees from prospective or re-enrolling Medicaid providers, resulting in non-compliance with Affordable Care Act provisions.</p> <table border="0"> <tr> <td data-bbox="483 562 607 590">Questioned</td> <td data-bbox="667 562 753 590"><u>CFDA#</u></td> <td data-bbox="1024 562 1117 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 548 617">Costs:</td> <td data-bbox="667 590 743 617">93.775</td> <td data-bbox="1024 590 1057 617">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 617 743 644">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 644 997 672">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Authority implemented a process for collecting provider application fees for institutional providers that are newly enrolled or re-enrolling Medicaid providers.</p> <p>Completion Date: June 2016</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$0		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$0												
	93.777													
	93.778 ARRA and non-ARRA													

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	032	<p>Finding: The Health Care Authority did not have adequate controls over its Medicaid service verification process.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 93.775 \$0 93.777 93.778 ARRA and non-ARRA</p> <p>Status: Refer to finding 2016-029</p> <p>Corrective Action: The Authority has resumed sending verifications to clients whose written language is other than English, and now uses professional translation services to follow up on negative survey responses.</p> <p>The conditions noted in this finding were previously reported in finding 2014-039, 2013-031, 12-54, and 11-39.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-029.</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)								
2015	033	<p>Finding: The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers and Rural Health Clinics.</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="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$197,774</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 ARRA and non-ARRA</td> <td></td> </tr> </table></p> <p>Status: Refer to finding 2016-030</p> <p>Corrective Action: As noted by the auditors, in response to prior audit findings, the Authority has implemented new system edits, which will eliminate duplicate payments, and will identify improper billings. However, these edits were not fully implemented during this audit period.</p> <p>The Authority has recouped the unallowable Federally Qualified Health Center and Rural Health Clinic payments identified by the auditor.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-036 and 2013-026. This issue was also previously reported in finding 12-45 which the auditors determined to be resolved.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-030.</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.775	\$197,774	93.777		93.778 ARRA and non-ARRA	
<u>CFDA#</u>	<u>Amount</u>									
93.775	\$197,774									
93.777										
93.778 ARRA and non-ARRA										

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)								
2015	034	<p>Finding: The Health Care Authority did not have adequate internal controls to ensure it sought reimbursement for all eligible Medicaid outpatient drug rebate claims.</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="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$97,425</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td>ARRA and non-ARRA</td> </tr> </table></p> <p>Status: Refer to finding 2016-032</p> <p>Corrective Action: The following corrective action plan addresses the three control deficiencies identified in the finding.</p> <p>To address the crossover claim oversight, staff has identified the codes that should have been included and are investigating the best method for resubmitting the missed fiscal year 2015 claims. Target date for completing the resubmission is July 2016.</p> <p>The Authority developed and implemented a system reconfiguration that reversed the Family Planning provider claims exclusion identified in the previous and current audits. The plan was not fully implemented prior to the start of the current audit period, resulting in the questioned costs identified in this finding. This reconfiguration has since been completed, effective December 2015.</p> <p>The eight pharmacy claims described above were identified during routine monitoring, and were corrected. The auditor reported this error because the identification and correction occurred after June 30. No additional corrective action is necessary.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-031.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-032.</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.775	\$97,425	93.777		93.778	ARRA and non-ARRA
<u>CFDA#</u>	<u>Amount</u>									
93.775	\$97,425									
93.777										
93.778	ARRA and non-ARRA									

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	035	<p data-bbox="483 436 1466 499">Finding: The Health Care Authority improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.</p> <table data-bbox="483 527 1127 646"> <tr> <td data-bbox="483 527 607 554">Questioned Costs:</td> <td data-bbox="667 527 753 554"><u>CFDA#</u></td> <td data-bbox="1024 527 1117 554"><u>Amount</u></td> </tr> <tr> <td></td> <td data-bbox="667 558 743 585">93.775</td> <td data-bbox="1024 558 1127 585">\$310,091</td> </tr> <tr> <td></td> <td data-bbox="667 590 743 617">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 621 997 648">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p data-bbox="483 680 956 707">Status: Corrective action complete</p> <p data-bbox="483 741 1455 861">Corrective Action: The majority of the questioned costs identified by the auditors are routine monthly premiums paid in advance to the managed care organizations the clients were enrolled in. Once a client’s death is verified, the Authority recoups the premiums through the normal recoupment process.</p> <p data-bbox="667 894 1466 1104">The auditors conducted this test by comparing June 30, 2015 client data to October 2015 Social Security Administration Death Master File. The result of the timing difference is that the list of exceptions includes clients who died before June 30, but whose death was not recorded in the Social Security Administration Death Master File until after June 30. The auditors cannot determine which of the 835 client deaths were recorded before June 30, and which ones were recorded after June 30.</p> <p data-bbox="667 1138 1435 1226">The auditors are holding the Authority responsible for identifying and collecting, before June 30, all payments made on behalf of these clients, including those whose death was recorded after June 30.</p> <p data-bbox="667 1260 1438 1379">When provided the list of 835 clients, the Authority could quickly demonstrate that costs had already been recouped totaling \$259,865 for 549 clients. Recoupment was through the normal process. The auditors acknowledge this in the finding, but continue to question the costs.</p> <p data-bbox="667 1413 1446 1533">The Authority concurs costs had not yet been recouped for the remaining 286 clients at the time of the audit. Those costs have now been recouped. The Authority will discuss repayment of these costs with the U.S. Department of Health and Human Services.</p> <p data-bbox="667 1566 1433 1623">The conditions noted in this finding were previously reported in finding 2014-030.</p> <p data-bbox="483 1656 826 1713">Completion Date: February 2016</p> <p data-bbox="483 1747 1023 1927">Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	Questioned Costs:	<u>CFDA#</u>	<u>Amount</u>		93.775	\$310,091		93.777			93.778 ARRA and non-ARRA	
Questioned Costs:	<u>CFDA#</u>	<u>Amount</u>												
	93.775	\$310,091												
	93.777													
	93.778 ARRA and non-ARRA													

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)								
2015	036	<p>Finding: The Health Care Authority made improper Medicaid payments for clients whose Social Security numbers and citizenship status were not verified and for unallowable non-emergency services.</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="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$155,033</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td>ARRA and non-ARRA</td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: As the auditor noted, the Authority continuously made improvements in its training and monitoring and maintains adequate Social Security number and citizenship verification procedures. However, it is not possible to prevent or detect all unallowable payments.</p> <p>The Authority has terminated eligibility for the identified clients whose citizenship or Social Security numbers could not be verified.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-029 and 2014-030.</p> <p>Completion Date: February 2016</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.775	\$155,033	93.777		93.778	ARRA and non-ARRA
<u>CFDA#</u>	<u>Amount</u>									
93.775	\$155,033									
93.777										
93.778	ARRA and non-ARRA									

