



**State of Washington**

**Office of Financial Management**

**Independent Examination of the  
Department of Commerce's Expenditures for  
Private For Profit Rental Housing under  
RCW 36.22.179(1) (b)**

**For the Period Ended December 31, 2014**

**Reed & Associates, CPAs, Inc.  
6 Main Street, Suite 316  
Centerbrook, CT 06409**



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

State of Washington  
Office of Financial Management  
Olympia, Washington

We have performed the procedures enumerated below, which were agreed to by the State of Washington Office of Financial Management (OFM), solely to assist OFM with respect to determining whether the document recording fees received, accounted for and reported on by the Department of Commerce (Commerce) for the calendar year 2014 were properly collected, recorded and reported, and whether the stipulated portion of those fees were used for private rental housing payments in accordance with RCW 36.22.179(1)(b) dated June 12, 2014, for the period July 1, 2014, through December 31, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of OFM. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

<b>Agreed-Upon Procedure</b>
<b>Meet with OFM to establish the scope, objectives and timing of the AUP:</b>
<ul style="list-style-type: none"> <li>Hold a Kick Off Meeting to discuss the contract, the scope of each year's attestation engagement, the period to be covered and assure all parties are in agreement</li> </ul>
<ul style="list-style-type: none"> <li>Discuss the AUP and revise as necessary to assure that it meets OFM's objectives and that OFM takes final responsibility for procedures in accordance with AT-201</li> </ul>
<ul style="list-style-type: none"> <li>Discuss the sampling methodologies and obtain input based on both size (minimum and maximum samples) as well as stratification (lead grantee)</li> </ul>
<ul style="list-style-type: none"> <li>Prepare and document a Project Work Plan (PWP) documenting final understanding, sample sizes, key milestones, timelines, personnel and deliverables</li> </ul>
<ul style="list-style-type: none"> <li>Establish weekly update/status meeting content, agenda, timing and methodology</li> </ul>
<b>Obtain background and source documents including:</b>
<ul style="list-style-type: none"> <li>Sample Grants</li> </ul>
<ul style="list-style-type: none"> <li>Sample Invoices</li> </ul>
<ul style="list-style-type: none"> <li>Grantee Communications</li> </ul>
<ul style="list-style-type: none"> <li>Commerce's policies and procedures including instructions to counties</li> </ul>
<ul style="list-style-type: none"> <li>Documented allowable uses associated with "private rental housing payments" and documentation required to support expenditures</li> </ul>
<b>Perform an assessment of internal control over the data and data systems:</b>
<ul style="list-style-type: none"> <li>Document the systems and procedures used to record document recording fees</li> </ul>
<ul style="list-style-type: none"> <li>Test the input (collection), processing (accounting) and output (reporting) of data to assure it is accurate and complete</li> </ul>
<b>Perform an assessment of receipts to assure completeness and accuracy:</b>

<b>Agreed-Upon Procedure</b>	
THESE STEPS ARE TO ESTABLISH THE DOCUMENT FEES THAT ARE SUBJECT TO THE 45% REGULATION FOR USE ON PRIVATE RENTAL HOUSING. THIS SHOULD BE FOR THE PERIOD TO WHICH THE REG APPLIES ONLY.	
• Obtain from OFM an assertion of the total document fees apportioned to Commerce from the Legislature upon which the 45% for private rental housing is based.	
• If there is an allocation of fees from the entire year to only the period covered by the regulation, obtain the calculation of the allocation and review for reasonableness of the allocation methodology.	
• Determine what supporting documentation there is for the appropriation to assure the “revenue” is correct. Obtain that documentation and tie to or reconcile to the amount asserted by OFM.	
• Identify and report any variances between the document fees identified and those supported by underlying records.	
• Identify and report any variances based on the reasonableness or accuracy of the allocation (if applicable).	
• Recalculate the 45% private rental housing requirement to be used in comparing the actual expenditures. Post to lead sheets for reporting.	
<b><i>Perform an assessment of expenditures to assure proper recording, use and reporting:</i></b>	
• Obtain a list of all lead grantees	
• Obtain a report of the grant amounts (budgets) to each of the lead grantees	
• Obtain the budget and expenditure reports for each of the lead grantees for the period	
• Select samples for testing expenditures. The sampling methodology should take into consideration and include:	
○ 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 expenditures by budget category (to assure both large and small grantees and all uses of funds are properly represented in the sample)	
○ 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 subgrant relationship, etc.)	
• 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:	
○ An organization chart for the lead grantee identifying personnel associated with the private rental housing and grant program	
○ A description of the systems used for accounting and monitoring	
○ Accounting policies and procedures for grant funds (and subgrantees)	
○ Subgrantee procurement policies	
○ Subgrantee monitoring policies	
○ Reports submitted by subgrantees accounting for grant funds	
○ Documentation to support subgrantee expenditures and monitoring	
○ Accounting reports used to prepare the county annual report or other report submitted to Commerce	
○ Reconciliations necessary to reconcile reports to the accounting system	
• Conduct site visits. Meet with designated officials to discuss the grant, the subgrantee	

