



State of Washington
Office of Financial Management

**Independent Accountant's Report on
Applying Agreed-Upon Procedures to
Department of Commerce's Expenditures
under RCW 36.22.179(1)(b)**

For the Biennial Period Ended June 30, 2019

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 Office of Financial Management
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**INDEPENDENT ACCOUNTANT'S REPORT
 ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the State of Washington, Office of Financial Management (OFM), on the accompanying Schedule of the Department of Commerce's Expenditures and Administrative Fees Under RCW 36.22.179(1)(b) solely to assist OFM with respect to determining whether the document recording fees identified by OFM in the schedule of the Department of Commerce's expenditures and administrative fees under RCW 36.22.179(1)(b), accounted for and reported on by the Department of Commerce (Commerce), were used in accordance with RCW 36.22.179(1)(b). OFM's management is responsible for the schedule of the Department of Commerce's expenditures and administrative fees under RCW 36.22.179(1)(b) for the period July 1, 2017, through June 30, 2019. The sufficiency of these procedures is solely the responsibility of OFM. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures and results are as described below.

Agreed-Upon Procedure	Findings/Results
<i>Perform an assessment of internal control over the data and data systems:</i>	
<ul style="list-style-type: none"> Document the systems and procedures used to record document recording fees. 	The appropriation is calculated and made by the Legislature and recorded in the accounting system by OFM.
<ul style="list-style-type: none"> Test the input (collection), processing (accounting) and output (reporting) of data to assure it is accurate and complete. 	The appropriation and uses of the funds, are tracked in the Contract Management System, including Commerce's administrative expenses and grantee payments based on approved invoices.
<i>Perform an assessment of receipts to assure completeness and accuracy:</i>	
These procedures are to establish the document fees that are subject to the RCW 36.22.179(1)(b). This should be for the period to which the regulation applies only.	
<ul style="list-style-type: none"> Obtain from the Office of Financial Management (OFM) an assertion of the total document recording fees apportioned to the Department of Commerce 	OFM provided the assertion of the amount of the total document fee revenue apportioned to the Department

Agreed-Upon Procedure	Findings/Results
(Commerce) from the Legislature under RCW 36.22.179(1)(b) for fiscal year 2018 and fiscal year 2019.	of Commerce under RCW 36.22.179(1)(b) for fiscal year 2018 and fiscal year 2019.
<ul style="list-style-type: none"> If there is an allocation of document recording fees from the entire year for only the period covered by the regulation, obtain the calculation of the allocation and review for reasonableness of the allocation methodology. 	The period covered by the AUP is July 1, 2017, through June 30, 2019. Therefore, no allocation was applied and no review was necessary.
<ul style="list-style-type: none"> Determine what supporting documentation there is for the appropriation to assure the Home Security Fund Account (10B) revenue retained by Commerce is correct. Obtain that documentation and tie to or reconcile to the amount asserted by OFM. 	We traced the amount reported by OFM of \$42,384,269 to the biennium reports
<ul style="list-style-type: none"> Identify and report any variances between the document fees identified and those supported by underlying records. 	We identified no variances.
<ul style="list-style-type: none"> Identify and report any variances based on the reasonableness or accuracy of the allocation (if applicable). 	Not applicable.
<ul style="list-style-type: none"> Recalculate the actual expenditures for fiscal year 2018 and fiscal year 2019. Post to lead sheets for reporting. 	We calculated and determined \$30,569,996 was expended under RCW 36.22.179(1)(b) ¹ for fiscal year 2018 and fiscal year 2019.
<i>Perform an assessment of expenditures to assure proper recording, use and reporting:</i>	
<ul style="list-style-type: none"> Obtain a list of all lead grantees. 	We obtained a list of all lead grantees and their subgrantees from Commerce.
<ul style="list-style-type: none"> Obtain a report of the grant amounts (budgets) to each of the lead grantees. 	We obtained a summary of the grant amounts for each lead grantee from Commerce.
<ul style="list-style-type: none"> Obtain the budget and expenditure reports for each of the lead grantees for the period. 	We obtained a summary of expenditures by lead grantee from Commerce.
<ul style="list-style-type: none"> Select samples for testing expenditures. The sampling methodology should take into consideration and include: <ul style="list-style-type: none"> A stratification of the lead grantees (local governments, contractors and housing providers) into strata that take into consideration geographic location, median income and population served. A stratification of the lead grantees by amount of grant award as well as by 	We selected a judgmental sample using a criterion that included the following: expenditures by budget category, geographic location, median income, population served and an assessment of internal controls. As a result, seven lead grantees in Washington were identified to include in the sample, including local

¹ Per RCW 43.185C.061, Home security fund account funds appropriated to carry out the activities of RCW 43.330.700 through 43.330.715, 43.330.911, 43.185C.010, 43.185C.250 through 43.185C.320, and 43.330.167 are not subject to the set aside under RCW 36.22.179(1)(b). Therefore, the Youth Homeless expenditures are not included in the total expenditure calculations.

