State of Washington

Office of Financial Management

Single Audit Report

For the Fiscal Year Ended June 30, 2017

March 2018

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Single Audit Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

MARCH 2018

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Table of Contents

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 2, 2017

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, 2017, 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	13.6%	25.4%	8.3%
Business-Type Activities	76.1%	100.0%	38.2%
Higher Education Special Revenue Fund	57.1%	56.6%	54.2%
Higher Education Endowment Fund	96.7%	96.6%	93.9%
Higher Education Student Services Fund	72.0%	100.0%	69.2%
Workers' Compensation Fund	92.7%	100.0%	16.5%
Guaranteed Education Tuition Program Fund	94.1%	100.0%	88.3%
Aggregate Discretely Presented Component Units and Remaining Fund Information	93.5%	94.8%	73.4%

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, 2017, 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 $39.3 billion, which comprise 30.5 percent of total assets and 32.7 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 and required supplementary information listed in the table of contents 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 2, 2017 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.

Pat McCarthy

State Auditor

Olympia, WA

November 2, 2017

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, 2017. 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 $23.99 billion (reported as net position). Of this amount, $(12.11) 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 $16.89 billion, an increase of 7.0 percent compared with the prior year.

- The state's capital assets increased by $1.63 billion, total bond debt increased by $557.3 million, and the state's net investment in capital assets is $21.80 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 the 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, and employee health insurance. 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 three major component units: the Valley Medical Center, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 69-70 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 68-176 of this report.

OTHER INFORMATION

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 179-209 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 213-277 of this report.

STATE OF WASHINGTON

Statement of Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016 *	2017	2016
ASSETS						
Current and other assets	$ 26,295	$ 25,362	$ 26,535	$ 25,435	$ 52,830	$ 50,797
Capital assets	40,512	38,962	3,108	3,030	43,620	41,992
Total assets	66,807	64,324	29,643	28,465	96,450	92,789
DEFERRED OUTFLOWS OF RESOURCES	1,320	771	197	132	1,517	903
LIABILITIES						
Current and other liabilities	5,976	5,643	1,090	968	7,066	6,611
Long-term liabilities outstanding	34,527	32,797	32,143	31,014	66,670	63,811
Total liabilities	40,503	38,440	33,233	31,982	73,736	70,422
DEFERRED INFLOWS OF RESOURCES	235	886	9	59	244	945
NET POSITION						
Net investment in capital assets	21,048	19,942	751	781	21,799	20,723
Restricted	9,718	8,518	4,581	4,485	14,299	13,003
Unrestricted	(3,377)	(2,691)	(8,734)	(8,710)	(12,111)	(11,401)
Total net position	$ 27,389	$ 25,769	$ (3,402)	$ (3,444)	$ 23,987	$ 22,325

*Prior year balances restated for comparability

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 $23.99 billion at June 30, 2017, as compared to $22.33 billion as reported at June 30, 2016.

The largest portion of the state's net position (90.9 percent for fiscal year 2017 as compared to 92.8 percent for fiscal year 2016) 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 (59.6 percent for fiscal year 2017 as compared to 58.2 percent for fiscal year 2016) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(12.11) 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 $25.77 billion in fiscal year 2016 to $27.39 billion in fiscal year 2017. 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 Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	$ 6,643	$ 6,039	$ 7,524	$ 6,915	$ 14,167	$ 12,954
Operating grants and contributions	15,832	15,357	65	70	15,897	15,427
Capital grants and contributions	1,012	1,113	5	-	1,017	1,113
General revenues:						
Taxes	21,883	20,692	21	21	21,904	20,713
Interest and investment earnings (loss)	614	168	880	999	1,494	1,167
Total revenues	45,984	43,369	8,495	8,005	54,479	51,374
EXPENSES						
General government	(1,945)	(1,658)	-	-	(1,945)	(1,658)
Education - K-12	(11,042)	(10,153)	-	-	(11,042)	(10,153)
Education - Higher education	(7,633)	(7,532)	-	-	(7,633)	(7,532)
Human services	(18,216)	(17,209)	-	-	(18,216)	(17,209)
Adult corrections	(1,062)	(983)	-	-	(1,062)	(983)
Natural resources and recreation	(1,266)	(1,264)	-	-	(1,266)	(1,264)
Transportation	(2,118)	(2,363)	-	-	(2,118)	(2,363)
Interest on long-term debt	(1,027)	(991)	-	-	(1,027)	(991)
Workers' compensation	-	-	(3,269)	(3,238)	(3,269)	(3,238)
Unemployment compensation	-	-	(1,027)	(1,020)	(1,027)	(1,020)
Higher education student services	-	-	(3,022)	(2,494)	(3,022)	(2,494)
Washington's lottery	-	-	(520)	(535)	(520)	(535)
Guaranteed education tuition program	-	-	(306)	152	(306)	152
Other business-type activities	-	-	(190)	(161)	(190)	(161)
Total expenses	(44,309)	(42,153)	(8,334)	(7,296)	(52,643)	(49,449)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,675	1,216	161	709	1,836	1,925
Contributions to endowments	100	67	-	-	100	67
Transfers	119	152	(119)	(152)	-	-
Special item	-	-	-	(319)	-	(319)
Increase (decrease) in net position	1,894	1,435	42	238	1,936	1,673
Net position - July 1, as restated	25,495	24,334	(3,444)	(3,732)	22,051	20,602
Net position - June 30	$ 27,389	$ 25,769	$ (3,402)	$ (3,494)	$ 23,987	$ 22,275

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $1.89 billion. A number of factors were in play including increases in tax revenues and spending on K-12 education and human services.

- Tax revenues increased by $1.19 billion in fiscal year 2017 as compared to fiscal year 2016 reflecting positive growth in the economy. Sales and use tax reported an increase of $622.4 million. Sales and use tax are the main tax revenue for governmental activities. Real estate excise tax revenue increased by $257.9 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.

- Operating grants and contributions grew by $474.7 million in fiscal year 2017 compared with 2016 and were matched with an increase in human services expenses.

- Expenses grew by $888.7 million for K-12 education in 2017 as compared to fiscal year 2016. 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.

Business-Type Activities. Business-type activities increased the state of Washington's net position by $42.8 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:

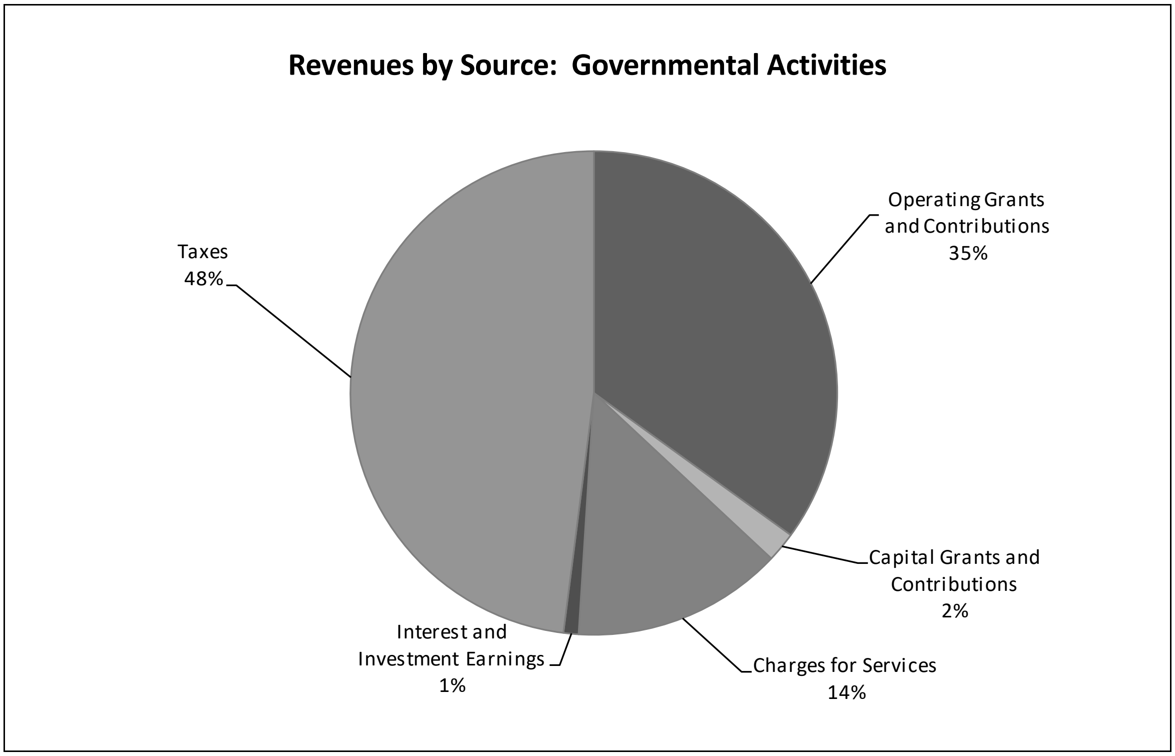
- The workers' compensation activity increase in net position in fiscal year 2017 was $70.5 million compared to an increase of $202.2 million in fiscal year 2016. Premium revenue increased by $202.1 million as a result of an increase in the number of hours reported by employers and an increase in the number of hours reported by businesses in higher rate classes. Claim costs increased by $13.4 million in fiscal year 2017 compared with fiscal year 2016, reflecting little change in the number of time-loss claims. Nonoperating investment income decreased by $323.6 million as compared to fiscal year 2016, due predominately to a net decrease in realized and unrealized gains on debt securities. The workers' compensation portfolio is 85.9 percent debt securities.