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	037	<p>Finding: The Health Care Authority overpaid Medicaid providers for dental services.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 93.775 \$25,945 93.777 93.778 ARRA and non-ARRA</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Authority has recouped the unallowable claims paid to dental providers.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-033 and 2013-027. This issue was also previously reported in finding 12-53 which the auditors determined to be resolved.</p> <p>Completion Date: June 2016</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	038	<p>Finding: The Health Care Authority made improper Medicaid inpatient high outlier payments to hospitals.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 93.775 \$33,205 93.777 93.778 ARRA and non-ARRA</p> <p>Status: Corrective action complete</p> <p>Corrective Action: As acknowledged by the auditors, the Authority corrected both WAC 182-550-3700 and the ProviderOne system in July 2014. The auditors tested claims with admission dates after July 1, 2014, and confirmed that those claims were paid correctly. The claims in question have admission dates prior to July 1, 2014; WAC and ProviderOne system changes cannot apply retroactively.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services to discuss repayment of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-032 and 2013-023.</p> <p>Completion Date: July 2014</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)								
2015	039	<p>Finding: The Health Care Authority did not have adequate internal controls to ensure Children’s Health Insurance Program federal funds were properly claimed as eligible Medicaid expenditures.</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="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$76</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 ARRA and non-ARRA</td> <td></td> </tr> </table></p> <p>Status: Refer to finding 2016-034</p> <p>Corrective Action: The work performed by the auditors highlights a process issue that caused eligibility determination errors to occur during the conversion to the Affordable Care Act. The Authority will review and amend the eligibility determination process to prevent those errors from recurring, and will ensure that prior errors are corrected.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-037.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-034.</p> <p>Agency Contact: Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov</p>	<u>CFDA#</u>	<u>Amount</u>	93.775	\$76	93.777		93.778 ARRA and non-ARRA	
<u>CFDA#</u>	<u>Amount</u>									
93.775	\$76									
93.777										
93.778 ARRA and non-ARRA										

**State of Washington
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**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	040	<p data-bbox="483 436 1466 558">Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls in place to ensure in-home care providers paid by Medicaid had proper background checks.</p> <table data-bbox="483 590 1177 709"> <tr> <td data-bbox="483 590 607 617">Questioned</td> <td data-bbox="667 590 753 617"><u>CFDA#</u></td> <td data-bbox="1084 590 1177 617"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 548 648">Costs:</td> <td data-bbox="667 621 743 648">93.775</td> <td data-bbox="1084 621 1177 648">\$26,138</td> </tr> <tr> <td></td> <td data-bbox="667 653 743 680">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 684 995 711">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p data-bbox="483 743 946 770">Status: Refer to finding 2016-040</p> <p data-bbox="483 802 1446 1045">Corrective Action: The Department reviewed the six providers identified by the auditors to verify that the providers had no disqualifying crimes at any point in their employment. The providers were subjected to an initial Character, Competence and Suitability (CCS) review during the contracting process. There is no RCW or WAC that states that an individual provider becomes unqualified if a new CCS review is not completed at each bi-annual background check when there are no new crimes and they care for the same client, which is the case for these six providers.</p> <p data-bbox="667 1077 1409 1228">The Department will continue to strengthen processes to ensure CCS reviews are completed and adequately documented in accordance with Department policy. Clarification was provided to field offices via management bulletin on March 30, 2015, providing clear direction on required forms and frequency of completion for CCS reviews.</p> <p data-bbox="667 1260 1466 1562">Annually, the Assisted Long-Term Services Administration’s Quality Assurance (QA) unit selects a sample of individual provider files for monitoring at each field office and reviews the files for background checks. In 2015, a total of 386 files were reviewed by the QA unit. In addition to these reviews, field office supervisors are required to complete quality assurance reviews on individual provider files. In 2015, a total of 1,293 files were reviewed by supervisors. Overall, internal quality assurance reviews showed 97 percent proficiency. This process will continue and will assist in evaluating compliance with the Department’s policies and processes to identify potential changes.</p> <p data-bbox="667 1602 1425 1692">The Department will convene a workgroup of subject matter experts to discuss feasibility of a data feed to ProviderOne interface that would automatically stop payments to providers during periods of ineligibility.</p> <p data-bbox="667 1724 1398 1782">The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p data-bbox="667 1814 1425 1873">The conditions noted in this finding were previously reported in finding 2014-049, 2013-040, 12-41, and 11-34.</p> <p data-bbox="483 1904 1401 1963">Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-040.</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$26,138		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$26,138												
	93.777													
	93.778 ARRA and non-ARRA													

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June 30, 2016

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)	
2015	040 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)								
2015	041	<p>Finding: The Department of Social and Health Services improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.</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="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$22,584</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 ARRA and non-ARRA</td> <td></td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: This finding involved three administrations within the Department: the Aging and Long Term Support Administration (AL TSA), the Developmental Disabilities Administration (DDA) and the Behavioral Health Administration (BHA). Each administration has taken or will take corrective action.</p> <p>The audit identified 97 instances of payments made through the Social Service Payment System and ProviderOne for services provided after the client’s date of death (AL TSA: 81; DDA: 8; BHA: 8). AL TSA has determined 20 of the 81 payments were for allowable services prior to the client’s death. The Department has sent overpayment notices to the providers who received the 77 payments. The questioned costs will be returned to Centers for Medicare & Medicaid Services (CMS) and reported on the September 2016 CMS-64.</p> <p>The Department’s goal for payment of services provided after the date of death is zero, and it seeks to reach that mark.</p> <p>Current practice includes ensuring staff follow policies and procedures to ensure the authorization of services is closed by the effective date of death.</p> <p>The Department continues to strengthen processes including utilizing a revised Long Term Care Client Payments After Death Report that identifies clients who have authorizations that were paid after their date of death. This report is analyzed monthly and post payment review will also occur to ensure that any authorizations or payments not prevented are identified and recovered. Where necessary, overpayments will be processed timely and federal funds returned to the U.S. Department of Health and Human Services.</p> <p>The Department will continue its partnership with the Health Care Authority to identify payments after the date of death.</p> <p>The conditions noted in this finding were previously reported in finding 2014-050.</p> <p>Completion Date: Estimated October 2016</p>	<u>CFDA#</u>	<u>Amount</u>	93.775	\$22,584	93.777		93.778 ARRA and non-ARRA	
<u>CFDA#</u>	<u>Amount</u>									
93.775	\$22,584									
93.777										
93.778 ARRA and non-ARRA										