<b>Agreed-Upon Procedure</b>	
	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 subgrantees and compliance with grant terms and conditions.
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Conclude on compliance with both RCW 36.22.179(1) (b):</b>	
	<ul style="list-style-type: none"> <li>• Summarize total document recording fees, as adjusted if necessary</li> <li>• Summarize total private rental housing payments reported and adjusted, if necessary</li> <li>• Calculate the percentage of document recording fees expended for proper private rental housing payments</li> <li>• Assure that the total percentage of proper expenditures is in compliance with RCW 36.22.179(1)(b)</li> <li>• Identify any shortfall in expenditures below the required percentage per RCW 36.22.179(1)(b)</li> <li>• Identify the condition, cause and effect of any shortfall in the required percentage of funds expended for private rental housing payments</li> <li>• Document recommendations to mitigate the condition and cause for the shortfall</li> </ul>
<b>Prepare deliverables:</b>	
	<ul style="list-style-type: none"> <li>• Prepare a Draft Report summarizing the: <ul style="list-style-type: none"> <li>○ Assessment of Internal Controls, including those internal controls at the subgrantee level and the monitoring of those controls by Commerce or OFM</li> <li>○ Assessment of the Document Recording Fee receipts</li> <li>○ Assessment of the Expenditures for Private Rental Housing Payments</li> <li>○ Assessment of Overall Compliance with Conclude on compliance with RCW 36.22.179(1)(b)</li> </ul> </li> <li>• Meet with OFM, Commerce and landlord or grantee representatives to discuss the Draft Report (meeting will most likely be remote unless significant deficiencies are identified)</li> <li>• Allow sufficient time for OFM, Commerce and the landlords or grantee representatives to review the Draft Report and provide comments or additional information for consideration</li> <li>• Assess any additional information or comments. Incorporate comments or information as appropriate</li> <li>• Prepare and deliver Final Report (hard copy and electronic)</li> <li>• Meet with or provide recommendations to OFM and the legislature, as requested</li> </ul>

Based on the agreed-upon procedures, we found that expenditures reported as allowable expenses to private for profit rental housing were overstated by \$17,894. The overstatement was due to the inclusion of nonprofit expenditures or other expenditures not applicable to the budget categories under these grants being included in the total expenditures reported. Detailed adjustments have been made in the Notes to Schedule of Total Expenditures Sampled/Examined by Lead Grantee (County) and Subgrantee (Exhibit B).

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. 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 the State of Washington, Office of Financial Management (OFM) and is not intended to be and should not be used by anyone other than those specified parties.

*Reed & Associates, CPAs*

Reed & Associates, CPAs, Inc.  
Old Saybrook, CT  
June 30, 2015

## **EXECUTIVE SUMMARY:**

Reed & Associates, CPAs Inc. (Reed) performed an independent examination of the Private Housing Expenditures made for the period July 1, 2014, through December 31, 2014, for the purpose of determining if those expenditures were made in accordance with RCW 36.22.179(1)(b), dated June 12, 2014. RCW 36.22.179(1) (b) requires that 45% of the document recording fees, after adjustments for administrative expenses, be set aside for private rental housing assistance. In examining if expenditures complied with RCW 36.22.179(1) (b), Reed identified the total document recording fees received by the State of Washington, Department of Commerce (Commerce) in order to calculate whether Commerce had set aside the required 45 percent of those fees, after adjustments for administrative expenses for private rental housing. Reed determined that Commerce had, in fact, set aside and budgeted approximately 61 percent of the document fees to be expended for private rental housing. Reed also determined, with the exception of \$17,894 of eligible grant expenditures (such as utility expenses and rental storage costs) that should have been charged to other housing budget categories by subgrantees, the private rental housing expenditures examined were properly recorded, reported and were made in support of private rental housing. Reed has proposed adjustments to remove these expenditures from the summary of expenditures and from the State's accounting records in order to properly report the total expenditures under the private rental housing budget categories.