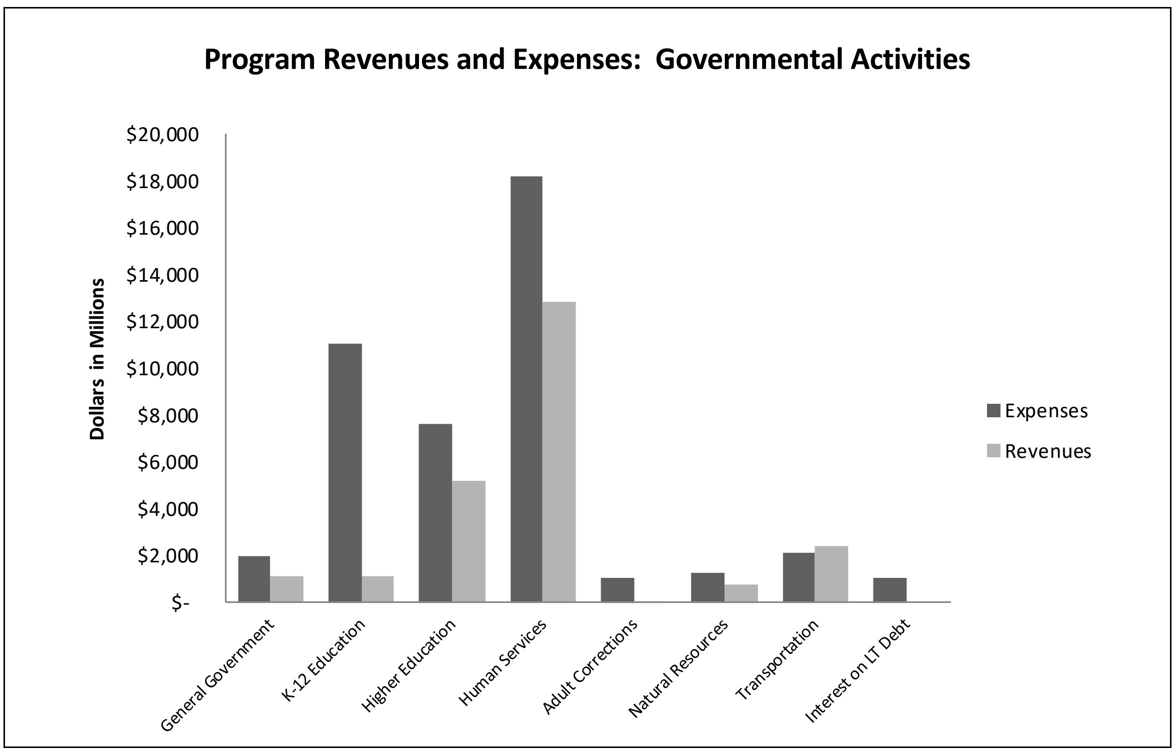
- The unemployment compensation activity reported an operating income in fiscal year 2017 of $3.8 million compared to $157.6 million in fiscal year 2016. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff experience over the past four years. The unemployment rate for the state for June 2017 was 4.5 percent, down from 5.5 percent in June 2016, and the insured rate declined to 1.4 percent in fiscal year 2017 from 1.5 percent in fiscal year 2016. The insured rate decline, results in premium revenue decreasing by 12.9 percent. The $2.0 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 $54.8 million, decreasing its funded status to 132.4 percent, down from 136 percent the previous year. This is due to the GET Board authorizing account holders to request refunds of contributions with no penalties.

  While current year investment returns were up, 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 increased by less than a 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
Operating Grants and Contributions 35%
Capital Grants and Contributions 2%
Charges for Services 14%
Interest and Investment Earnings 1%
Taxes 48%


Program Revenues and Expenses: Governmental Activities
Dollars in Millions
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
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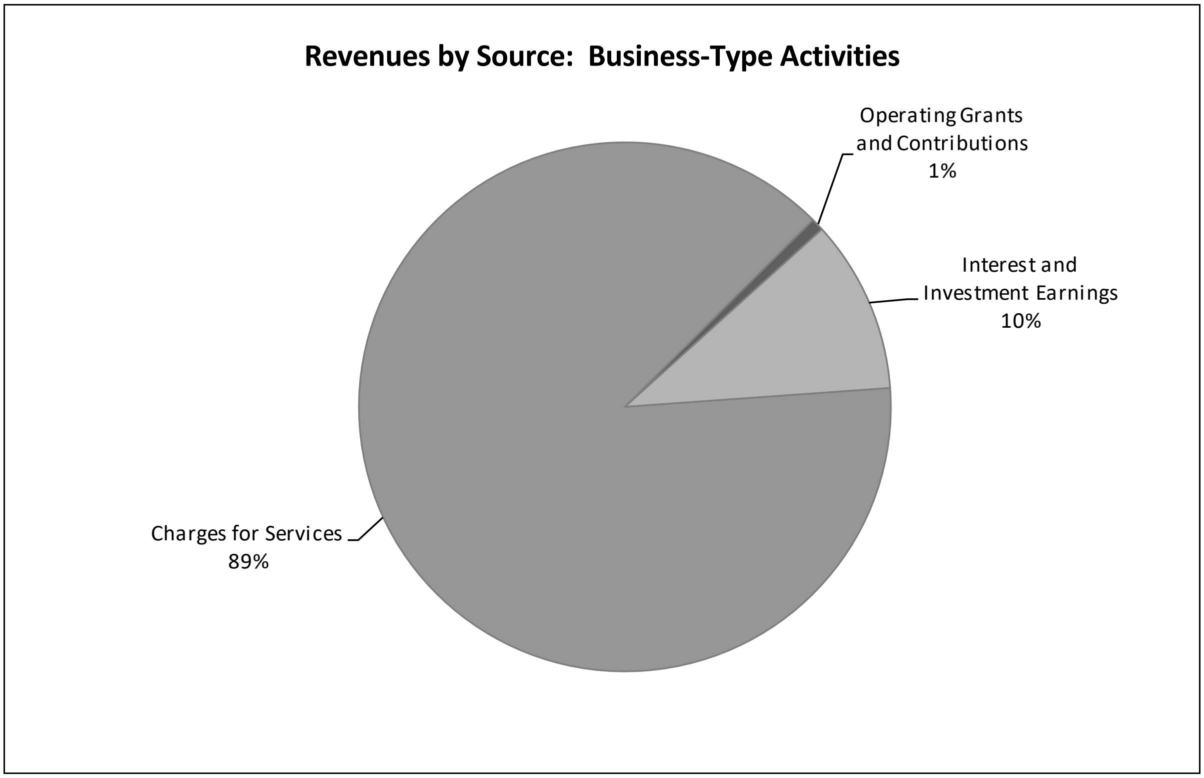
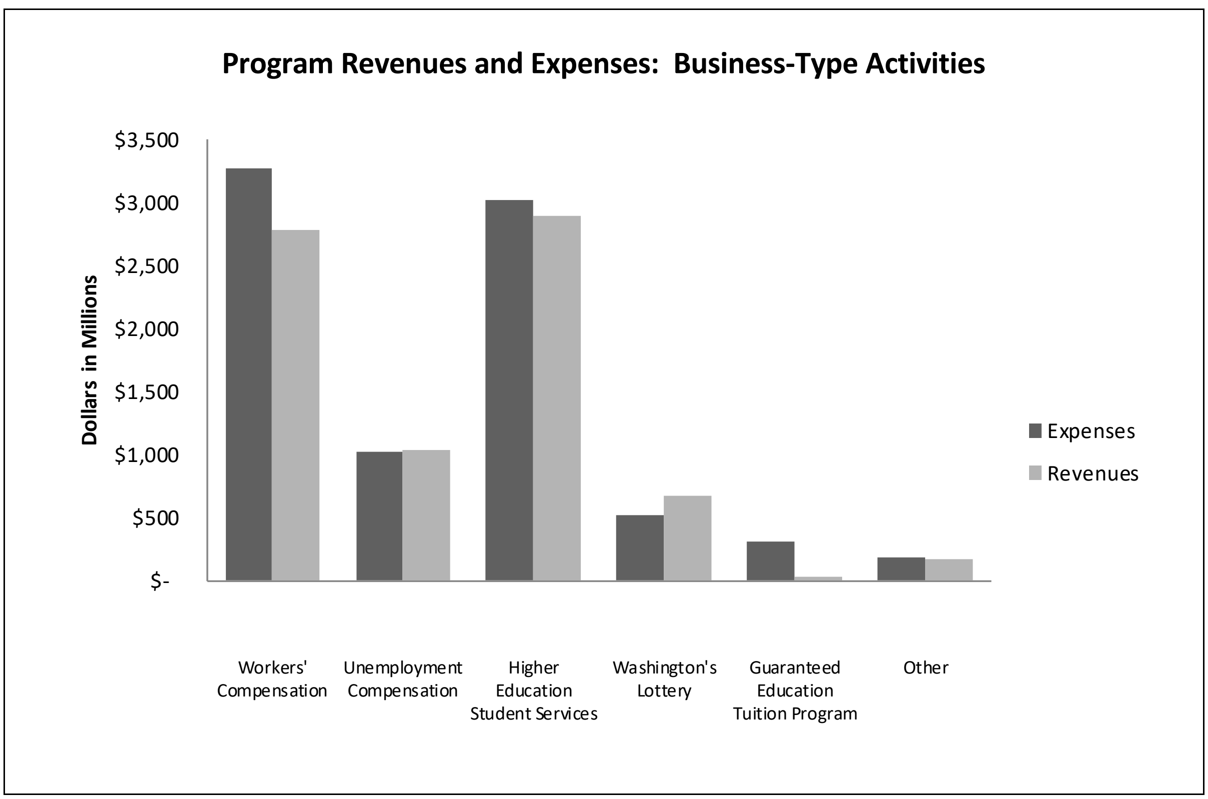
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 1%
Interest and Investment Earnings 10%
Charges for Services 89%


Program Revenues and Expenses: Business-Type Activities
Dollars in Millions
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$-
Expenses
Revenues
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Washington's Lottery
Guaranteed Education Tuition Program
Other

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, 2017, the state's governmental funds reported combined ending fund balances of $16.89 billion. Of this amount, $2.68 billion or 15.9 percent is nonspendable, either due to its form or legal constraints; and $6.00 billion or 35.5 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $5.91 billion or 35.0 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 $1.28 billion or 7.6 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. The fund balance improved as a result of operations by $970.8 million in fiscal year 2017, as compared to an $564.8 million gain in fiscal year 2016. 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 $1.26 billion is reported for fiscal year 2017 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

(in millions of dollars)

	Fiscal Year		Difference Increase
	2017	2016	(Decrease)
REVENUES			
Taxes	$ 19,341	$ 18,188	$ 1,153
Federal grants	12,680	12,196	484
Investment revenue (loss)	(5)	26	(31)
Other	1,130	728	402
Total	33,146	31,138	2,008
EXPENDITURES			
Human services	17,959	17,072	887
Education	12,176	11,403	773
Other	1,584	1,646	(62)
Total	31,719	30,121	1,598
Net transfers in (out)	(587)	(628)	41
Other financing sources	131	176	(45)
Net increase (decrease) in fund balance	$ 971	$ 565	$ 406

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 fund balance of the Higher Education Special Revenue Fund in fiscal year 2017 was a decrease of $167.7 million compared to an increase of $31.6 million in fiscal year 2016. The decline in fiscal year 2017 was largely due to a 2.5 percent decrease in federal grants. Revenues showed a modest gain of 2.7 percent reflecting the state's decision to limit tuition growth to the average percentage growth in the state's median hourly wage.