Agreed-Upon Procedure	Findings/Results
<p>expenditures by budget category (to assure both large and small grantees and all uses of funds are properly represented in the sample).</p>	<p>governments, contractors and sub-grantees.</p>
<ul style="list-style-type: none"> ○ An assessment of internal controls of the lead grantees as evidenced by monitoring reports, prior audit or review reports, accuracy and timeliness of annual reports, volume of expenditures, assessment and identification of subgrantees (e.g., related parties, numerous small or large expenditures, length of sub grant relationship, etc.). 	
<ul style="list-style-type: none"> ● Document the selected sample and prepare a site visit plan. Notify the selected lead grantees or subgrantees of the site visit and prepare and distribute both a notification letter as well as a list of documents to be readied and supplied during the site visit. This should include, for example and as applicable: 	<p>We documented the sample selections and prepared a site visit plan. We notified the sampled lead and sub-grantees of the onsite visits and we informed all the lead and sub-grantees of the documents to be provided.</p>
<ul style="list-style-type: none"> ○ an organization chart for the lead grantee identifying personnel associated with the private rental housing and grant program. 	
<ul style="list-style-type: none"> ○ a description of the systems used for accounting and monitoring. 	
<ul style="list-style-type: none"> ○ accounting policies and procedures for grant funds (and sub-grantees) 	
<ul style="list-style-type: none"> ○ sub-grantee procurement policies 	
<ul style="list-style-type: none"> ○ sub-grantee monitoring policies 	
<ul style="list-style-type: none"> ○ reports submitted by sub grantee accounting for grant funds. 	
<ul style="list-style-type: none"> ○ documentation to support sub grantee expenditures and monitoring. 	
<ul style="list-style-type: none"> ○ accounting reports used to prepare the county annual report or other report submitted to Commerce. 	
<ul style="list-style-type: none"> ○ reconciliations necessary to reconcile reports to the accounting system. 	
<ul style="list-style-type: none"> ● Conduct site visits. Meet with designated officials to discuss the grant, the sub-grantee selections, the expenditures and the reporting. Obtain the requested documentation and assess proper use of funds (through assessment of internal controls and a selection of a sample of expenditure transactions and attribute testing as established in the PWP) by the grantee and the sub grantee and compliance with grant terms and conditions. 	<p>For the sampled lead and subgrantees, we examined internal controls over expenditures and the reported expenditures for a selected period under RCW 36.22.179(1)(b). Our procedures included reconciling the costs from the subgrantees' source documentation and systems to their invoice to the lead grantee, and from the lead grantee invoice to the records provided by Commerce. We examined supporting documentation for the sampled expenditures, including</p>