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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	041 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	042	<p>Finding: The Department of Social and Health Services paid Medicaid benefits for clients who did not have valid Social Security numbers.</p> <table border="0"> <tr> <td data-bbox="483 531 605 558">Questioned</td> <td data-bbox="667 531 753 558"><u>CFDA#</u></td> <td data-bbox="1037 531 1127 558"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 562 548 590">Costs:</td> <td data-bbox="667 562 743 590">93.775</td> <td data-bbox="1037 562 1127 590">\$55,719</td> </tr> <tr> <td></td> <td data-bbox="667 594 743 621">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 625 995 653">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department's Children's Administration (CA) will strengthen the process by reviewing Social Security numbers quarterly to further minimize the allocation of expenditures to Medicaid funding in error. CA will review the three clients identified in the finding and switch them to the correct non-US citizen service pay code within the Department's payment system as appropriate.</p> <p>The Department will work with the Health Care Authority, the state's lead Medicaid agency, to consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>Completion Date: Estimated August 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$55,719		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$55,719												
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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	043	<p>Finding: The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments for Presumptive Supplemental Security Income clients.</p> <table border="0"> <tr> <td data-bbox="483 562 613 590">Questioned</td> <td data-bbox="667 562 760 590"><u>CFDA#</u></td> <td data-bbox="1036 562 1128 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 553 617">Costs:</td> <td data-bbox="667 590 743 617">93.775</td> <td data-bbox="1036 590 1144 617">\$130,234</td> </tr> <tr> <td></td> <td data-bbox="667 617 743 644">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 644 997 672">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: All questioned costs were returned to the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services 30 days after the audit period.</p> <p>To correctly account for Presumptive Supplemental Security Income (PSSI), the Department developed new functional Recipient Aide Categories (RACs) within the ProviderOne payment system. The new functional RACs are now paired with one specific financial RAC separating out this group of clients, which allows the PSSI expenditures to be directly coded to the appropriate match rate. The new RACs were implemented when ProviderOne went live during January 2015, for 1099 reportable services. The 1099 reportable services were transitioned from the Social Service Payment System (SSPS) at that time.</p> <p>In addition, since SSPS only had one year remaining to pay W2 services, changes were not made in SSPS for these services. Instead reports were developed to identify PSSI expenditures and were corrected via journal voucher until the Individual Provider One (IPOne) system went live March 2016. The new functional RACs were paired with the one financial RAC to directly code W2 expenditures correctly. The Department will work with the Health Care Authority through November 2016, to obtain reports to determine if any additional costs need to be moved.</p> <p>Completion Date: Estimated November 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$130,234		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$130,234												
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2015	044	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have internal controls in place to ensure follow up on nursing home survey deficiencies were conducted in a timely manner.</p> <table border="0" data-bbox="483 590 1128 709"> <tr> <td data-bbox="483 590 609 621">Questioned</td> <td data-bbox="667 590 755 621"><u>CFDA#</u></td> <td data-bbox="1036 590 1128 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 609 653">Costs:</td> <td data-bbox="667 621 755 653">93.775</td> <td data-bbox="1036 621 1128 653">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 653 755 684">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 684 993 716">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Refer to finding 2016-036</p> <p>Corrective Action: As of December 2015, the Department developed standard operating procedures (SOP) over the statement of deficiency and corrective action plan process.</p> <p>As of January 2016, to ensure statements of deficiency and correction plans are submitted timely, the Department implemented a statewide statement of deficiency and plan of correction tracking system.</p> <p>The Department will continue to enhance its formal tracking of statement of deficiency mailings and receipt of correction plans.</p> <p>By July 2016, the Department will revise the SOP to include field protocol for contacting providers when the correction plan is not returned within 10 working days of receipt of the statement of deficiency.</p> <p>The conditions noted in this finding were previously reported in finding 2014-046.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-036.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$0		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$0												
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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	045	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls in place to ensure surveys for Medicaid nursing home and intermediate care facilities were completed in a timely manner.</p> <table border="0"> <tr> <td data-bbox="483 590 607 621">Questioned</td> <td data-bbox="667 590 753 621"><u>CFDA#</u></td> <td data-bbox="1036 590 1127 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 548 653">Costs:</td> <td data-bbox="667 621 743 653">93.775</td> <td data-bbox="1036 621 1068 653">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 653 743 684">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 684 997 716">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Refer to finding 2016-037</p> <p>Corrective Action: The Department will schedule and monitor surveys in accordance with the frequency and interval required by federal and state laws.</p> <p>As of January 2016, the Department filled two additional surveyor positions to conduct recertification surveys and complaint investigations. The Department has requested additional basic surveyor training classes be made available from the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) to enable new hires to function independently to conduct surveys and investigations. The Department expects training to be completed by June 2016.</p> <p>As of May 2015, the Department implemented a statement of deficiency (SOD) and plan of correction (POC) electronic tracking system. The Department staff use this system to monitor SOD mailings and POC receipts. Administrative support staff enter the dates of the SOD mailings and the POC receipts into the tracking system. Field managers are responsible for documenting their quarterly monitoring of the tracking system.</p> <p>By July 2016, the Department will develop standard operating procedures for the electronic system that will also address surveys.</p> <p>The conditions noted in this finding were previously reported in finding 2014-046.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-037.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$0		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$0												
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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	046	<p>Finding: The Department of Social and Health Services made improper payments for unallowable services provided to newly eligible Medicaid clients under the Affordable Care Act.</p> <table border="0"> <tr> <td data-bbox="483 562 613 590">Questioned</td> <td data-bbox="667 562 760 590"><u>CFDA#</u></td> <td data-bbox="1036 562 1128 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 553 617">Costs:</td> <td data-bbox="667 590 743 617">93.775</td> <td data-bbox="1036 590 1128 617">\$58,572</td> </tr> <tr> <td></td> <td data-bbox="667 617 743 644">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 644 997 672">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: To correctly account for the Alternative Benefits Plan (ABP), the Department developed new functional Receipt Aid Categories (RACs) within the ProviderOne payment system. The new functional RACs are now paired with one specific financial RAC separating out this group of clients, which allows the ABP expenditures to be directly coded to the appropriate match rate. The new RACs were implemented when ProviderOne went live during January 2015, for 1099 reportable services. The 1099 reportable services were transitioned from the Social Service Payment System (SSPS) at that time.</p> <p>In addition, since SSPS only had one year remaining to pay W2 services, changes were not made in SSPS for these services. Instead reports were developed to identify ABP expenditures and are corrected via journal voucher until Individual Provider One (IPOne) system goes live March 2016. After IPOne implementation, the new functional RACs will be paired with the one financial RAC to directly code W2 expenditures correctly.</p> <p>The Department will return all questioned costs to the U.S. Department of Health and Human Services.</p> <p>Completion Date: March 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$58,572		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$58,572												
	93.777													
	93.778 ARRA and non-ARRA													