- The fund balance for the Higher Education Endowment Fund increased by $402.8 million in fiscal year 2017. Fiscal year 2017 reported an increase of $450.5 million in investment earnings compared to last fiscal year.

Proprietary Funds. The state of Washington's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Significant changes reported in fiscal year 2017 are as follows:

- The Workers' Compensation Fund reported an increase in net position of $70.5 million in fiscal year 2017. Operating revenues increased by $222.9 million and operating expenses increased by $31.2 million as compared to fiscal year 2016. As previously reported, operating revenues increased due to an increase in reported hours in higher rate classes and claims expense increased slightly due to an increase in the state's average annual wage. Investment income decreased $323.6 million over fiscal year 2016 due to a decrease in net realized and unrealized capital gains.

- Washington's Unemployment Compensation Fund reported an increase in net position of $96.3 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense increased slightly by $6.9 million in fiscal year 2017 as compared to 2016 and federal aid decreased by $2.0 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 $54.8 million in fiscal year 2017. 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 without penalties.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported consistent activity when compared to the prior year.

Adjustments to Beginning Proprietary Fund Net Position. As described in Note 2 to the financial statements on pages 80 and 81, beginning fund net position of the Higher Education Student Services Fund were adjusted as a result of implementing GASB Statement Nos. 73 and 80.

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 $3.14 billion 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 $2.17 billion over the biennium to address increases in the state's mental health and children services programs. The other major increase in appropriation authority was in K-12 education. This is the state working on meeting its obligation under the Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

The state did not overspend its legal spending authority for the 2015-17 biennium. Actual General Fund revenues and expenditures were 97.9 and 97.4 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, 2017, totaled $43.62 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 2017 investment in capital assets, net of current year depreciation, increased $1.63 billion over fiscal year 2016, including increases to the state's transportation infrastructure of $808.5 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 $2.92 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 118 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 20,797 lane miles of pavement, 3,312 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 pavement and bridges than was planned, and invested more than planned for rest areas preservation and maintenance.

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016 *	2017	2016
Land	$ 2,666	$ 2,666	$ 70	$ 69	$ 2,736	$ 2,735
Transportation infrastructure and other assets not depreciated	24,838	24,030	5	5	24,843	24,035
Buildings	8,434	7,951	2,521	2,581	10,955	10,532
Furnishings, equipment, and intangible assets	2,009	1,793	220	215	2,229	2,008
Other improvements and infrastructure	1,390	1,277	77	78	1,467	1,355
Construction in progress	1,176	1,245	215	81	1,391	1,326
Total	$ 40,513	$ 38,962	$ 3,108	$ 3,029	$ 43,621	$ 41,991

*Prior year balances restated for comparability

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 206.

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 2017, actual maintenance and preservation expenditures were 13.1 percent lower than planned, and over the past five fiscal years, the actual expenditures were 8.7 percent lower than planned.

The most recent bridge condition assessment indicates that 91.8 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 91.8 percent in good or fair condition. For fiscal year 2017, the actual maintenance and preservation expenditures were 1.7 percent lower than planned, and over the past five fiscal years, the actual expenditures were 8.6 percent lower than planned.

Bond Debt. At the end of fiscal year 2017, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $21.03 billion, an increase of 2.5 percent from fiscal year 2016. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $10.44 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, 2017, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.3 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

2011-2016 is $16.33 billion. The debt service limitation, 8.30 percent of this mean, is $1.35 billion. The state's maximum annual debt service as of June 30, 2017, subject to the constitutional debt limitation is $1.17 billion, or $176.0 million less than the debt service limitation.

For further information on the debt limit, refer to Schedule 11 in the statistical section 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://tre.wa.gov/wp-content/uploads/Debt-Limit-Report-2017-Final.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, 2017, 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

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation (GO) bonds	$ 20,576	$ 20,039	$ -	$ -	$ 20,576	$ 20,039
Accreted interest on zero interest rate GO bonds	458	479	-	-	458	479
Revenue bonds	2,326	2,377	2,307	2,215	4,633	4,592
Total	$ 23,360	$ 22,895	$ 2,307	$ 2,215	$ 25,667	$ 25,110

The state had revenue debt outstanding at June 30, 2017, of $4.63 billion, an increase of $41.0 million over fiscal year 2016. The increase is primarily related to 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 $1.16 billion were refunded during the year. Washington's refunding activity produced $189.8 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 122 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 technology, 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.

- Washington continues to address the requirements of the state Supreme Court 2012 McCleary ruling that found the state has failed to meet its constitutional requirement to amply fund basic education. To address these issues, the 2017 Legislature added significant funding, along with a number of policy changes, in HB 2242 and the 2017-19 biennial operating budget.

- During the 2017 legislative session, the Legislature passed a capital budget that only included reappropriations for projects originally funded but not completed in the 2015-17 biennium. No new capital projects have been authorized in the 2017-19 biennium.

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, 2017, $1.12 billion was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2017, by three-fifths vote of each house, the Legislature appropriated $38.1 million from the BSA solely for emergency fire service mobilization, fire suppression, and fire damage recovery costs. The BSA had a fund balance of $1.64 billion as of June 30, 2017.

The Guaranteed Education Tuition Program. The funded status of the Guaranteed Education Tuition (GET) Program decreased during fiscal year 2017 reflecting account holders requesting refunds. Engrossed Second Substitute Bill (E2SSB) 5954, which was signed into law by the Governor on July 6, 2015, 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 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 will reopen for new enrollment on November 1, 2017.

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.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2017

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	$ 7,883,566	$ 6,286,576	$ 14,170,142	$ 242,419
Taxes receivable (net of allowance for uncollectibles)	3,886,584	-	3,886,584	-
Other receivables (net of allowance for uncollectibles)	2,749,484	1,649,138	4,398,622	96,938
Internal balances	210,852	(210,852)	-	-
Due from other governments	3,972,568	129,645	4,102,213	-
Inventories and prepaids	115,963	61,680	177,643	19,174
Restricted cash and investments	350,130	27,908	378,038	-
Restricted receivables, current	81,498	42,901	124,399	-
Investments, noncurrent	5,912,893	18,214,959	24,127,852	77,111
Restricted investments, noncurrent	-	55,371	55,371	18,600
Restricted receivables, noncurrent	-	901	901	-
Restricted net pension asset	1,132,002	234	1,132,236	-
Other assets	-	276,011	276,011	231,964
Capital assets:				
Non-depreciable assets	28,680,336	289,799	28,970,135	77,868
Depreciable assets (net of accumulated depreciation)	11,832,665	2,818,238	14,650,903	559,772
Total capital assets	40,513,001	3,108,037	43,621,038	637,640
Total Assets	66,808,541	29,642,509	96,451,050	1,323,846
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	373	-	373	-
Deferred outflows on refundings	4,844	39,519	44,363	-
Deferred outflows on pensions	1,314,548	157,913	1,472,461	3,548
Total Deferred Outflows of Resources	1,319,765	197,432	1,517,197	3,548
Total Assets and Deferred Outflows of Resources	$ 68,128,306	$ 29,839,941	$ 97,968,247	$ 1,327,394

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

Statement of Net Position

June 30, 2017

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 1,601,499	$ 235,917	$ 1,837,416	$ 67,793
Contracts payable	84,325	18,543	102,868	-
Accrued liabilities	2,205,723	580,959	2,786,682	96,823
Obligations under security lending agreements	116,397	142,719	259,116	-
Due to other governments	1,548,955	48,459	1,597,414	-
Unearned revenues	419,465	63,419	482,884	9,131
Long-term liabilities:				
Due within one year	1,798,522	2,422,680	4,221,202	10,368
Due in more than one year	32,728,585	29,719,458	62,448,043	312,139
Total Liabilities	40,503,471	33,232,154	73,735,625	496,254
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	147	9	156	-
Deferred inflows on pensions	235,286	9,298	244,584	908
Deferred inflows on property taxes	-	-	-	42,717
Total Deferred Inflows of Resources	235,433	9,307	244,740	43,625
NET POSITION				
Net investment in capital assets	21,047,954	750,923	21,798,877	332,885
Restricted for:				
Unemployment compensation	-	4,581,264	4,581,264	-
Nonexpendable permanent endowments	2,586,760	-	2,586,760	-
Expendable endowment funds	1,387,345	-	1,387,345	-
Pensions	1,132,002	234	1,132,236	-
Wildlife and natural resources	1,040,971	-	1,040,971	-
Transportation	991,845	-	991,845	-
Budget stabilization	1,638,335	-	1,638,335	-
Higher education	125,251	-	125,251	-
Other purposes	815,514	-	815,514	8,626
Unrestricted	(3,376,575)	(8,733,941)	(12,110,516)	446,004
Total Net Position	27,389,402	(3,401,520)	23,987,882	787,515
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 68,128,306	$ 29,839,941	$ 97,968,247	$ 1,327,394