Agreed-Upon Procedure	Findings/Results
	accounting records, invoices, receipts, payroll records, client files and other supporting documentation.
<ul style="list-style-type: none"> Prepare a summary, by grantee, of the total expenditures, expenditures sampled and tested, and the results of the attribute testing. Assess compliance with RCW 36.22.179(1)(b) at the grantee level for fiscal year 2018 and fiscal year 2019. 	We prepared a summary. See Exhibit B.
Conclude on compliance with RCW 36.22.179(1)(b) for fiscal year 2018 and fiscal year 2019.	
<ul style="list-style-type: none"> Summarize total document recording fees, as adjusted if necessary. 	We summarized total document recording fees of \$42,384,269. See Exhibit A. No adjustments were required.
<ul style="list-style-type: none"> Summarize total private rental housing payments reported and adjusted if necessary. RCW 36.22.179(1)(b)(A) 	We summarized total RCW 36.22.179(1)(b)(A) expenditures of \$13,408,757. See Exhibit B.
<ul style="list-style-type: none"> Summarize total expenditures for providing housing and shelter for homeless people and funding the homeless housing grant program -- RCW 36.22.179(1)(b)(B) 	We summarized the total RCW 36.22.179(1)(b)(B) expenditures of \$14,647,012. See Exhibit B.
<ul style="list-style-type: none"> Calculate the percentage of document recording fees expended for proper private rental housing payments. 	We calculated the percentage of document recording fees expended for private rental housing payments to be approximately 48 percent. See Exhibit A.
<ul style="list-style-type: none"> Assure that the total percentage of proper set aside is in compliance with RCW 36.22.179(1)(b)(A). 	The total percentage set aside for the private market rental housing segment for housing persons experiencing homelessness complies with RCW 36.22.179(1)(b)(A).
<ul style="list-style-type: none"> Determine the condition, cause and effect of any identified variances in expenditures from the allocations listed within the subsections of RCW 36.22.179(1)(b) 	No variances in expenditures from the allocations listed within the subsections of RCW 36.22.179(1)(b) were found.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by generally accepted government auditing standards and the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the schedule of the Department of Commerce's expenditures and administrative fees under RCW 36.22.179(1)(b). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OFM and Commerce departments and its distribution should be limited to those parties. It is not intended to be, and should not be, used by anyone other than the specified parties unless those parties deem it appropriate and necessary in meeting its reporting obligations under RCW 36.22.179(1)(b)

Reed & Associates, CPAs

Reed & Associates, CPAs, Inc.
Port Charlotte, FL
January 31, 2020

Exhibit A

Schedule of the Department of Commerce's Expenditures and Administrative Fees Under RCW 36.22.179(1)(b) for the Period July 1, 2017 through June 30, 2019

	Reported	Adjustments	Adjusted	Notes
Total RCW 36.22.179(1)(b) Expenditures	\$30,569,996	-	\$30,569,996	1
Department of Commerce Administrative Fees -RCW 36.22.179(1)(b)i	\$2,514,227	-	\$2,514,227	2
Expenditures for Private Rental Housing payments– RCW 36.22.179(1)(b)(A)	\$13,408,757	-	\$13,408,757	3
Expenditures for providing housing and shelter for homeless people and funding the homeless housing grant program – RCW 36.22.179(1)(b)(B)	\$14,647,012	-	\$14,647,012	4

Notes to Schedule of Expenditures

1. Total Expenditures for the period July 1, 2017, through June 30, 2019, subject to RCW 36.22.179(1)(b).
2. Commerce administrative expenditures are less than the maximum 12.5 percent allowed under RCW 36.22.179(1)(b)(i) and an additional 4.2 percent allowed under RCW 36.22.1791
3. RCW 36.22.179(b)(A) requires that at least 45 percent of the set aside by used for private rental housing payments. Commerce’s actual expenditures under RCW 36.22.179(1)(b)(A) equaled 48 percent of the set aside for the use of private rental housing payments.
4. Commerce’s actual expenditures under RCW 36.22.179(1)(b)(B) equaled 52 percent of the set aside for providing housing and shelter for homeless people including, but not limited to: Grants to operate, repair, and staff shelters; grants to operate transitional housing; partial payments for rental assistance; consolidated emergency assistance; overnight youth shelters; grants and vouchers designated for victims of human trafficking and their families; and emergency shelter assistance; and funding the homeless housing grant program.

Exhibit B

**Schedule of Total Expenditures Sampled
By Lead and Sub grantee
for the Period July 1, 2017 – June 30, 2019**

Lead	Period	Expenditures Sampled	Adjustments
King County			
	Fiscal Year 2018	\$229,602	-
	Fiscal Year 2019	1,051,641	-
Spokane County			
	Fiscal Year 2018	1,506	-
	Fiscal Year 2019	11,299	-
Thurston County			
	Fiscal Year 2018	145,445	-
	Fiscal Year 2019	112,672	-
Yakima County			
	Fiscal Year 2018	23,573	-
	Fiscal Year 2019	19,442	-
Clark County			
	Fiscal Year 2018	101,020	-
	Fiscal Year 2019	232,806	-
Bellingham School District			
	Fiscal Year 2018	5,224	-
	Fiscal Year 2019	6,470	-
Evergreen School District			
	Fiscal Year 2018	1,580	-
	Fiscal Year 2019	3,354	-
Total Sampled Expenditures		\$1,945,634	