

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

State of Washington July 1, 2020 through June 30, 2021

The Honorable Jay Inslee
State of Washington
Olympia, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Disclaimer, Adverse, Qualified and Unmodified Opinions

We have audited the compliance of the State of Washington, with the types of compliance requirements identified as subject to audit 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, 2021, except as described below. The State's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The State's basic financial statements include the operations of King County Public Hospital District No. 1 (the Valley Medical Center), which expended \$50,153,288 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2021. Our audit, described below, did not include the operations of the Valley Medical Center because it has arranged for a separate audit of its federal awards in accordance with the Uniform Guidance.

Disclaimer of Opinion on Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund)

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the compliance with the major program.

Adverse Opinion on 21.019 Coronavirus Relief Fund, 21.027 Coronavirus State and Local Fiscal Recovery Funds, and 93.558 Temporary Assistance for Needy Families

In our opinion, because of the significance of the matter described in the Basis for Adverse, Qualified and Unmodified Opinion section of our report, on 21.019 Coronavirus Relief Fund, 21.027 Coronavirus State and Local Fiscal Recovery Funds, and 93.558 Temporary Assistance for Needy Families paragraph, the State did not comply, in all material respects, with the types of compliance requirements referred to below that could have a direct and material effect on the programs for the year ended June 30, 2021.

Qualified Opinion on 93.959 Block Grants for Prevention and Treatment of Substance Abuse

In our opinion, except for the possible effects of the matter described in the Basis for Adverse, Qualified and Unmodified section of our report, the State complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on 93.959 Block Grants for Prevention and Treatment of Substance Abuse for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Basis for Adverse, Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified and unmodified audit opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

Basis for Disclaimer of Opinion on Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund)

As described in Findings 2021-033, 2021-034, 2021-035, 2021-036, 2021-037, 2021-038, and 2021-039 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with accounting and other necessary requirements regarding its Child Care and Development Fund Cluster program for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Matching, Level of Effort, Earmarking, Period of Performance, Reporting, and Special Tests and Provisions – Health and Safety Standards. The State could not provide documentation necessary to determine compliance. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Matters Giving Rise to Disclaimer of Opinion on Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund)

As we noted in Finding 2021-033, the State’s expenditure data for Child Care and Development Fund Cluster expenditures was inaccurate and determined unreliable for testing. As a result, we could not trace federal expenditures to a level adequate to establish whether the State’s expenditures of CCDF funds were in accordance with state and federal regulations. As a result, we were unable to test compliance with requirements for child care payments.

Matters Giving Rise to Adverse Opinion on 21.019 Coronavirus Relief Fund, 21.027 Coronavirus State and Local Fiscal Recovery Funds, and 93.558 Temporary Assistance for Needy Families

As described in Findings 2021-012, 2021-013, 2021-014, 2021-015, and 2021-016 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Coronavirus Relief Fund program for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting and Subrecipient Monitoring.

As described in Findings 2021-017, 2021-018, and 2021-019 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Coronavirus State and Local Fiscal Recovery Funds program for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement, Suspension and Debarment and Subrecipient Monitoring.

Additionally, as described in Findings 2021-027, 2021-028, and 2021-029 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Temporary Assistance for Needy Families program for Activities

Allowed or Unallowed, Allowable Costs/Cost Principles and Special Tests and Provisions – Child Support Non-Cooperation.

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Matters Giving Rise to Qualified Opinion on 93.959 Block Grants for Prevention and Treatment of Substance Abuse

As described in Findings 2021-055, 2021-056, 2021-057, 2021-058, 2021-059, 2021-060, and 2021-061 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Block Grants for Prevention and Treatment of Substance Abuse program for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Earmarking, Period of Performance, Reporting and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the State’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State’s internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures also disclosed 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 2021-002, 2021-004, 2021-005, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, 2021-020, 2021-021, 2021-022, 2021-024, 2021-025, 2021-026, 2021-030, 2021-031, 2021-032, 2021-041, 2021-042, 2021-043, 2021-045, 2021-046, 2021-047, 2021-048, 2021-049, 2021-050, 2021-051, 2021-052, and 2021-054. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State’s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

State’s Response to Findings

The State’s response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The State’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, 2021-014, 2021-015, 2021-016, 2021-017, 2021-018, 2021-019, 2021-020, 2021-021, 2021-022, 2021-024, 2021-025, 2021-026, 2021-028, 2021-029, , 2021-031, 2021-032, 2021-033, 2021-034, 2021-036, 2021-037, 2021-038, 2021-039, 2021-041, 2021-042, 2021-044, 2021-045, 2021-046, 2021-047, 2021-048, 2021-049, 2021-050, 2021-051, 2021-052, 2021-053, 2021-054, 2021-056, 2021-057, 2021-058, 2021-059, 2021-060 and 2021-061 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award

Findings and Questioned Costs as Findings 2021-023, 2021-027, 2021-035, 2021-040 and 2021-062 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 response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 entities, 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, 2021, and have issued our report thereon dated December 21, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

August 8, 2022