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

Statement of Activities

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,944,933	$ 887,206	$ 240,747	$ 4,607
Education - K-12 education	11,041,527	23,291	1,100,824	-
Education - higher education	7,633,420	2,807,478	2,345,974	63,260
Human services	18,215,949	1,079,616	11,705,151	25,444
Adult corrections	1,061,998	8,518	3,622	-
Natural resources and recreation	1,266,023	523,769	189,515	36,599
Transportation	2,118,483	1,313,231	246,544	881,636
Interest on long-term debt	1,026,863	-	-	-
Total Governmental Activities	44,309,196	6,643,109	15,832,377	1,011,546
Business-Type Activities:				
Workers' compensation	3,269,451	2,779,548	9,075	-
Unemployment compensation	1,027,266	994,085	36,955	-
Higher education student services	3,021,763	2,870,609	18,225	5,314
Washington's lottery	519,943	676,046	-	-
Guaranteed education tuition program	305,573	29,329	-	-
Other	190,003	174,961	448	-
Total Business-Type Activities	8,333,999	7,524,578	64,703	5,314
Total Primary Government	$ 52,643,195	$ 14,167,687	$ 15,897,080	$ 1,016,860
COMPONENT UNITS	$ 727,094	$ 721,629	$ 12,577	$ -
Total Component Units	$ 727,094	$ 721,629	$ 12,577	$ -

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

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			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (812,373)	$ -	$ (812,373)	
(9,917,412)	-	(9,917,412)	
(2,416,708)	-	(2,416,708)	
(5,405,738)	-	(5,405,738)	
(1,049,858)	-	(1,049,858)	
(516,140)	-	(516,140)	
322,928	-	322,928	
(1,026,863)	-	(1,026,863)	
(20,822,164)	-	(20,822,164)	
-	(480,828)	(480,828)	
-	3,774	3,774	
-	(127,615)	(127,615)	
-	156,103	156,103	
-	(276,244)	(276,244)	
-	(14,594)	(14,594)	
-	(739,404)	(739,404)	
(20,822,164)	(739,404)	(21,561,568)	
			$ 7,112
			7,112
10,362,569	-	10,362,569	-
3,861,604	-	3,861,604	-
2,097,507	-	2,097,507	21,490
1,679,628	-	1,679,628	-
1,461,029	21,078	1,482,107	-
430,022	-	430,022	-
482,776	-	482,776	-
603,963	-	603,963	-
903,844	-	903,844	290
614,341	880,476	1,494,817	2,142
22,497,283	901,554	23,398,837	23,922
1,675,119	162,150	1,837,269	31,034
99,680	-	99,680	-
119,333	(119,330)	3	-
1,894,132	42,820	1,936,952	31,034
25,495,270	(3,444,340)	22,050,930	756,481
$ 27,389,402	$ (3,401,520)	$ 23,987,882	$ 787,515

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2017
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and cash equivalents	$ 2,814,582	$ 189,375	$ 521,724	$ 3,495,951	$ 7,021,632
Investments	63,023	1,601,430	3,957,516	359,012	5,980,981
Taxes receivable (net of allowance)	3,672,482	9,397	-	204,705	3,886,584
Receivables (net of allowance)	561,752	1,264,553	47,844	846,484	2,720,633
Due from other funds	387,622	344,219	252	514,799	1,246,892
Due from other governments	1,067,653	167,930	-	2,621,665	3,857,248
Inventories and prepaids	13,412	26,973	-	47,327	87,712
Restricted cash and investments	34,269	9,140	-	99,428	142,837
Restricted receivables	39,499	26,126	-	168	65,793
Total Assets	8,654,294	3,639,143	4,527,336	8,189,539	25,010,312
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	-	-	-	373	373
Total Deferred Outflows of Resources	-	-	-	373	373
Total Assets and Deferred Outflows of Resources	$ 8,654,294	$ 3,639,143	$ 4,527,336	$ 8,189,912	$ 25,010,685
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 982,758	$ 72,933	$ 36,487	$ 458,392	$ 1,550,570
Contracts payable	31,520	3,168	3,263	45,297	83,248
Accrued liabilities	311,480	544,471	671,935	173,989	1,701,875
Obligations under security lending agreements	65,927	1,344	115	44,724	112,110
Due to other funds	322,991	55,805	2,818	687,696	1,069,310
Due to other governments	1,101,989	21,887	-	225,058	1,348,934
Unearned revenue	105,157	239,965	-	69,743	414,865
Claims and judgments payable	60,883	-	-	129,952	190,835
Total Liabilities	2,982,705	939,573	714,618	1,834,851	6,471,747
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,470,497	6,985	19,736	147,056	1,644,274
Total Deferred Inflows of Resources	1,470,497	6,985	19,736	147,056	1,644,274
FUND BALANCES					
Nonspendable fund balance	42,922	10,505	2,376,534	251,792	2,681,753
Restricted fund balance	1,658,761	62,336	1,416,448	2,861,716	5,999,261
Committed fund balance	140,905	2,601,444	-	3,164,517	5,906,866
Assigned fund balance	1,257,952	18,300	-	-	1,276,252
Unassigned fund balance	1,100,552	-	-	(70,020)	1,030,532
Total Fund Balances	4,201,092	2,692,585	3,792,982	6,208,005	16,894,664
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,654,294	$ 3,639,143	$ 4,527,336	$ 8,189,912	$ 25,010,685

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, 2017

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 16,894,664
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	$ 28,587,987	
Depreciable assets	20,847,978	
Less: Accumulated depreciation	(9,750,864)	
Total capital assets		39,685,101
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.		1,644,273
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.		1,132,002
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.		1,249,136
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.		(224,256)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(405,381)
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.		(163,696)
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	$ (23,015,569)	
Accreted interest on bonds	(457,635)	
Compensated absences	(584,749)	
Other postemployment benefits obligations	(2,742,955)	
Net pension liability	(4,679,659)	
Unclaimed property	(197,411)	
Pollution remediation obligations	(150,853)	
Claims and judgments	(39,557)	
Other obligations	(554,053)	
Total long-term liabilities		(32,422,441)
Net Position of Governmental Activities		$ 27,389,402

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, 2017

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 10,220,907	$ -	$ -	$ 141,662	$ 10,362,569
Business and occupation taxes	3,857,209	-	-	4,395	3,861,604
Property taxes	2,097,507	-	-	-	2,097,507
Excise taxes	1,055,486	43,538	-	362,005	1,461,029
Motor vehicle and fuel taxes	2	-	-	1,679,626	1,679,628
Other taxes	2,109,725	208,170	-	261,842	2,579,737
Licenses, permits, and fees	130,004	984	-	1,775,941	1,906,929
Other contracts and grants	243,558	970,165	-	260,223	1,473,946
Timber sales	2,521	-	13,929	112,026	128,476
Federal grants-in-aid	12,680,077	1,399,266	-	1,290,635	15,369,978
Charges for services	44,800	2,566,676	-	707,896	3,319,372
Investment income (loss)	(5,027)	122,046	461,743	35,579	614,341
Miscellaneous revenue	643,577	127,717	3,360	473,891	1,248,545
Contributions and donations	-	-	99,680	-	99,680
Unclaimed property	65,709	-	-	-	65,709
Total Revenues	33,146,055	5,438,562	578,712	7,105,721	46,269,050
EXPENDITURES					
Current:					
General government	883,760	1,675	141	564,828	1,450,404
Human services	17,958,633	-	-	1,067,488	19,026,121
Natural resources and recreation	428,905	-	-	751,994	1,180,899
Transportation	61,919	-	-	2,005,980	2,067,899
Education	12,175,890	5,265,148	8,318	609,632	18,058,988
Intergovernmental	122,714	-	-	374,071	496,785
Capital outlays	70,089	293,011	518	2,064,364	2,427,982
Debt service:					
Principal	12,112	25,968	-	1,087,361	1,125,441
Interest	4,495	22,493	-	1,014,650	1,041,638
Total Expenditures	31,718,517	5,608,295	8,977	9,540,368	46,876,157
Excess of Revenues Over (Under) Expenditures	1,427,538	(169,733)	569,735	(2,434,647)	(607,107)
OTHER FINANCING SOURCES (USES)					
Bonds issued	128,197	82,162	-	1,075,518	1,285,877
Refunding bonds issued	-	-	-	964,470	964,470
Payments to escrow agents for refunded bond debt	-	-	-	(1,184,067)	(1,184,067)
Issuance premiums	1,253	6,537	-	465,683	473,473
Issuance discounts	(396)	-	-	(62)	(458)
Other debt issued	1,218	37,273	-	30,634	69,125
Refunding COPs issued	-	11,797	-	2,860	14,657
Payment to escrow agents for refunded COP debt	-	(13,109)	-	(1,129)	(14,238)
Transfers in	712,773	815,478	181,702	2,834,830	4,544,783
Transfers out	(1,299,758)	(938,111)	(348,619)	(1,859,482)	(4,445,970)
Total Other Financing Sources (Uses)	(456,713)	2,027	(166,917)	2,329,255	1,707,652
Net Change in Fund Balances	970,825	(167,706)	402,818	(105,392)	1,100,545
Fund Balances - Beginning	3,230,267	2,860,291	3,390,164	6,313,397	15,794,119
Fund Balances - Ending	$ 4,201,092	$ 2,692,585	$ 3,792,982	$ 6,208,005	$ 16,894,664

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, 2017

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 1,100,545
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	$ 2,197,017	
Less: Depreciation expense	(692,043)	1,504,974
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.		(147,069)
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.		(58,426)
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	$ (2,784,663)	
Principal payments on bonds and other financing contracts	2,277,018	
Accreted interest on bonds	21,591	(486,054)
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	$ (42,667)	
Other postemployment benefits	(370,297)	
Pensions	228,571	
Pollution remediation	3,292	
Claims and judgments	74,696	
Accrued interest	(5,847)	
Unclaimed property	(32,197)	
Other obligations	124,611	(19,838)
Change in Net Position of Governmental Activities		$ 1,894,132