## **OBJECTIVE:**

The objective of the report is to provide the State of Washington Office of Financial Management (OFM) with an independent accountant's report, prepared in accordance with AICPA AT-201, providing information on whether the document recording fees received, accounted for and reported on by the Department of Commerce (Commerce) were properly collected, recorded and reported in accordance with RCW 36.22.179(1)(b) and whether the stipulated portion of those fees were used for private rental housing payments in accordance with RCW 36.22.179(1)(b).

## **BACKGROUND:**

The Legislature enacted the Homeless Housing and Assistance Act (Act) in 2005, with the goal of reducing homelessness by 50 percent statewide and in each county by 2015. A \$40 surcharge is imposed on recording of certain documents with county auditors for local homeless housing and assistance. The surcharge applies to certain documents relating to real property specified in statute including deeds, mortgages, community property agreements, leases and other documents related to property ownership, as well as other documents pertaining to real property. The Legislature extended the \$40 document recording fee until June 30, 2019, with the requirement Commerce use 45 percent of the funds received for private rental housing payments, defined as housing owned by a private landlord and does not include housing owned by a nonprofit housing entity or government entity.

The 2014 Legislature requires OFM, in accordance with RCW 43.185C.230, to contract an independent audit of Commerce's data and expenditures of state funds received under RCW



36.22.179 (1) (b) on an annual basis. The first audit of Commerce's expenditures will be for calendar year 2014, and must review a sample of local governments, contractors and housing providers that is geographically and demographically diverse.

RCW 36.22.179(1) (b) requires:

(b) The auditor shall remit the remaining funds to the state treasurer for deposit in the home security fund account. The department may use twelve and one-half percent of this amount for administration of the program established in RCW 43.185C.020, including the costs of creating the statewide homeless housing strategic plan, measuring performance, providing technical assistance to local governments, and managing the homeless housing grant program. Of the remaining eighty-seven and one-half percent, at least forty-five percent must be set aside for the use of private rental housing payments.<sup>1</sup>

Commerce implemented this provision by:

- 1) Creating dedicated budget coding to track obligations and spending on private rental housing for both the Home Security Fund Account (10B) and THOR Fund Account (15A). The THOR account is funded by a transfer from 10B, and Commerce is interpreting that THOR funds appropriated to Commerce retain the 45 percent requirement.
- 2) Working with grantees to move 45 percent of the July 2014 balance of contracted 10B and 15A pass-through funds contracted by Commerce into new contract line items dedicated to private rental housing payments.

Two components affect the amount set aside for private rental housing: the revenue received from document recording fees throughout the State during the period and deposited by the State Treasurer into the "Home Security Fund Account" (10B); and the amount calculated for administrative expenses. Therefore, the formula to calculate the amount set aside for private rental housing is as follows:

Revenue Collected \* 16.7% = maximum administrative expenditures

(Revenue Collected – maximum administration expenditures) \* .45 = private rental housing  
set aside

Two grants are funded by the document recording fees: the Consolidated Homeless Grant (CHG) and the Independent Youth Housing Program Grant (IYHPG). Commerce guidelines define "private rental housing payments" as payments for rental units or facilities owned by for-profit entities. Payments include rent, rent arrears, late fees, deposits and landlord incentive payments. This does not include application or screening fees, utility payments or credit background checks.

---

<sup>1</sup> Washington State Legislature , RCW 36.22.179, Surcharge for local homeless housing and assistance – Use.

## **RESULTS:**

Reed reviewed the total document recording fees received by Commerce to assess whether Commerce has set aside the required 45 percent of those fees, after adjustments for administrative expenses, for private rental housing. Reed determined that Commerce had, in fact, set aside and budgeted 61 percent of the document fees to be expended on private rental housing. We also identified \$17,894 of eligible grant expenditures (such as utility expenses and rental storage costs) were charged in the one of the six for-profit categories that should have been charged to one of the other 15 other budget categories. We have proposed adjustments to remove these expenditures from the summary of expenditures and from the State's accounting records in order to properly report the total expenditures under these budget categories. The adjustments are summarized in Exhibit A and detailed in Exhibit B.