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Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	047	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure complaints of abuse and neglect of clients at Medicaid residential facilities were responded to properly.</p> <table border="0" data-bbox="483 590 1128 709"> <tr> <td data-bbox="483 590 609 621">Questioned</td> <td data-bbox="667 590 755 621"><u>CFDA#</u></td> <td data-bbox="1036 590 1128 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 548 653">Costs:</td> <td data-bbox="667 621 743 653">93.775</td> <td data-bbox="1036 621 1068 653">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 653 743 684">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 684 995 716">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Refer to finding 2016-039</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>The Department has implemented plans to strengthen internal controls and ensure complaints are responded to and investigated timely, as required by federal regulation and state law.</p> <p>In January 2015, the Complaint Resolution Unit (CRU) implemented procedures requiring Nurse Consultants to review complaints prior to assignment for Nursing Home and Intermediate Care Facilities/ Individuals with Intellectual Disabilities (ICF/ IID).</p> <p>During November 2015, to ensure investigations begin within two working days of receipt, the CRU implemented the online reporting system for providers. This reporting option assists the Department to meet required timelines and streamline the complaint processing by reducing manual transcription time. Impacts on workflow and timeliness are ongoing.</p> <p>Monthly reports and quality assurance reviews are in process and are ongoing. A lead position is being piloted with the primary duties of monitoring workflow, process and progress.</p> <p>In January 2016, the Department hired additional field investigators to improve the timeliness of investigations of non-immediate jeopardy Nursing Home and ICF/IID complaints.</p> <p>The Tracking Incidents of Vulnerable Adults (TIVA) database was redesigned to add information fields to improve the existing complaint process. These information fields were added to TIVA in April 2016, and have expedited priority assignments by clearly identifying dates of knowledge and dates to initiate a response.</p> <p>In May 2016, the Department authorized overtime, as an interim solution, to ensure that complaints are responded to within 24 hours of knowledge. The Department is also in the process of hiring two staff to help with responding to complaints/reports generated over weekends and holidays.</p> <p>The conditions noted in this finding were previously reported in finding 2014-045 and 2013-033.</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$0		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$0												
	93.777													
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2015	047 (cont'd)	Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-039.
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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2015	048	<p>Finding: The Department of Social and Health Services improperly claimed federal Medicaid reimbursement for non-emergency services provided to nonqualified aliens.</p> <table border="0"> <tr> <td data-bbox="483 562 613 590">Questioned</td> <td data-bbox="667 562 760 590"><u>CFDA#</u></td> <td data-bbox="1062 562 1154 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 553 617">Costs:</td> <td data-bbox="667 590 743 617">93.775</td> <td data-bbox="1062 590 1154 617">\$37,426</td> </tr> <tr> <td></td> <td data-bbox="667 617 743 644">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 644 997 672">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>This finding involved three administrations within the Department: the Aging and Long Term Support Administration, the Children’s Administration, and the Developmental Disabilities Administration.</p> <p>The Children’s Administration will work to strengthen the review of these cases to help minimize the possibility of funds being allocated to Medicaid in error.</p> <p>The Aging and Long Term Support and the Developmental Disabilities Administrations agree some clients were assigned the wrong Medicaid Recipient Aid Category (RAC) within ProviderOne, but the services were provided correctly.</p> <p>ProviderOne was implemented on January 1, 2015, and all case managers were provided training prior to this date. In the winter of 2015, the Department provided additional training to some staff on how to select the correct RAC for these clients.</p> <p>Since the services were provided appropriately under the state only program, but the Medicaid RAC was assigned in error, the Department will not be recovering the questioned costs from the clients. The questioned costs are being corrected through ProviderOne and will be reported on the September 2016 CMS-64.</p> <p>The conditions noted in this finding were previously reported in finding 2014-050.</p> <p>Completion Date: Estimated October 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$37,426		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
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Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	049	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate controls to ensure Medicaid payments to supported living service providers were allowable.</p> <table border="0" data-bbox="483 562 1153 682"> <tr> <td data-bbox="483 562 609 590">Questioned</td> <td data-bbox="667 562 755 590"><u>CFDA#</u></td> <td data-bbox="1062 562 1153 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 552 617">Costs:</td> <td data-bbox="667 590 743 617">93.775</td> <td data-bbox="1062 590 1153 617">\$43,697</td> </tr> <tr> <td></td> <td data-bbox="667 617 743 644">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 644 997 672">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Refer to finding 2016-045</p> <p>Corrective Action: The Department does not concur with this finding.</p> <p>Using the annual cost report process (Developmental Disabilities Administration (DDA) Policy 6.04), the Department verifies the Instruction and Support Services (ISS) hours provided are equal to or exceed the total hours of service the Department has authorized. Through this verification system, if the actual ISS hours reported in the annual cost report are less than the total authorized hours for all clients served by the Supported Living (SL) provider or are not supported by documentation that shows that the reported hours were actually worked, the Department seeks recovery of any overpayment through the cost report settlement process (DDA Policy 6.04 (III)).</p> <p>The system is designed to allow for resource flexibility by the SL provider throughout the year to enable the provider to meet the changing needs of the individual client. The Department requires, over a year's time, that clients within the agency receive all authorized ISS hours. Providers are given the calendar year to maintain the flexibility needed to address client instruction and support needs. Any audit finding that considers a limited time frame does not accurately capture the entire delivery of service, or any corresponding annual underpayment or overpayment.</p> <p>SL providers are required to complete an annual cost report, but policy allows providers to settle their cost reports over a two-year period. The cost report reconciles hours and ISS dollars authorized to hours and ISS dollars provided. The SL provider attests to the accuracy of the cost report. A settlement is issued to any SL provider who fails to meet either standard (delivery of hours or expenditure of dollars). The Department will propose eliminating the two-year period policy during the next contract negotiations. These negotiations will not begin until July 2017.</p> <p>The Department believes the audit has erred in treating cost settlements in the same way as overpayments. Overpayments are the result of human or systemic errors or omissions in specific instances whereas cost settlements are based on reimbursement methodologies defined in policy, rule and contract. Cost settlements are typically done in the aggregate on an annual basis and not on a client by client or case by case basis. See 42 CFR, Section 413 –Principles of Reasonable Cost Reimbursement.</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$43,697		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$43,697												
	93.777													
	93.778 ARRA and non-ARRA													

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	049 (cont'd)	<p>The Department has additional measures in place to further review or audit the provider cost reporting:</p> <ul style="list-style-type: none"> • The Department’s Enterprise Risk Management Office (ERMO) periodically audit selected providers. • The Department’s Aging and Long-Term Support Administration, Residential Care Services (RCS) performs a cursory review of hours provided as part of the certification evaluation process. • If concerns are identified in the RCS certification evaluation, the Department will conduct an additional review of the SL provider. <p>The audit recommends the Department continues to improve internal controls to ensure SL providers maintain adequate documentation to support payments claimed against payroll records. Current Department policy requires additional schedules to report ISS hours in a format reconcilable to payroll records.</p> <p>Currently, reviews are being conducted on roughly 20 percent of residential provider’s ISS hours. The scope of this compliance review includes reconciliation of hours in the contract by households compared to employee payroll records delivered within the household. Consultation and training to service providers related to the tracking and documentation of ISS hours is provided at the time of the review.</p> <p>Through policy revision, the Department has clarified the expectations that the service provider’s payroll system must adequately document ISS hours delivered. Additionally, Department policy outlines acceptable margins of flexibility of ISS hours delivered. Training on these new policies occurred over the summer and fall of 2015.</p> <p>The recovery of funds has been processed through the ProviderOne system and will be returned to the U.S. Department of Health and Human Services through the normal settlement process on the CMS-64 report.</p> <p>By July 2016, the Department will share its rate setting methodology and cost report and settlement process with the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) and seek clarification regarding this finding.</p> <p>The conditions noted in this finding were previously reported in finding 2014-042, 2014-043, 2013-036, and 12-39.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-045.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

**State of Washington
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**For the Fiscal Year Ended
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	050	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, made overpayments to Medicaid supported living providers who did not ensure staff, with access to developmentally disabled clients, received a proper background check.</p> <table border="0" data-bbox="483 590 1154 709"> <tr> <td data-bbox="483 590 607 621">Questioned</td> <td data-bbox="667 590 753 621"><u>CFDA#</u></td> <td data-bbox="1062 590 1154 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 548 653">Costs:</td> <td data-bbox="667 621 743 653">93.775</td> <td data-bbox="1062 621 1154 653">\$52,592</td> </tr> <tr> <td></td> <td data-bbox="667 653 743 684">93.777</td> <td></td> </tr> <tr> <td></td> <td colspan="2" data-bbox="667 684 997 716">93.778 ARRA and non-ARRA</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>The Department partially concurs with this finding.</p> <p>The one staff with a disqualifying result worked for two supported living agencies. During a renewal background check, one of the two agencies received a disqualifying result. That agency terminated the employee appropriately. As the employee did not self-report, the second agency was not aware the employee had a new disqualifying crime. The employee resigned prior to the required renewal background check. Both agencies were in compliance with the law, rules, policies, and contractual requirements.</p> <p>In regards to the other three employees identified in the finding, the Department has demonstrated substantial improvement in background check compliance. This has been achieved through:</p> <ul style="list-style-type: none"> • Updating the Background Authorization policy and providing training to supported living providers and Department employees on the policy change. • Training for providers occurs regularly within each region. • Continual monthly reviews conducted by the Department’s Enterprise Risk Management Office (ERMO) to ensure providers are in compliance with background check laws, rules, and policies. <p>The Department will take the following actions to ensure ineligible individuals do not have access to vulnerable Medicaid clients and background checks are renewed timely:</p> <ul style="list-style-type: none"> • Continue its efforts to inform, educate, and train providers on background check policy and Washington Administrative Code. • Dedicate a Department headquarters position to provide direct support and consultation to providers on interpretation of background check results letters. • Monitor for background check compliance through reviews conducted by ERMO and Residential Care Services certification reviews. • Continue to partner with the Background Check Central Unit on developing processes for background check renewals and disqualifying results. 	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$52,592		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$52,592												
	93.777													
	93.778 ARRA and non-ARRA													