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

Statement of Net Position
PROPRIETARY FUNDS

June 30, 2017

(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 cash equivalents	$ 35,025	$ 4,253,071	$ 928,156	$ 2,154
Investments	745,361	-	29,694	163,505
Receivables (net of allowance)	893,085	389,002	308,888	32,047
Due from other funds	57	3,025	21,960	17
Due from other governments	1,352	32,872	75,972	-
Inventories	177	-	40,888	-
Prepaid expenses	1,605	-	10,667	-
Restricted cash and investments	654	-	27,254	-
Restricted receivables	-	-	42,901	-
Total Current Assets	1,677,316	4,677,970	1,486,380	197,723
Noncurrent Assets:				
Investments, noncurrent	15,755,192	-	285,873	2,051,063
Restricted investments, noncurrent	-	-	55,371	-
Restricted receivables, noncurrent	-	-	901	-
Restricted net pension asset	-	-	234	-
Other noncurrent assets	4,940	-	162,691	108,375
Capital assets:				
Land and other non-depreciable assets	3,240	-	69,560	-
Buildings	65,134	-	3,717,136	-
Other improvements	1,289	-	100,808	-
Furnishings, equipment, and intangibles	105,907	-	863,443	17
Infrastructure	-	-	57,646	-
Accumulated depreciation	(119,489)	-	(2,002,746)	(9)
Construction in progress	9,068	-	204,628	-
Total Noncurrent Assets	15,825,281	-	3,515,545	2,159,446
Total Assets	17,502,597	4,677,970	5,001,925	2,357,169
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	-	39,439	-
Deferred outflows on pensions	36,560	-	106,967	410
Total Deferred Outflows of Resources	36,560	-	146,406	410
Total Assets and Deferred Outflows of Resources	$ 17,539,157	$ 4,677,970	$ 5,148,331	$ 2,357,579

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 115,118	$ 5,333,524	$ 739,862
14,492	953,052	11,029
26,116	1,649,138	28,851
19,817	44,876	72,077
7,997	118,193	35,138
8,135	49,200	14,889
208	12,480	13,362
-	27,908	207,293
-	42,901	15,705
191,883	8,231,272	1,138,206
122,831	18,214,959	42,956
-	55,371	-
-	901	-
-	234	-
5	276,011	-
1,540	74,340	6,355
12,828	3,795,098	523,803
2,599	104,696	15,623
39,974	1,009,341	952,608
-	57,646	2,621
(26,299)	(2,148,543)	(759,104)
1,763	215,459	85,991
155,241	21,655,513	870,853
347,124	29,886,785	2,009,059
80	39,519	1,634
13,976	157,913	68,623
14,056	197,432	70,257
$ 361,180	$ 30,084,217	$ 2,079,316

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2017
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 8,712	$ -	$ 211,950	$ 120
Contracts payable	7,769	43	10,731	168,000
Accrued liabilities	192,653	72,457	307,449	3,792
Obligations under security lending agreements	94,318	-	-	48,401
Bonds and notes payable	-	-	143,105	-
Due to other funds	6,066	1,360	223,419	165
Due to other governments	2	22,846	6,287	-
Unearned revenue	7,438	-	55,980	-
Claims and judgments payable	2,035,874	-	2,854	-
Total Current Liabilities	2,352,832	96,706	961,775	220,478
Noncurrent Liabilities:				
Claims and judgments payable	24,604,664	-	-	-
Bonds and notes payable	-	-	2,329,760	-
Net pension liability	155,439	-	450,538	1,668
Other long-term liabilities	70,801	-	326,594	1,572,741
Total Noncurrent Liabilities	24,830,904	-	3,106,892	1,574,409
Total Liabilities	27,183,736	96,706	4,068,667	1,794,887
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	-	-	9	-
Deferred inflows on pensions	2,526	-	6,488	(1)
Total Deferred Inflows of Resources	2,526	-	6,497	(1)
NET POSITION				
Net investment in capital assets	65,149	-	659,197	8
Restricted for:				
Unemployment compensation	-	4,581,264	-	-
Pensions	-	-	234	-
Unrestricted	(9,712,254)	-	413,736	562,685
Total Net Position	(9,647,105)	4,581,264	1,073,167	562,693
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 17,539,157	$ 4,677,970	$ 5,148,331	$ 2,357,579

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 15,134	$ 235,916	$ 50,929
-	186,543	1,077
70,415	646,766	91,956
-	142,719	4,287
1,644	144,749	109,348
31,239	262,249	32,214
1,352	30,487	126,805
1	63,419	4,600
5,396	2,044,124	174,960
125,181	3,756,972	596,176
10,277	24,614,941	590,442
4,272	2,334,032	557,956
55,722	663,367	323,162
136,982	2,107,118	164,100
207,253	29,719,458	1,635,660
332,434	33,476,430	2,231,836
-	9	147
285	9,298	11,029
285	9,307	11,176
26,569	750,923	96,636
-	4,581,264	-
-	234	-
1,892	(8,733,941)	(260,332)
28,461	(3,401,520)	(163,696)
$ 361,180	$ 30,084,217	$ 2,079,316

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	$ -	$ -	$ 85,418	$ -
Less: Cost of goods sold	-	-	(50,957)	-
Gross profit	-	-	34,461	-
Charges for services	15	-	2,623,939	29,261
Premiums and assessments	2,718,319	979,725	-	-
Lottery ticket proceeds	-	-	-	-
Federal aid for unemployment insurance benefits	-	36,955	-	-
Miscellaneous revenue	61,223	14,360	145,177	68
Total Operating Revenues	2,779,557	1,031,040	2,803,577	29,329
OPERATING EXPENSES				
Salaries and wages	160,503	-	1,171,965	3,313
Employee benefits	68,697	-	291,469	803
Personal services	5,686	-	37,059	57
Goods and services	81,875	-	1,148,252	511
Travel	3,867	-	27,328	32
Premiums and claims	2,887,423	1,027,266	162	-
Guaranteed education tuition program expense	-	-	-	300,854
Lottery prize payments	-	-	-	-
Depreciation and amortization	9,851	-	184,269	3
Miscellaneous expenses	51,549	-	24,424	-
Total Operating Expenses	3,269,451	1,027,266	2,884,928	305,573
Operating Income (Loss)	(489,894)	3,774	(81,351)	(276,244)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	551,367	92,498	18,857	221,511
Interest expense	-	-	(85,878)	-
Tax and license revenue	120	-	-	-
Other revenues (expenses)	9,066	-	34,302	-
Total Nonoperating Revenues (Expenses)	560,553	92,498	(32,719)	221,511
Income (Loss) Before Contributions and Transfers	70,659	96,272	(114,070)	(54,733)
Capital contributions	-	-	5,314	-
Transfers in	-	-	596,492	-
Transfers out	(192)	-	(543,571)	(42)
Net Contributions, Transfers, and Special Items	(192)	-	58,235	(42)
Change in Net Position	70,467	96,272	(55,835)	(54,775)
Net Position - Beginning, as restated	(9,717,572)	4,484,992	1,129,002	617,468
Net Position - Ending	$ (9,647,105)	$ 4,581,264	$ 1,073,167	$ 562,693

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

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 101,646	$ 187,064	$ 42,343
(65,846)	(116,803)	(35,498)
35,800	70,261	6,845
36,424	2,689,639	666,182
35,730	3,733,774	1,653,944
673,293	673,293	-
-	36,955	-
4,080	224,908	158,231
785,327	7,428,830	2,485,202
63,553	1,399,334	319,664
28,990	389,959	150,819
18,753	61,555	25,719
92,708	1,323,346	311,857
2,295	33,522	4,571
-	3,914,851	1,639,906
-	300,854	-
422,536	422,536	-
1,862	195,985	104,038
7,492	83,465	648
638,189	8,125,407	2,557,222
147,138	(696,577)	(72,020)
(3,759)	880,474	1,916
(5,911)	(91,789)	(21,839)
20,958	21,078	25
282	43,650	2,261
11,570	853,413	(17,637)
158,708	156,836	(89,657)
-	5,314	10,711
22,345	618,837	222,054
(194,362)	(738,167)	(201,534)
(172,017)	(114,016)	31,231
(13,309)	42,820	(58,426)
41,770	(3,444,340)	(105,270)
$ 28,461	$ (3,401,520)	$ (163,696)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017
(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	$ 2,594,253	$ 1,036,843	$ 2,619,261	$ 42,424
Payments to suppliers	(2,170,500)	(985,978)	(1,155,783)	(260,151)
Payments to employees	(221,182)	-	(1,430,241)	(3,938)
Other receipts	61,223	52,001	145,176	68
Net Cash Provided (Used) by Operating Activities	263,794	102,866	178,413	(221,597)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	596,492	-
Transfers out	(192)	-	(543,571)	(42)
Operating grants and donations received	9,100	-	19,562	-
Taxes and license fees collected	120	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	9,028	-	72,483	(42)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	-	(93,623)	-
Principal payments on long-term capital financing	-	-	(73,138)	-
Proceeds from long-term capital financing	-	-	222,456	-
Proceeds from sale of capital assets	-	-	26,557	-
Acquisitions of capital assets	(7,558)	-	(260,420)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,558)	-	(178,168)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	586,122	92,498	2,877	68,587
Proceeds from sale of investment securities	7,072,884	-	44,048	600,891
Purchases of investment securities	(7,932,791)	-	(75,220)	(452,400)
Net Cash Provided (Used) by Investing Activities	(273,785)	92,498	(28,295)	217,078
Net Increase (Decrease) in Cash and Pooled Investments	(8,521)	195,364	44,433	(4,561)
Cash and cash equivalents, July 1, as restated	44,200	4,057,707	910,977	6,715
Cash and cash equivalents, June 30	$ 35,679	$ 4,253,071	$ 955,410	$ 2,154
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ (489,894)	$ 3,774	$ (81,351)	$ (276,244)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	9,851	-	184,269	3
Revenue reduced for uncollectible accounts	47,049	-	2,233	-
Change in Assets: Decrease (Increase)				
Receivables	(124,062)	57,804	(97,847)	47,997
Inventories	24	-	4,584	-
Prepaid expenses	368	-	4,728	-
Other assets	-	-	62	-
Change in Deferred Outflows of Resources: Increase (Decrease)	(11,735)	-	(45,238)	(143)
Change in Liabilities: Increase (Decrease)				
Payables	848,784	41,288	235,076	6,942
Change in Deferred Inflows of Resources: Decrease (Increase)	(16,591)	-	(28,103)	(152)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 263,794	$ 102,866	$ 178,413	$ (221,597)