In accordance with RCW 43.185C.240, the results of the examination were provided to and discussed with Commerce and landlord representatives who were provided with an opportunity to review the preliminary report and provide written comments regarding the findings, with those comments to be included with the final report. No comments were provided by Commerce. Comments were received from one landlord representative and are included, in their entirety, as an Appendix to this report.



## Exhibit A

<b>Statement of Revenue and Expenditures</b>				
<b>Private Rental Housing Program</b>				
<b>July 1, 2014 - December 31, 2014</b>				
	Reported	Adjustments	Adjusted	Notes
Document Fees Collected	\$ 5,806,084	\$ -	\$ 5,806,084	1
Department of Commerce Maximum Administrative Fees	\$ 969,616	\$ -	\$ 969,616	2
Amount To Be Set Aside for Private Rental Housing	\$ 2,176,411	\$ -	\$ 2,176,411	3
Private Rental Housing Expenditures	\$ 2,996,236	\$ 17,894	\$ 2,978,342	4

### Notes to Statement of Revenue and Expenditures

1. Document recording fees collected for the period July 1, 2014, through December 31, 2014, subject to RCW 36.22.179(1)(b).
2. Department of Commerce maximum administrative fees equal to 16.7% of the document recording fees collected.
3. Department of Commerce budgeted amounts set aside for private rental housing under RCW 36.22.179(1) (b), equal to 45% of the revenue after maximum administrative fees. There are two grants funded by the document recording fees: the Consolidated Homeless Grant (CHG) and the Independent Youth Housing Program Grant (IYHPG).
4. Expenditures reported by lead grantees. Adjustments made to reduce the reported expenditures to eliminate expenditures that were not allowable under the grants or budget categories established for RCW 36.22.179(1) (b) are detailed in the Schedule of Expenditures by County and the Notes to that Schedule.

In accordance with Senate Bill ESSB 5875, OFM contracted with Reed & Associates, CPAs to perform an independent examination independent examination of the Private Housing Expenditures made for the period July 1, 2014, through December 31, 2014, for the purpose of determining if those expenditures were made in accordance with RCW 36.22.179(1)(b), dated June 12, 2014. Reed selected a sample of lead grantees and subgrantees that are geographically and demographically diverse to test expenditures made from July 1, 2014, to December 31, 2014, to assure that expenditures by lead grantees and their subgrantees were in accordance with RCW 36.22.179(1)(b). The complete list of counties and their expenditures during the period July 1, 2014, to December 31, 2014, are:

<b>Schedule of Reported Exenditures by County</b>	
<b>County</b>	<b>Private Housing Expenditures</b>
Adams County Comm Counseling Svc	\$ 20,669
Asotin	\$ 39,330
Benton, Franklin	\$ 107,815
Chelan, Douglas	\$ 53,797
Clallam	\$ 93,661
Clark	\$ 146,020
Columbia, Garfield	\$ 9,365
Cowlitz	\$ 15,371
Ferry	\$ 3,483
Grant	\$ 36,644
Grays Harbor	\$ 50,433
Island	\$ 47,999
Jefferson	\$ 23,130
King	\$ 692,219
Kitsap	\$ 46,273
Kititas	\$ 37,346
Klickitat	\$ 17,729
Lewis	\$ 103,190
Lincoln	\$ 6,999
Mason	\$ 6,685
Okanogan	\$ 41,155
Pacific	\$ 21,288
Pend Oreille	\$ 12,143
Pierce	\$ 487,912
San Juan	\$ 500
Skagit	\$ 55,673
Skamania	\$ 4,928
Snohomish	\$ 158,969
Spokane	\$ 262,781
Stevens	\$ 22,355
Thurston	\$ 67,352
Wahkiakum	\$ 14,005
Walla Walla	\$ 37,643
Whatcom	\$ 73,415
Whitman	\$ 58,861
Yakima	\$ 119,097
<b>TOTALS</b>	<b>\$ 2,996,236</b>

Reed selected seven counties throughout the state of Washington, using the criteria established in RCW 36.22.179 (1) (b) that states the sample must include local governments, contractors and housing providers and that is geographically and demographically diverse, to examine internal

controls over expenditures and reported expenditures under the Consolidated Homeless Grant (CHG) and the Independent Youth Housing Program Grant (IYHPG). Within these seven counties, Reed selected 11 lead and/or subgrantees to test internal controls and expenditures, as applicable, as follows:

Lewis County:

- Housing Resource Center
- Reliable Enterprises

Pierce County:

- Share and Care House
- Pierce County Housing Programs\*

Walla Walla County:

- Helpline
- Blue Mountain Action Council

Whitman County:

- Community Action Council

Yakima County:

- Yakima Neighborhood Health Services

Spokane County

- Catholic Charities – City of Spokane
- Catholic Charities – Spokane County

King County

- Neighborhood House, NEI Working for Housing Stability
- Compass Housing Alliance, CCO HomeStep Family Program

*\* Pierce County Housing Programs is a lead grantee and did not report any expenditures. It was selected as part of the test of internal controls to assure that monitoring of the subgrantees' expenditures was adequate.*

The expenditures reported by these subgrantees and the results of our examination of a sample of the reported expenditures is summarized in Exhibit B, *Schedule of Total Expenditures Sampled by County and Subgrantee* and the Notes to Exhibit B, below. Unless stated in the Notes, our assessment of the 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 and assessment and identification of subgrantees, as applicable, did not identify any material weaknesses or reportable conditions related to those internal controls that would result in not meeting the objective of expending and reporting expenditures as instructed by Commerce in its communications for these grants.

## Exhibit B

Schedule of Total Expenditures Sampled by County and Subgrantee				
County and Subgrantee	Reported Private For Profit Rental Housing Expenditures	Adjustments Based on Examination	Adjusted Private For Profit Rental Housing Expenditures	Notes
<b>Lewis County:</b>				
Housing Resource Center (previously named Lewis County Shelter Program)	\$ 16,137		\$ 16,137	
Reliable Enterprises	\$ 9,445		\$ 9,445	
<b>Pierce County:</b>				
Share and Care House	\$ 34,060	\$ 1,029	\$ 33,031	a
Pierce County Housing Programs				
<b>Walla Walla County:</b>				
Helpline	\$ 6,875		\$ 6,875	
Blue Mountain Action Council	\$ 2,993	\$ 2,036	\$ 957	b
<b>Whitman County:</b>				
Community Action Council	\$ 8,581	\$ 1,279	\$ 7,302	c
<b>Yakima County:</b>				
Yakima Neighborhood Health Services	\$ 10,498	\$ 30	\$ 10,468	d
<b>Spokane County:</b>				
Catholic Charities - City of Spokane	\$ 28,012	\$ 575	\$ 27,437	e
Catholic Charities - Spokane County	\$ 10,619		\$ 10,619	
<b>King County:</b>				
Neighborhood House, NEI Working for Housing Stability	\$ 43,152		\$ 43,152	
Compass Housing Alliance, CCO HomeStep Family Program	\$ 17,220	\$ 12,945	\$ 4,275	f
<b>Total Sampled Expenditures July 1, 2014 - December 31, 2014</b>	<b>\$ 187,591</b>	<b>\$ 17,894</b>	<b>\$ 169,697</b>	

**Notes to Schedule of Total Expenditures Sampled/Examined  
by Lead Grantee (County) and Subgrantee**

---

- a. Share and Care House (Pierce County). This subgrantee incurred and reported \$860 for expenditures for performing the assessor parcel and IRS form look-up and \$169 for utility bills paid directly to utility companies.
- b. Blue Mountain Action Council (Walla Walla County). This subgrantee included \$578 of expenditures made to the Walla Walla Housing Authority, a government entity. This subgrantee also misclassified an expenditure of \$1,458 that should have been charged to the McKinney Vento Program.
- c. Community Action Center of Whitman County (Whitman County). This sub-grantee incurred and reported \$1,279 for motel costs and storage unit rental fees charged to the for-profit category that should have been charged to other budget categories.
- d. Yakima Neighborhood Health Services (Yakima County). This subgrantee incurred and reported \$30 for storage unit rental fees charged to the for-profit category that should have been charged to other budget categories.
- e. Catholic Charities (Spokane County). This subgrantee included \$575 of expenditures made to nonprofit organizations.
- f. Compass Housing Alliance (King County). This subgrantee included \$12,945 of expenditures made to nonprofit organizations. This subgrantee did not implement the Commerce requirement to determine and verify that recipients of the funding were for-profit vs. nonprofit landlord types. We determined that of the 12 clients/households receiving funding, 7 were incorrectly categorized with as for-profit landlord type but were actually nonprofit landlords. Compass Housing Alliance's management acknowledged this was due to lack of internal controls and are implementing corrective actions. Commerce is also preparing an adjusting journal entry to correct the accounting records.