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)	
2015	050 (cont'd)	Corrective Action:	<p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-044. This issue was also previously reported in finding 2013-034 which the auditors determined to be resolved.</p> <p>Completion Date: Estimated December 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	051	<p data-bbox="483 443 1466 562">Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not adequately monitor Adult Family Home providers to ensure Medicaid providers and their employees had proper background checks.</p> <table data-bbox="483 590 1166 709"> <tr> <td data-bbox="483 590 607 621">Questioned</td> <td data-bbox="667 590 753 621"><u>CFDA#</u></td> <td data-bbox="1062 590 1154 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 548 653">Costs:</td> <td data-bbox="667 621 743 653">93.775</td> <td data-bbox="1062 621 1166 653">\$153,536</td> </tr> <tr> <td></td> <td data-bbox="667 653 743 684">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 684 997 716">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p data-bbox="483 743 948 774">Status: Refer to finding 2016-044</p> <p data-bbox="483 806 1442 894">Corrective Action: In response to the fiscal year 2014 audit, the Department implemented several processes that continued through the fiscal year 2015 and remain ongoing.</p> <p data-bbox="667 926 1466 1108">It is the Adult Family Home (AFH) provider’s responsibility to ensure background checks are being submitted timely. In addition, AFH home licensing regulations only require the provider to keep the background check for two years after the date an employee either quits or is terminated which further complicates the Department’s ability to verify if the background checks are valid.</p> <p data-bbox="667 1140 1458 1289">Due to the Department’s allotted resources and lack of access to employment and payroll records of AFH staff, the Department believes its current Management Bulletin #R14-009 from April 2014, which requires licensors to examine all employee background checks while conducting their on-site visits, is meeting its regulatory obligation.</p> <p data-bbox="667 1320 1458 1470">Since November 2015, the Department has required licensors conducting their on-site visits to check the background checks of anyone who worked in the AFH home since the previous inspection, even if they no longer work in the home. The Department believes this further strengthens the monitoring of AFH providers and staff.</p> <p data-bbox="667 1501 1078 1533">As of June 2016, the Department has:</p> <ul data-bbox="716 1543 1466 1850" style="list-style-type: none"> • Updated standard operating procedures to require licensors to review the last two background checks if an issue is identified with an AFH employee. • Developed a standard operating procedure addressing Character, Competence, and Suitability (CCS) reviews, including processing a CCS at the time of application. • Provided an educational slide show to AFH industry on requirements around background checks and CCS reviews. This included developing a training resource to post on a public website. 	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$153,536		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$153,536												
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	051 (cont'd)	<p>By October 2016:</p> <ul style="list-style-type: none"> • The Quality Assurance Unit within the Aging and Long Term Services Administration will conduct annual reviews to identify if licensors are following the standard operating procedures for background checks. • Department staff will provide training to the field staff and providers on the updated standard operating procedures. <p>By December 2016, the Department will create a workgroup to research the steps and resources needed to utilize a report to identify AFH providers that do not have a valid background check or will have a background check expire within a determined time frame.</p> <p>Not all corrective actions from the 2014 audit were completed before the auditor's sample was pulled for the current audit. Therefore, the Department believes the results from this audit period may not reflect the effectiveness of all actions from the previous corrective action plan.</p> <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-048 and 2013-37.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-044.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2015	052	<p data-bbox="483 443 1466 562">Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls to ensure Medicaid payments to supported living service providers for cost of care adjustments were allowable.</p> <table data-bbox="483 590 1153 709"> <tr> <td data-bbox="483 590 609 621">Questioned</td> <td data-bbox="667 590 755 621"><u>CFDA#</u></td> <td data-bbox="1062 590 1153 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 553 653">Costs:</td> <td data-bbox="667 621 743 653">93.775</td> <td data-bbox="1062 621 1153 653">\$20,629</td> </tr> <tr> <td></td> <td data-bbox="667 653 743 684">93.777</td> <td></td> </tr> <tr> <td></td> <td colspan="2" data-bbox="667 684 997 716">93.778 ARRA and non-ARRA</td> </tr> </table> <p data-bbox="483 743 943 774">Status: Refer to finding 2016-041</p> <p data-bbox="483 802 1466 957">Corrective Action: The Department partially concurs with this finding. As of February 2015, the Department modified the cost of care adjustment form and related policy. The Department provided in-depth training for both staff and providers after policy and the required forms were updated.</p> <p data-bbox="667 987 1466 1142">Most of the sampled forms for Cost of Care Adjustments (COCA) contained justification per Department policy requirements. The Resource Managers who reviewed the services made recommendations and the Resource Administrators, who approved the services, based their decisions on the justifications that were provided on the forms.</p> <p data-bbox="667 1171 1455 1291">The Department will continue to monitor COCA for accuracy and compliance with the requirements. The Department will also continue to offer trainings at the regularly scheduled Regional Provider and Resource Managers meetings.</p> <p data-bbox="667 1320 1406 1383">The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p data-bbox="667 1413 1433 1476">The conditions noted in this finding were previously reported in finding 2014-041 and 2013-038.</p> <p data-bbox="483 1505 1401 1568">Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-041.</p> <p data-bbox="483 1598 1062 1778">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$20,629		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$20,629												
	93.777													
	93.778 ARRA and non-ARRA													

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	053	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place and did not comply with the level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>Questioned Costs: <u>CFDA#</u> 93.959 <u>Amount</u> \$0</p> <p>Status: Refer to finding 2016-050</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>In April 2015, the Department:</p> <ul style="list-style-type: none"> Started developing policies and procedures that incorporate internal controls to ensure monitoring and documentation of level of effort requirements are performed. Began active monitoring of the state-funded spending. Specifically, the Department’s accounting section started producing monthly reports showing the status of the state-funded spending. The Department’s budget section is reviewing the monthly reports in order to monitor the capability of meeting the minimum required amount each year. <p>By August 2016, the Department will:</p> <ul style="list-style-type: none"> Formalize procedures to monitor and document level of effort for pregnant women, women with dependent children and tuberculosis services. Ensure procedures include the frequency for monitoring expenditure levels appropriate to meet level of effort requirements. This will include collaboration with state partners, determining what documentation is necessary, and what actions will be implemented if level of effort is below the required levels. Develop procedures to track compliance with level of effort on a quarterly basis, or more often if the level of spending seems low. Communicate to the Department of Health and Human Services Substance Abuse Mental Health Services Administration (SAMHSA) if the appropriated level of funding is insufficient to meet the level of effort requirements or if the state spending levels are trending low. Communication with SAMHSA will be documented. <p>The conditions noted in this finding were previously reported in finding 2014-051.</p> <p>Completion Date: The condition noted in this finding was repeated in Fiscal Year 2016 Washington Single Audit. Refer to finding 2016-050.</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)						
2015	054	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place and did not comply with requirements to ensure treatment service providers spending Block Grants for Prevention and Treatment of Substance Abuse funds were peer reviewed.</p> <table border="0"> <tr> <td data-bbox="483 594 605 621">Questioned</td> <td data-bbox="667 594 753 621"><u>CFDA#</u></td> <td data-bbox="1062 594 1148 621"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 625 548 653">Costs:</td> <td data-bbox="667 625 743 653">93.959</td> <td data-bbox="1062 625 1089 653">\$0</td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with this finding.</p> <p>In January 2016, the Department established an internal policy over the peer review process. This policy includes requirements to ensure all disclaimer forms are filled out completely before they are submitted from each peer reviewer and that at least 5 percent of treatment providers receive a peer review annually. The new policy was provided to each peer reviewer during the peer reviewer recruitment phase which began February 2016. The disclaimer forms will be reviewed by staff for completeness and to certify the peer reviewer's independence.</p> <p>Completion Date: February 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.959	\$0
Questioned	<u>CFDA#</u>	<u>Amount</u>						
Costs:	93.959	\$0						