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities — Internal Service Funds
$ 837,686	$ 7,130,467	$ 2,403,737
(603,043)	(5,175,455)	(1,976,725)
(86,783)	(1,742,144)	(436,721)
4,063	262,531	158,675
151,923	475,399	148,966
22,345	618,837	222,054
(194,362)	(738,167)	(201,534)
442	29,104	2,167
20,957	21,077	26
(150,618)	(69,149)	22,713
(220)	(93,843)	(19,902)
(395)	(73,533)	(43,128)
-	222,456	37,232
63	26,620	7,004
(9,530)	(277,508)	(146,610)
(10,082)	(195,808)	(165,404)
27	750,111	3,717
18,248	7,736,071	1,158
(6,119)	(8,466,530)	(9,761)
12,156	19,652	(4,886)
3,379	230,094	1,389
111,739	5,131,338	945,766
$ 115,118	$ 5,361,432	$ 947,155
$ 147,138	$ (696,577)	$ (72,020)
1,862	195,985	104,038
23	49,305	210
(8,260)	(124,368)	39,977
134	4,742	(366)
66	5,162	(629)
-	62	-
(6,001)	(63,117)	(31,425)
21,976	1,154,066	118,009
(5,015)	(49,861)	(8,828)
$ 151,923	$ 475,399	$ 148,966

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017
(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	$ -	$ -	$ 5,314	$ -
Acquisition of capital assets through capital leases	-	-	2,029	-
Amortization of annuity prize liability	-	-	-	-
Increase (decrease) in fair value of investments	(31,278)	-	1,826	153,292
Debt refunding deposited with escrow agent	-	-	98,170	-
Amortization of debt premium/discount	-	-	10,874	-
Increase in ownership of joint venture	-	-	14,136	-

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ -	$ 5,314	$ 10,711
-	2,029	145
5,758	5,758	-
(3,786)	120,054	(2,100)
-	98,170	14,600
-	10,874	-
-	14,136	-

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2017
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Cash and cash equivalents	$ 5,134	$ 7,109,495	$ 52,180	178,499
Receivables, pension and other employee benefit plans:				
Employers	-	-	192,189	-
Members (net of allowance)	-	-	4,033	-
Interest and dividends	-	-	255,402	-
Investment trades pending	-	-	2,391,569	-
Due from other pension and other employee benefit funds	-	-	67,283	-
Other receivables, all other funds	-	4,406	80	9,516
Due from other governments	-	-	-	19,932
Investments:				
Liquidity	-	2,974,121	2,177,400	-
Fixed income	-	990,011	16,883,958	-
Public equity	-	-	43,787,828	-
Private equity	-	-	19,478,090	-
Real estate	-	-	16,339,953	-
Tangible assets	-	-	3,488,177	-
Security lending collateral	-	-	714,372	2,128
Other noncurrent assets	-	-	-	46,737
Capital assets:				
Furnishings, equipment, and intangibles	37	-	-	-
Accumulated depreciation	(31)	-	-	-
Total Assets	5,140	11,078,033	105,832,514	256,812
LIABILITIES				
Accounts payable	114	-	-	$ 4,580
Contracts payable	-	-	-	43,281
Accrued liabilities	90	120,417	2,701,469	126,742
Obligations under security lending agreements	-	-	714,372	2,128
Due to other funds	-	72	-	-
Due to other pension and other employee benefit funds	-	-	67,283	-
Due to other governments	-	49,278	-	33,344
Unearned revenue	-	-	937	-
Other long-term liabilities	-	-	-	46,737
Total Liabilities	204	169,767	3,484,061	$ 256,812
NET POSITION				
Net position restricted for:				
Pensions	-	-	98,267,929	
Deferred compensation participants	-	-	4,080,524	
Local government pool participants	-	10,908,266	-	
Individuals, organizations, and other governments	4,936	-	-	
Total Net Position	$ 4,936	$ 10,908,266	$ 102,348,453	

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, 2017
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 2,206,625
Members	-	-	1,422,667
State	-	-	78,600
Participants	-	18,670,324	287,130
Total Contributions	-	18,670,324	3,995,022
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	10,763,732
Interest and dividends	-	64,191	2,125,857
Less: Investment expenses	-	-	(403,893)
Net Investment Income (Loss)	-	64,191	12,485,696
Other Additions:			
Unclaimed property	67,322	-	-
Transfers from other plans	-	-	10,357
Miscellaneous revenue	5	3	13,449
Total Other Additions	67,327	3	23,806
Total Additions	67,327	18,734,518	16,504,524
DEDUCTIONS			
Pension benefits	-	-	4,070,680
Pension refunds	-	-	528,116
Transfers to other plans	-	-	10,357
Administrative expenses	4,436	1,815	3,183
Distributions to participants	-	17,367,811	232,229
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	59,732	-	-
Transfers out	3	-	-
Total Deductions	64,171	17,369,626	4,844,565
Net Increase (Decrease)	3,156	1,364,892	11,659,959
Net Position - Beginning	1,780	9,543,374	90,688,494
Net Position - Ending	$ 4,936	$ 10,908,266	$ 102,348,453

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

Statement of Net Position
COMPONENT UNITS
June 30, 2017
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 8,362	$ 4,423	$ 104,015
Investments	-	-	21,920
Investments, restricted	-	-	-
Receivables (net of allowance)	953	6,524	76,947
Inventories	-	-	5,457
Prepaid expenses	25	1,332	11,968
Total Current Assets	9,340	12,279	220,307
Noncurrent Assets:			
Investments, noncurrent	-	-	77,111
Restricted investments, noncurrent	-	-	18,600
Other noncurrent assets	-	135	-
Capital assets:			
Land	34,677	-	13,414
Buildings	460,953	-	438,099
Other improvements	-	121	18,852
Furnishings, equipment and intangible assets	9,163	49,425	235,201
Accumulated depreciation	(238,295)	(45,527)	(368,569)
Construction in progress	-	-	29,777
Total Noncurrent Assets	266,498	4,154	462,485
Total Assets	275,838	16,433	682,792
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	13	2,376	-
Total Deferred Outflows of Resources	13	2,376	-
Total Assets and Deferred Outflows of Resources	$ 275,851	$ 18,809	$ 682,792

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

Continued

Nonmajor Component Units	Total
$ 53,979	$ 170,779
49,720	71,640
-	-
12,514	96,938
-	5,457
392	13,717
116,605	358,531
-	77,111
-	18,600
231,829	231,964
-	48,091
-	899,052
-	18,973
2,062	295,851
(1,713)	(654,104)
-	29,777
232,178	965,315
348,783	1,323,846
1,159	3,548
1,159	3,548
$ 349,942	$ 1,327,394

Statement of Net Position
COMPONENT UNITS

June 30, 2017

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 50	$ 11,127	$ 20,204
Contracts payable	1,558	-	-
Accrued liabilities	579	741	102,986
Unearned revenue	-	-	-
Total Current Liabilities	2,187	11,868	123,190
Noncurrent Liabilities:			
Net pension liability	217	9,095	-
Other long-term liabilities	-	134	297,092
Total Noncurrent Liabilities	217	9,229	297,092
Total Liabilities	2,404	21,097	420,282
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on property taxes	-	-	42,717
Deferred inflows on pensions	36	863	-
Total Deferred Inflows of Resources	36	863	42,717
NET POSITION			
Net investment in capital assets	266,498	4,019	62,018
Restricted for:			
Deferred sales tax	(498)	-	-
Other purposes	-	-	8,041
Unrestricted	7,411	(7,170)	149,734
Total Net Position	273,411	(3,151)	219,793
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 275,851	$ 18,809	$ 682,792

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

Concluded

Nonmajor Component Units	Total
$ 36,412	$ 67,793
-	1,558
1,327	105,633
9,131	9,131
46,870	184,115
5,601	14,913
-	297,226
5,601	312,139
52,471	496,254
-	42,717
9	908
9	43,625
350	332,885
-	(498)
1,083	9,124
296,029	446,004
297,462	787,515
$ 349,942	$ 1,327,394

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center
EXPENSES	$ 19,128	$ 60,435	$ 621,070
PROGRAM REVENUES			
Charges for services	3,689	51,671	576,042
Operating grants and contributions	-	8,769	-
Total Program Revenues	3,689	60,440	576,042
Net Program Revenues (Expense)	(15,439)	5	(45,028)
GENERAL REVENUES			
Earnings (loss) on investments	68	-	1,550
Property taxes	-	-	21,490
Other	-	-	290
Total General Revenues	68	-	23,330
Change in Net Position	(15,371)	5	(21,698)
Net Position - Beginning, as restated	288,782	(3,156)	241,491
Net Position - Ending	$ 273,411	$ (3,151)	$ 219,793

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

Nonmajor Component Units	Total
$ 26,461	$ 727,094
90,227	721,629
3,808	12,577
94,035	734,206
67,574	7,112
524	2,142
-	21,490
-	290
524	23,922
68,098	31,034
229,364	756,481
$ 297,462	$ 787,515

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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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 (DRS), 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 DRS is appointed by the Governor.

There are three additional retirement systems administered outside of the DRS. 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 (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 (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 (Neighborhood Clinics) were established for the exclusive benefit of the UWSOM, UWP and its affiliated medical centers, Harborview Medical Center and the UW 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 UW 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.

Northwest Hospital and Medical Center 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 UWSOM, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, UWP, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 281-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital.