## **Appendix**

Comments on the  
Independent Examination of the  
Department of Commerce's Expenditures for  
Private For Profit Rental Housing under RCW 36.22.179(1)(b)



**Address**  
Rental Housing Association  
2414 SW Andover St, Ste D207  
Seattle, WA 98106

**Telephone**  
( 206 ) 283 - 0816  
( 800 ) 335 - 2990

**Fax**  
( 206 ) 286 - 9461

**Website**  
[www.RHAWa.org](http://www.RHAWa.org)

To Whom It May Concern:

Thank you for the opportunity to comment on the *Independent Examination of Expenditures for Private For Profit Rental Housing under RCW 36.22.3179(1)(b)* prepared by Reed & Associates, CPAs, Inc. (Reed Report). As integral stakeholders in the legislative process that brought about ESSB 5875, which set forth the requirements in RCW 43.185C.240 that the Office of Financial Management must secure an independent audit of private rental housing payments made under RCW 36.22.179(1)(b). The Rental Housing Association of Washington (RHA) has been eagerly awaiting data to better understand the expanding role of private housing in our State's battle against homelessness.

RHA's primary consideration is that the report secured under RCW 43.185C.240 follows the intent of statutory language, and that the reporting process and deliverables follow the steps set forth in the Agreed Upon Procedures in pages 1-3 of the Reed Report.

Over the last 12 months, the Department of Commerce (Commerce), has been actively involved with private rental property owner representatives in the development of new internal control systems to determine the for-profit status of rental housing expenditures under RCW 36.22.179(1)(b). RHA has been supportive of the process defined in section 9.1, "Documentation of Unit Ownership", and detailed in Appendix C of Commerce's current *Guidelines for the Consolidated Homeless Grant*. It is RHA's view that the report to the legislature should confirm that expenditures analyzed as part of a sampling of grantees (to include sub-grantees) follow the specific process set forth in the *Guidelines for the Consolidated Homeless Grant*.

RCW 43.185C.240(1)(d) reads,

The independent audit must review a random sample of local governments, contractors, and housing providers that is geographically and demographically diverse...

The report declares a sampling of eleven grantees and sub-grantees selected in seven counties, stating, "Reed & Associates, CPAs selected a sample of local governments, contractors and providers (lead grantees) that are geographically and demographically diverse..."

It's is RHA's hope—and interpretation of the intent of the statutory language—that the selectees will present a data set that can best be extrapolated across the state, in order to give the Legislature, stakeholders, and Commerce the most valuable information upon which to make important decisions on the funding mechanisms of RCW 36.22.179 going into the future. RHA is concerned that the current draft contains no apparent assessment or background on the selection methodology for the eleven selected grantees. There is no statement in the report of how the selected data set represents 'demographically diversity', 'geographically diversity', and 'a random sampling'.







#### Address

Rental Housing Association  
2414 SW Andover St, Ste D207  
Seattle, WA 98106

#### Telephone

( 206 ) 283 - 0816  
( 800 ) 335 - 2990

#### Fax

( 206 ) 286 - 9461

#### Website

[www.RHAwa.org](http://www.RHAwa.org)

Further, in examining the internal controls of expenditures for private for profit rental housing payments of only \$60,372 in King County, RHA is concerned that the report does not reflect a demographically diverse enough sampling to understand the use of these monies in King County. Commerce is reporting a total granting of \$692,219 in King County expenditures to private for profit rental housing payments, which represents approximately 23% of the total monies spent in the state. The Reed Report only examined approximately .09% of the expenditures spent in King County over the period, and found \$12,945 in needed adjustments. The King County sample only represents approximately 10% of the total for profit private rental housing expenditures selected analyzed by Reed & Associates, CPAs, Inc.

RHA is committed to working alongside the State and local governments to improve the private markets access and responsibility for housing the homeless. While RHA understands the critical need for the funding of homelessness programs, we also are keenly aware of the concerns of funding housing programs through auditor filing fees. Again, RHA is resolved that accurate and complete data obtained from this and other auditing requirements set out in ESSB 5785 will provide all stakeholders, and future legislatures who must reaffirm the current funding mechanisms, with the best possible tools to find educated solutions to Washington's complex homelessness issues.

Sincerely,

Kyle Woodring  
Lobbyist  
Rental Housing Association of Washington