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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)									
2015	055	<p>Finding: The Department of Social and Health Services made improper payments to providers for medical evidence records.</p> <table border="0"> <tr> <td>Questioned</td> <td><u>CFDA#</u></td> <td><u>Amount</u></td> </tr> <tr> <td>Costs:</td> <td>96.001</td> <td>\$29</td> </tr> <tr> <td></td> <td>96.006</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: Medical evidence record payments are reimbursed in accordance with an established fee schedule based on the number of medical record pages. Medical Claims Unit (MCU) staff manually count each page to determine the amount of the reimbursement. The issues identified in the finding were due to staff incorrectly counting the number of medical record pages.</p> <p>In November 2015, the Department’s Division of Disability Determination Services (DDDS) leadership:</p> <ul style="list-style-type: none"> • Met with DDDS MCU staff and communicated the appropriate business process for medical evidence record payments. The meeting also covered the use of the Department’s DDDS fee schedule. • Emailed all MCU staff reiterating the appropriate business processes and associated expectations. <p>The Social Security Administration is developing a new Disability Case Processing System (DCPS), which the Department believes will offer increased capacity for accurately counting the number of pages contained in the medical evidence records. The Department plans to implement the new DCPS system as soon as it is available, which will likely be in December 2016.</p> <p>The Department will consult with the Social Security Administration regarding the resolution of questioned costs.</p> <p>Completion Date: Estimated December 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	96.001	\$29		96.006	
Questioned	<u>CFDA#</u>	<u>Amount</u>									
Costs:	96.001	\$29									
	96.006										

**State of Washington
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Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2015	056	<p>Finding: The Military Department improperly charged grant expenditures after the end of the Emergency Management Performance Grants period of availability.</p> <p>Questioned Costs: <u>CFDA#</u> 97.042 <u>Amount</u> \$12,592</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department will be more diligent when reviewing payments to ensure expenditures do not occur outside the performance period. The questioned costs have been transferred to the fiscal year 2014 grant and the federal government has been reimbursed for the questioned costs for the fiscal year 2013 grant.</p> <p>Completion Date: March 2016</p> <p>Agency Contact: Rick Woodruff Contracts and Internal Control Officer Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-8068 rick.woodruff@mil.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Department of Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2014	007	<p>Finding: The Department of Commerce does not have adequate internal controls to ensure reports required by the Federal Funding Accountability and Transparency Act for the Crime Victim Assistance Program are filed accurately.</p> <p>Questioned Costs: <u>CFDA#</u> 16.575 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with the finding. The Department has streamlined the process and created a procedure to ensure all Federal Funding Accountability and Transparency Act (FFATA) reports are submitted properly and timely. In addition, FFATA training will be available to Department staff in August 2015.</p> <p>The program established a new process to include a secondary review. This new process is documented in our new FFATA Agency Guideline. Staff enters the information into the FFATA Subaward Reporting System and the program manager reviews and submits the report. In addition, the ability to enter the information in a timely manner is dependent on the grant being entered into the system by the federal grantor. When the program is unable to enter the information before the deadline, the program documents the inability to enter it with screen shots of the system and email correspondence with the federal program manager. Commerce employees performing FFATA functions attended in-house training and FFATA guidelines and training resources are now available on our Intranet site for new employees.</p> <p>The Department has also ensured that subawards made by other Washington state agencies are reported.</p> <p>Completion Date: May 2015</p> <p>Agency Contact: Shanna-Mae Cullen-Oden Internal Audit & Risk Manager PO Box 42525 Olympia, WA 98504-2525 (360) 725-4030 Shanna-Mae.Cullen-Oden@commerce.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
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Workforce Training and Education Coordinating Board

Agency 354

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2014	012	<p>Finding: The Workforce Training and Education Coordinating Board (Workforce Board) did not have adequate internal controls to ensure it meets federal level of effort requirements for the Career and Technical Education Grant.</p> <p>Questioned Costs: <u>CFDA#</u> 84.048 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: In July 2016, the Board in coordination with the State Board for Community and Technical Colleges (SBCTC) and the Office of the Superintendent for Public Instruction (OSPI), will establish an attainable administrative level of effort review period that will leave ample time for corrective action if needed. The expected review will be no less than twice a year. Written policies and procedures documenting this process have been developed in consultation with SBCTC and OSPI.</p> <p>Completion Date: Estimated July 2016</p> <p>Agency Contact: Glena Red Elk Chief Financial Officer PO Box 43105 Olympia, WA 98504-3105 (360) 709-4620 glena.redelk@wtb.wa.gov</p>

**State of Washington
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Workforce Training and Education Coordinating Board

Agency 354

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2014	013	<p>Finding: The Workforce Training and Education Coordinating Board does not have adequate internal controls to ensure reports required by the Federal Funding Accountability and Transparency Act are filed.</p> <p>Questioned Costs: <u>CFDA#</u> 84.048 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Board will collect reportable data of Federal Funding Accountability and Transparency Act (FFATA) from its secondary award recipient, the Office of the Superintendent of Public Instruction (OSPI). OSPI will report all awards passed through to non-state agency sub-recipients. The Board staff will enter data for each of the sub-recipient awards that are greater than or equal to \$25,000 into the FFATA Sub-award Reporting System (FSRS) as required under the terms and conditions of federal grants. Each grant and contract received by the Board will be reviewed by the Chief Financial Officer and the assigned Program Manager. Written policies and procedures to ensure compliance with FFATA reportable data are in place.</p> <p>Completion Date: Estimated July 2016</p> <p>Agency Contact: Glena Red Elk Chief Financial Officer PO Box 43105 Olympia, WA 98504-3105 (360) 709-4620 glena.redelk@wtb.wa.gov</p>