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 98104-3601

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, 2017, PSA capital assets, net of accumulated depreciation, total $266.5 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 became 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

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 $14.1 million was recorded in fiscal year 2017, bringing the total equity investment to $141.8 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 671 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 Cash Equivalents." 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://tre.wa.gov/wp-content/uploads/lgipCafrFY17.pdf, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

The fair value of certain pension trust fund investments that are organized as limited partnerships and have no readily ascertainable fair values (including real estate, private equity, and tangible assets) has been determined by using the net asset value per share of the Pension Funds ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value at the closest available reporting period, adjusted for subsequent activity. At June 30, 2017, these alternative investments are valued at $39.31 billion. Because of the inherent uncertainties in the estimation of fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets would be different than the June 30, 2017, reported net asset value.

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 $4.5 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.

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 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 2017, $91.0 million in interest costs were incurred, and $13.5 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 in the Required Supplementary Information. 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 premiums or discounts. 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. Issuance 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. Coverage is provided up to $10 million for each claim with no deductible. Commercial insurance is purchased for various liabilities arising from the operations of the Washington state governmental functions in order 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 and their dependents. In addition, school districts, educational service districts, charter schools, the Washington State Health Benefits Exchange, tribal governments, political subdivisions, and employee organizations representing state civil service employees can contract with the state to provide these benefits to their employees. 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 Public Employees' and Retirees' Insurance Account.

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 (HCA), 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. For non-state employees, their respective employers, who have contracted with the HCA to provide employee benefits, pay the cost of coverage. 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, the Public Employees' and Retirees Insurance Account 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 approximately 65 percent of the eligible subscribers in fiscal year 2017. 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 an 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 $613.5 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 2017 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

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 were effective for fiscal year 2016 and one of which is effective for fiscal year 2017 reporting. It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement No. 68.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements.

Statement No. 77 *Tax Abatement Disclosures*. GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pension plans provided to the employees of state and local governmental employers through cost-sharing multiple-employer plans that meet the criteria of paragraph 4 of Statement No. 68 and that (a) are not state or local governmental pension plans, (b) are used to provide benefits to both employees of governmental employers and to employees of non-governmental employers, and (c) have no predominant governmental employers. This statement did not have an impact on the financial statements.

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. While certain provisions of Statement No. 79 were effective for fiscal year 2016 reporting, its provisions related to portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal year 2017 reporting.

Statement No. 80 *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. Instead of presenting covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, the required supplementary information will present covered payroll, defined as the payroll on which contributions to a pension plan are based.

Fund Reclassification. Northwest Hospital and Medical Center, a component unit of the University of Washington, was reclassified from a discrete component unit to a blended component unit as a result of the implementation of GASB Statement No. 80. Accordingly, the beginning fund balance of the Higher Education Student Services Fund, a major proprietary fund, was increased by $89.5 million.

Prior Period Adjustment. The state recorded adjustments to the beginning net position in the following funds as a result of implementing GASB Statement No. 73:

- Higher Education Student Services Fund, a major proprietary fund, a reduction in the amount of $39.4 million.
- Higher Education Revolving Fund, a major internal service fund, an increase in the amount of $228.8 million.

The Public Stadium Authority, a major component unit, recorded a reduction to the beginning net position balance in the amount of $16 thousand in order to report the pension liability as of the financial statement date. Previously, the pension information was not available in time to report the current year's pension liability.

Governmental Capital Assets and Long-term Obligations. The state recorded a beginning balance adjustment to long-term obligations associated with governmental funds of $502.1 million as a result of the implementation of GASB Statement No. 73.

Fund equity at July 1, 2016, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2016, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2016
Governmental Funds:				
General	$ 3,230,267	$ -	$ -	$ 3,230,267
Higher Education Special Revenue	2,860,291	-	-	2,860,291
Higher Education Endowment	3,390,164	-	-	3,390,164
Nonmajor Governmental	6,313,397	-	-	6,313,397
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,717,572)	-	-	(9,717,572)
Unemployment Compensation	4,484,992	-	-	4,484,992
Higher Education Student Services	1,078,921	89,498	(39,417)	1,129,002
Guaranteed Education Tuition Program	617,468	-	-	617,468
Nonmajor Enterprise	41,770	-	-	41,770
Internal Service Funds	(334,072)	-	228,802	(105,270)
Fiduciary Funds:				
Private Purpose Trust	1,780	-	-	1,780
Local Government Investment Pool	9,543,374	-	-	9,543,374
Pension and Other Employee Benefit Plans	90,688,494	-	-	90,688,494
Component Units:				
Public Stadium	288,798	-	(16)	288,782
Health Benefit Exchange	(3,156)	-	-	(3,156)
Valley Medical Center	241,491	-	-	241,491
Northwest Hospital	89,498	(89,498)	-	-
Nonmajor Component Units	229,364	-	-	229,364

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, 2017, $1.21 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $729 thousand 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 2017.

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 Bloomberg 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 Bloomberg Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Bloomberg 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 Bloomberg 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% – 45%
Credit bonds	10% – 80%
Asset-backed securities	0% – 10%
Commercial mortgage-backed securities	0% – 10%
Mortgage-backed securities	5% – 45%

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 MSCI All Country World Investable Market Index, lagged by one calendar quarter, by

300 basis points in the long run. 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, 2017:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,107,113		$ 1,107,113	
Corporate bonds	9,058,733		9,058,733	
U.S. and foreign government and agency securities	6,718,112		6,718,112	
Total debt securities	16,883,958		16,883,958	
Equity securities				
Common and preferred stock	21,439,031	21,374,738	60,601	3,692
Depository receipts and other miscellaneous	691,630	690,057	255	1,318
Mutual funds and exchange traded funds	2,215	2,215	-	-
Real estate investment trusts	326,766	326,766	-	-
Private equity and tangible asset funds	180,301	180,301	-	-
Total equity securities	22,639,943	22,574,077	60,856	5,010
Total investments by fair value level	39,523,901	$ 22,574,077	$ 16,944,814	$ 5,010
Investments measured at net asset value (NAV)				
Private equity	19,428,002			
Real estate	16,339,952			
Tangible assets	3,357,964			
Collective investment trust funds (equity securities)	12,457,658			
Total investments measured at the NAV	51,583,576			
Total investments measured at fair value	$ 91,107,477			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	$ 712,951	$ -	$ 712,951	
Net foreign exchange contracts receivable-forward and spot	16,985	-	16,985	
Net swap contracts receivable	514	-	514	
Margin variation payable-futures contracts	(10,274)	(10,274)	-	
Obligations under securities lending agreements	(712,951)	-	(712,951)	
Total other assets (liabilities) measured at fair value	$ 7,225	$ (10,274)	$ 17,499	

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 classified as level 3. Investments classified as level 3 in the above table were publicly traded equity securities that have noncurrent or "stale" values and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from an active exchange, or lack of investor demand. The current market values of these securities are unknown.

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 $39.31 billion as of June 30, 2017. 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, 2017, 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, 2017
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Publicly traded-Level 1	$ 50,088	$ -	$ 130,213	$ 180,301	0.5%
Less than 3 years	86,416	1,392,007	-	1,478,423	3.8%
3 to 9 years	6,512,933	1,594,692	591,319	8,698,944	22.1%
10 or more years	12,828,653	13,353,253	2,766,645	28,948,551	73.6%
Total	$ 19,478,090	$ 16,339,952	$ 3,488,177	$ 39,306,219	100.0%

Private Equity. This includes 277 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 36 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 40 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, 2017, the pension trust funds had total unfunded commitments of $23.56 billion in the following asset classes: $12.94 billion in private equity, $7.03 billion in real estate, and $3.59 billion in tangible assets.

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, 2017, was approximately $1.85 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2017, cash collateral received totaling $712.9 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $712.9 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, 2017, was $1.19 billion.

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, 2017 (in millions):

Mortgage-backed securities	$1,004.7
Repurchase agreements	312.2
Treasuries	182.5
Commercial paper	159.2
Yankee CD	129.8
Cash equivalents and other	111.7
Total collateral held	$1,900.1

During fiscal year 2017, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2017, the cash collateral held had an average duration of 19.1 days and an average weighted final maturity of 62.6 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 2017, 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 2017 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 Bloomberg Barclays U.S. 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, 2017, 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, 2017. 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, 2017
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)
Mortgage and other asset-backed securities	$ 929,252	$ 13,800	$ 652,272	$ 263,180	$ -	4.18
Corporate bonds	9,058,733	568,182	3,791,358	3,347,491	1,351,702	6.02
U.S. government and agency securities	5,145,612	488,654	2,619,944	1,461,586	575,428	5.51
Foreign government and agency securities	1,572,500	125,656	528,526	630,241	288,077	5.63
Total internally managed fixed income	16,706,097	1,196,292	7,592,100	5,702,498	2,215,207	5.72
Mortgage-backed TBA Forwards	177,861	177,861	-	-	-	0.00
Total investments categorized	16,883,958	$ 1,374,153	$ 7,592,100	$ 5,702,498	$ 2,215,207	5.66*
Investments not required to be categorized:						
Cash and cash equivalents	2,236,762					
Equity securities	34,917,300					
Alternative investments	39,306,219					
Total investments not categorized	76,460,281					
Total Investments	$ 93,344,239					

* *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, 2017
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 1,106,263	$ 449,661	$ 102,562	$ 1,658,486
Aa1	-	-	58,977	58,977
Aa2	-	92,778	63,812	156,590
Aa3	-	395,136	222,581	617,717
A1	-	807,105	44,924	852,029
A2	146	353,836	-	353,982
A3	-	1,262,731	68,233	1,330,964
Baa1	-	1,243,202	101,458	1,344,660
Baa2	-	1,400,845	147,785	1,548,630
Baa3	-	1,786,145	207,351	1,993,496
Ba1 or lower	704	1,267,294	554,817	1,822,815
Total	$ 1,107,113	$ 9,058,733	$ 1,572,500	$ 11,738,346

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, 2017, 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, 2017.