**State of Washington
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**For the Fiscal Year Ended
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Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2014	014	<p>Finding: The Department of Early Learning did not have adequate internal controls to ensure subrecipients that spend \$500,000 or more in federal dollars obtain required audits.</p> <p>Questioned Costs: <u>CFDA#</u> 84.412 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department continues to strengthen the subrecipient monitoring policies and procedures for identifying grantees who may meet the threshold for federal audit requirements.</p> <p>To address the finding the Department is working on adding additional functionality in the Integrated Contract Information System (ICIS) to assist in tracking subrecipients of federal funds who require a federal audit. The Department has added an Exhibit for Federal Compliance for all agency contracts with subrecipient status. This exhibit includes all of the notification requirements of CFR 200.331 and includes a federal funds pre-award risk assessment and audit requirements. Agency contract staff has given training to program staff on audit requirements and new federal exhibit requirements. The Department will establish a process for communicating audit report due dates to subrecipients. All communications will be tracked by program staff and the Federal Grants Manager in the finance division.</p> <p>The Department is currently working on policies and procedures for audit compliance and creating training classes for contracts staff. Upon completion, the Department will provide training to all program and finance staff on the policies and procedures. Any new requirements will be properly communicated with applicable agency staff. The Federal Grants Manager is responsible for the federal audit compliance and will provide quarterly reports to the Internal Control Officer updating the status of audit compliance and tracking, staff training, and any policy and procedure changes. The Federal Grants Manager will review the federal audit clearing house to ensure that subrecipients are uploading their audit reports per federal guidance.</p> <p>Completion Date: Estimated August 2016</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)
2014	018	<p>Finding: The Department of Social and Health Services does not have adequate internal controls to ensure reports required by the Federal Funding Accountability and Transparency Act for the Substance Abuse and Mental Health Services Projects of Regional Significance programs are filed accurately.</p> <p>Questioned Costs: <u>CFDA#</u> 93.243 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: By August 2016, the Department’s Budget and Finance Director for the Behavioral Health and Service Integration Administration will: <ul style="list-style-type: none"> • Develop policies and procedures incorporating strong internal controls to collect information on each subaward or amendment of \$25,000 or more in federal funds and report in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System. • Develop and maintain a tracking methodology and validation procedure to ensure reports are submitted timely and are properly completed in accordance with FFATA requirements. </p> <p>Completion Date: Estimated August 2016</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

**State of Washington
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2016**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan (Reflects agency corrective action status as of June 30, 2016)												
2014	040	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not pay Medicaid supported living providers at authorized daily rates.</p> <table border="0"> <tr> <td data-bbox="483 562 613 590">Questioned</td> <td data-bbox="667 562 760 590"><u>CFDA#</u></td> <td data-bbox="1036 562 1128 590"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 590 553 617">Costs:</td> <td data-bbox="667 590 743 617">93.775</td> <td data-bbox="1036 590 1096 617">\$147</td> </tr> <tr> <td></td> <td data-bbox="667 617 743 644">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="667 644 997 672">93.778 ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with this finding. The Department has taken action or put processes in place to ensure supported living providers are paid at authorized rates.</p> <p>In July 2014, the Department strengthened its reconciliation process by adding more frequent reviews of provider payments by rate analysts.</p> <p>In January 2015, the Department converted to the ProviderOne payment system from the Social Service Payment System for processing payments to providers. This new process and payment system does not allow payment of two authorizations for the same client/provider location combination. The payment error that was made and discovered during this audit will not be possible with the new payment system.</p> <p>Overpayments were established for incorrect rate payments that were identified in this audit and were referred to the Office of Financial Recovery. Should the Department of Health and Human Services contact the Department about the overpayment in this audit, the Department will take the action requested.</p> <p>The condition noted in this finding was previously reported in finding 2013-039.</p> <p>Completion Date: January 2015</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	Questioned	<u>CFDA#</u>	<u>Amount</u>	Costs:	93.775	\$147		93.777			93.778 ARRA and non-ARRA	
Questioned	<u>CFDA#</u>	<u>Amount</u>												
Costs:	93.775	\$147												
	93.777													
	93.778 ARRA and non-ARRA													

Washington State Agency Codes (By Agency Alphabetically)
For the Fiscal Year Ended June 30, 2016

Agency No.	Agency	Agency No.	Agency
165	Accountancy, State Board of (ACB)	106	Economic Development Finance Authority, Washington (EDA)
035	Actuary, Office of the State (OSA)		
110	Administrative Hearings, Office of (OAH)	610	Edmonds Community College (EDC)
055	Administrative Office of the Courts (AOC)	540	Employment Security Department (ES)
119	African-American Affairs, Washington State Commission on (CAA)	179	Enterprise Services, Department of (DES)
495	Agriculture, Department of (AGR)	468	Environmental and Land Use Hearings Office (ELUHO)
355	Archaeology and Historic Preservation, Department of (DAHP)	605	Everett Community College (EVC)
387	Arts Commission, Washington State (ART)	102	Financial Institutions, Department of (DFI)
087	Asian-Pacific-American Affairs, Washington State Commission on (APA)	105	Financial Management, Office of (OFM)
100	Attorney General, Office of the (ATG)	477	Fish and Wildlife, Department of (DFW)
095	Auditor, Office of the State (SAO)	167	Forensic Investigations Council (FIC)
695	Bates Technical College (BATES)	411	Freight Mobility Strategic Investment Board (FMSIB)
627	Bellevue College (BC)	117	Gambling Commission, Washington State (GMB)
694	Bellingham Technical College (BTC)	075	Governor, Office of the (GOV)
629	Big Bend Community College (BBC)	648	Grays Harbor College (GHC)
315	Blind, Department of Services for the (DSB)	649	Green River College (GRC)
351	Blind, State School for the (SFB)	521	Hardwoods Commission (HRWD)
634	Cascadia College (CC)	303	Health, Department of (DOH)
101	Caseload Forecast Council (CFC)	107	Health Care Authority, State (HCA)
375	Central Washington University (CWU)	599	Health Care Facilities Authority, Washington (WHCFA)
632	Centralia College (CEC)	346	Higher Education Facilities Authority, Washington (WHEFA)
353	Childhood Deafness and Hearing Loss, Washington State Center for (CDHL)	652	Highline College (HC)
057	Civil Legal Aid, Office of (OCLA)	118	Hispanic Affairs, Washington State Commission on (CHA)
635	Clark College (CLC)		
696	Clover Park Technical College (CPTC)	395	Historical Society, Eastern Washington State (EWH)
639	Columbia Basin College (CBC)		
460	Columbia River Gorge Commission (CRG)	390	Historical Society, Washington State (WHS)
103	Commerce, Department of (COM)	185	Horse Racing Commission, Washington (HRC)
352	Community and Technical Colleges, State Board for (SBCTC)	011	House of Representatives (REP)
699	Community and Technical College System (CTCS)	148	Housing Finance Commission, Washington State (HFC)
471	Conservation Commission, State (SCC)	120	Human Rights Commission (HUM)
163	Consolidated Technology Services (CTS)	086	Indian Affairs, Governor's Office of (INA)
310	Corrections, Department of (DOC)	190	Industrial Insurance Appeals, Board of (IND)
406	County Road Administration Board (CRAB)	160	Insurance Commissioner, Office of the (INS)
048	Court of Appeals (COA)	126	Investment Board, State (SIB)
227	Criminal Justice Training Commission, Washington State (CJT)	014	Joint Legislative Audit and Review Committee (JLARC)
357	Early Learning, Department of (DEL)	038	Joint Legislative Systems Committee (JLS)
370	Eastern Washington University (EWU)	013	Joint Transportation Commission (JTC)
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)

Washington State Agency Codes (By Agency Alphabetically)
For the Fiscal Year Ended June 30, 2016

Agency No.	Agency	Agency No.	Agency
692	Lake Washington Institute of Technology (LWIT)	674	Skagit Valley College (SVC)
341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF)	300	Social and Health Services, Department of
046	Law Library, State (LAW)	675	South Puget Sound Community College (SPS)
020	Legislative Evaluation and Accountability Program Committee (LEAP)	676	Spokane Community Colleges - District 17 (SCCD-17)
037	Legislative Support Services, Office of (LSS)	040	Statute Law Committee (SLC)
240	Licensing, Department of (DOL)	340	Student Achievement Council (SAC)
080	Lieutenant Governor, Office of the (LTG)	045	Supreme Court (SUP)
356	Life Sciences Discovery Fund Authority (LSDFA)	678	Tacoma Community College (TCC)
195	Liquor and Cannabis Board (LCB)	142	Tax Appeals, Board of (BTA)
116	Lottery Commission, State (LOT)	376	The Evergreen State College (TESC)
657	Lower Columbia College (LCC)	304	Tobacco Settlement Authority (TOB)
412	Materials Management and Financing Authority, Washington (WMMFA)	228	Traffic Safety Commission, Washington (STS)
245	Military Department (MIL)	405	Transportation, Department of (DOT)
147	Minority and Women's Business Enterprises, Office of (OMWBE)	410	Transportation Commission (TRC)
490	Natural Resources, Department of (DNR)	407	Transportation Improvement Board (TIB)
662	Olympic College (OLC)	090	Treasurer, Office of the State (OST)
465	Parks and Recreation Commission, State (PARKS)	360	University of Washington (UW)
225	Patrol, Washington State (WSP)	215	Utilities and Transportation Commission (UTC)
665	Peninsula College (PEC)	305	Veterans' Affairs, Department of (DVA)
637	Pierce College (PIE)	220	Volunteer Firefighters and Reserve Officers, Board for (BVFFRO)
205	Pilotage Commissioners, Board of (BPC)	683	Walla Walla Community College (WLC)
462	Pollution Liability Insurance Program, Washington (PLI)	359	Washington Charter School Commission (WCSC)
056	Public Defense, Office of (OPD)	365	Washington State University (WSU)
082	Public Disclosure Commission (PDC)	686	Wenatchee Valley College (WVC)
275	Public Employment Relations Commission (PERC)	380	Western Washington University (WWU)
350	Public Instruction, Superintendent of (SPI)	621	Whatcom Community College (WHC)
478	Puget Sound Partnership (PSP)	354	Workforce Training and Education Coordinating Board (WFTECB)
467	Recreation and Conservation Funding Board (RCFB)	691	Yakima Valley Community College (YVC)
091	Redistricting Commission (RDC)		
693	Renton Technical College (RTC)		
124	Retirement Systems, Department of (DRS)		
140	Revenue, Department of (DOR)		
099	Salaries of Elected Officials, Washington Citizens' Commission on (COS)		
670	Seattle Community Colleges - District 6 (SCCD-6)		
085	Secretary of State, Office of the (SEC)		
012	Senate (SEN)		
672	Shoreline Community College (SHC)		

Washington State Agency Codes (By Agency Assigned Number)
For the Fiscal Year Ended June 30, 2016

Agency No.	Agency	Agency No.	Agency
011	House of Representatives (REP)	120	Human Rights Commission (HUM)
012	Senate (SEN)	124	Retirement Systems, Department of (DRS)
013	Joint Transportation Commission (JTC)	126	Investment Board, State (SIB)
014	Joint Legislative Audit and Review Committee (JLARC)	140	Revenue, Department of (DOR)
020	Legislative Evaluation and Accountability Program Committee (LEAP)	142	Tax Appeals, Board of (BTA)
035	Actuary , Office of the State (OSA)	147	Minority and Women's Business Enterprises, Office of (OMWBE)
037	Legislative Support Services, Office of (LSS)	148	Housing Finance Commission, Washington State (HFC)
038	Joint Legislative Systems Committee (JLS)	160	Insurance Commissioner, Office of the (INS)
040	Statute Law Committee (SLC)	163	Consolidated Technology Services (CTS)
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057	Civil Legal Aid, Office of (OCLA)	205	Pilotage Commissioners, Board of (BPC)
075	Governor , Office of the (GOV)	215	Utilities and Transportation Commission (UTC)
080	Lieutenant Governor, Office of the (LTG)	220	Volunteer Firefighters and Reserve Officers, Board for (BVFFRO)
082	Public Disclosure Commission (PDC)	225	Patrol, Washington State (WSP)
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118	Hispanic Affairs, Washington State Commission on (CHA)	353	Childhood Deafness and Hearing Loss, Washington State Center for (CDHL)
119	African-American Affairs, Washington State Commission on (CAA)		

Washington State Agency Codes (By Agency Assigned Number)
For the Fiscal Year Ended June 30, 2016

Agency No.	Agency	Agency No.	Agency
354	Work Force Training and Education Coordinating Board (WFTECB)	627	Bellevue College (BC)
355	Archaeology and Historic Preservation, Department of (DAHP)	629	Big Bend Community College (BBC)
356	Life Sciences Discovery Fund Authority (LSDFA)	632	Centralia College (CEC)
357	Early Learning, Department of (DEL)	634	Cascadia College (CC)
359	Washington Charter School Commission (WCSC)	635	Clark College (CLC)
360	University of Washington (UW)	637	Pierce College (PIE)
365	Washington State University (WSU)	639	Columbia Basin College (CBC)
370	Eastern Washington University (EWU)	648	Grays Harbor College (GHC)
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376	The Evergreen State College (TESC)	652	Highline College (HCC)
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387	Arts Commission, Washington State (ART)	662	Olympic College (OLC)
390	Historical Society, Washington State (WHS)	665	Peninsula College (PEC)
395	Historical Society, Eastern Washington State (EWH)	670	Seattle Community Colleges - District 6 (SCCD-6)
405	Transportation, Department of (DOT)	672	Shoreline Community College (SHC)
406	County Road Administration Board (CRAB)	674	Skagit Valley College (SVC)
407	Transportation Improvement Board (TIB)	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)
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477	Fish and Wildlife, Department of (DFW)	699	Community and Technical College System (CTCS)
478	Puget Sound Partnership (PSP)		
490	Natural Resources, Department of (DNR)		
495	Agriculture, Department of (AGR)		
521	Hardwoods Commission (HRWD)		
540	Employment Security Department (ES)		
599	Health Care Facilities Authority, Washington (WHCFA)		
605	Everett Community College (EVC)		
610	Edmonds Community College (EDC)		
621	Whatcom Community College (WHC)		

Community and Technical College Reporting

For the Fiscal Year Ended June 30, 2016

Agency 699 – Community and Technical College System is the administrative reporting agency for the following 30 community and technical colleges and the State Board for Community and Technical Colleges:

Bates Technical College
Bellevue College
Bellingham Technical College
Big Bend Community College
Cascadia College
Centralia College
Clark College
Clover Park Technical College
Columbia Basin College
Edmonds Community College
Everett Community College
Grays Harbor College
Green River College
Highline College
Lake Washington Institute of Technology
Lower Columbia College
Olympic College
Peninsula College
Pierce College
Renton Technical College
Seattle Community Colleges – District 6
Shoreline Community College
Skagit Valley College
South Puget Sound Community College
Spokane Community Colleges – District 17
Tacoma Community College
Walla Walla Community College
Wenatchee Valley College
Whatcom Community College
Yakima Valley Community College

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