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, 2017, of $910.9 million invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2017
(expressed in thousands)

	Investment Type in U.S. Dollar Equivalent					
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Alternative Assets**	**Open Foreign Exchange Contracts-Net**	**Total**
Australia-Dollar	$ 8,954	$ 186,303	$ 537,506	$ 45,207	$ 372	$ 778,342
Brazil-Real	1,416	182,585	183,502	-	149	367,652
Canada-Dollar	16,205	-	697,275	-	375	713,855
Chile-Peso	187	63,641	18,565	-	(78)	82,315
Columbia-Peso	4	81,100	869	-	-	81,973
Denmark-Krone	35	-	191,175	-	1,595	192,805
E.M.U.-Euro	11,336	-	3,402,286	2,945,221	3,414	6,362,257
Hong Kong-Dollar	7,080	-	799,840	-	(68)	806,852
India-Rupee	1,490	88,812	328,673	-	(10)	418,965
Indonesia-Rupiah	415	29,622	67,013	-	2	97,052
Japan-Yen	14,613	-	2,657,137	-	5,616	2,677,366
Malaysia-Ringgit	833	49,005	58,532	-	-	108,370
Mexico-Peso	1,524	84,267	88,102	-	1,015	174,908
New Taiwan-Dollar	33	-	242,245	-	(228)	242,050
Singapore-Dollar	536	-	191,540	-	91	192,167
South Africa-Rand	354	-	126,492	-	342	127,188
South Korea-Won	5,562	-	400,195	-	1,666	407,423
Sweden-Krona	2,335	-	404,192	-	(210)	406,317
Switzerland-Franc	61	-	975,620	-	1,351	977,032
Thailand-Baht	821	-	93,225	-	(17)	94,029
Turkey-Lira	156	21,365	138,414	-	477	160,412
United Kingdom-Pound	14,701	-	2,248,883	-	39	2,263,623
Other	1,207	110,691	192,649	-	1,092	305,639
Total	$ 89,858	$ 897,391	$ 14,043,930	$ 2,990,428	$ 16,985	$18,038,592

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, 2017, 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, 2017, the pension trust funds counterparty risk was approximately $29.2 million. The majority of the counterparties (86 percent) held a credit rating of A1 on Moody's rating scale. All counterparties held investment grade credit ratings of A3 and above.

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, 2017, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $17.0 million. The aggregate forward currency exchange contracts receivable and payable were $2.19 billion and $2.17 billion, respectively. The contracts have varying maturity dates ranging from July 3, 2017, to September 20, 2017.

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 27, 2017, to September 20, 2017. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2017, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $40.5 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, 2017, 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, 2017
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ (1,222)	$ (1,539)	$ 421,700
Equity index futures	269,489	(8,735)	83,805
Total	$268,267	$ (10,274)	$ 505,505
Forward Currency Contracts	$ 20,780	$ 16,994	$ 2,172,204
Total Return Swap Contracts:			
Total return swaps bond	$ (1,377)	$ 142	$ 32,832
Total return swaps equity	13,199	108	(98,398)
Total	$ 11,822	$ 250	$ (65,566)

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 Bloomberg Barclays Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.

- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.

- Investment grade non-U.S. dollar bonds.

- Real estate.

Investment Policies and 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 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.

The WSIB has elected a gradual implementation plan to reach the strategic asset allocation. During this implementation period, if real estate is above or below its target due to timing or illiquidity, fixed income will be used to offset the balance.

Equity. Sector allocation for U.S. equities should be within a range of 47 percent to 57 percent. Allocation for international equities should be within a range of 43 percent to 53 percent.

The benchmark and structure for global equities will be the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index net with USA gross. The global equity portfolio will be passively managed in commingled index funds. The commingled fund managers may use futures for hedging or establishing a long position.

Fixed Income. Sector allocation of fixed income investments must be managed within the ranges presented below. 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.

Target allocations for the Fixed Income Sectors:

U.S. treasuries and government agencies	5% – 25%
Credit bonds	20% – 80%
Asset-backed securities	0% – 10%
Commercial mortgage-backed securities	0% – 10%
Mortgage-backed securities	0% – 25%

Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays 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.

Real Estate. The objectives and characteristics of the real estate portfolio are as follows:

- To generate a six percent annual investment return over a rolling 10-year period.

- The return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.

- The portfolio will be diversified across geography and property type.

- The benchmark for the portfolio is a total net return of 6 percent measured over a rolling 10-year period.

- No more than 15 percent of the real estate portfolio will be invested in a single property after the program's build-out period.

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, 2017.

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,252,255		$ 1,252,255	
Corporate bonds	9,524,313		9,524,313	
U.S. and foreign government and agency securities	3,322,956		3,322,956	
Total investments by fair value level	14,099,524		$ 14,099,524	
Investments measured at net asset value (NAV)				
Commingled equity investment trusts	2,106,218			
Total investments measured at the NAV	2,106,218			
Total investments measured at fair value	$ 16,205,742			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	94,142		94,142	
Obligations under securities lending agreements	(94,142)		(94,142)	
Total other assets (liabilities) measured at fair value	$ -		$ -	

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, 2017, was approximately $506.1 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2017, cash collateral received totaling $94.1 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $94.1 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, 2017, was $430.3 million.

During fiscal year 2017, 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, 2017 (in millions):

Mortgage-backed securities	$429.4
Repurchase agreements	41.2
Commercial paper	21.0
Yankee CD	17.1
Cash equivalents and other	15.7
Total collateral held	$524.4

During fiscal year 2017, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2017, the cash collateral held had an average duration of 19.1 days and an average weighted final maturity of 62.6 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 2017, 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 2017 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, 2017, 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, 2017. 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, 2017
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)
Mortgage and other asset-backed securities	$ 1,252,255	$ 4,449	$ 790,690	$ 404,776	$ 52,340	4.8
Corporate bonds	9,524,313	286,490	4,185,071	2,387,038	2,665,714	6.9
U.S. government and agency securities	2,464,572	159,588	1,074,527	821,981	408,476	6.8
Foreign government and agencies	858,384	-	567,899	259,764	30,721	4.6
Total investments categorized	14,099,524	$ 450,527	$ 6,618,187	$ 3,873,559	$ 3,157,251	6.6*
Investments not required to be categorized:						
Commingled investment trusts	2,106,218					
Cash and cash equivalents	200,515					
Total investments not categorized	2,306,733					
Total Investments	$ 16,406,257					

** 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, 2017
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agencies	Total Fair Value
Aaa	$ 1,252,255	$ 545,263	$ 241,826	$ 2,039,344
Aa1	-	114,369	-	114,369
Aa2	-	114,626	143,472	258,098
Aa3	-	752,893	303,495	1,056,388
A1	-	1,786,795	88,275	1,875,070
A2	-	1,097,503	-	1,097,503
A3	-	1,696,543	-	1,696,543
Baa1	-	1,121,269	27,596	1,148,865
Baa2	-	1,192,272	-	1,192,272
Baa3	-	765,282	53,720	819,002
Ba1 or lower	-	337,498	-	337,498
Total	$ 1,252,255	$ 9,524,313	$ 858,384	$ 11,634,952

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, 2017, 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, 2017.

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, 2017, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $785.2 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, 2017
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 39,031
Brazil-Real	12,006
Canada-Dollar	53,110
Denmark-Krone	9,877
E.M.U.-Euro	174,944
Hong Kong-Dollar	56,921
India-Rupee	17,977
Japan-Yen	138,291
Mexico-Peso	6,864
New Taiwan-Dollar	25,091
Singapore-Dollar	7,441
South Africa-Rand	12,118
South Korea-Won	29,773
Sweden-Krona	18,539
Switzerland-Franc	44,890
United Kingdom-Pound	102,328
Miscellaneous Foreign Currencies	35,965
Total	$ 785,166

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, 2017, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $746.6 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://tre.wa.gov/wp-content/uploads/lgipCafrFY17.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 supranational institutions provided that, at the time of investment, the institution has the U.S government as its largest shareholder.
- 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.
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

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 and supranational floating or variable rate securities 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. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. 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 are stated at amortized cost which approximates fair value. For bank deposits and repurchase agreements, the cost-based measure equals their carrying amount.

Monthly, the fair value net asset value per share is calculated and compared to the amortized cost net asset value per share to verify that the LGIP's shadow price does not deviate by more than one half of 1 percent from the amortized cost of the portfolio.

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 2017, 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, there were no securities on loan.

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 2017, 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 borrowers fail 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, 2017, the LGIP had a weighted average maturity of 26 days and a weighted average life of 72 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2017:

Local Government Investment Pool (LGIP)
Schedule of Maturities
June 30, 2017
(expressed in thousands)

Investment Type	Amortized Cost	Maturity: Less than 1 Year	Maturity: 1-5 Years
U.S. agency securities	$ 6,996,226	$ 6,091,218	$ 905,008
U.S. government securities	1,627,974	1,627,974	-
Supranational securities	334,865	249,862	85,003
Repurchase agreements	4,700,000	4,700,000	-
Interest bearing bank accounts	1,139,453	1,139,453	-
Certificates of deposit	74,045	74,045	-
Total Investments	$ 14,872,563	$ 13,882,552	$ 990,011

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 supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositaries.

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 31.6 percent of the total portfolio as of June 30, 2017. 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, 2017, U.S. treasury securities comprised 10.9 percent of the total portfolio. U.S. agency securities comprised 47.0 percent of the total portfolio, including Federal Home Loan Bank (34.2 percent), Federal Farm Credit Bank (12.5 percent), and Federal National Mortgage Association (0.3 percent). Supranational securities comprised 2.3 percent of the total portfolio.

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

The fair value plus accrued income of securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement plus accrued interest.

The securities utilized in repurchase agreements are limited to government securities, are priced daily, and are held by the LGIP's custodian in the state's name. As of June 30, 2017, repurchase agreements totaled $4.70 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 2017, 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 78 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The University of Washington's Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the Chief Investment Officer, carries out the day-to-day activities of the investment portfolios. The UWINCO Board, which consists of both Board of Regents' members and external investment professionals, serves as an advisory board to UWINCO.

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, 2017, the Invested Funds Pool totaled $1.66 billion. The fund also owns units in the Consolidated Endowment Fund valued at $614.5 million on June 30, 2017.

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 1 percent in fiscal year 2017. University Advancement received 3 percent of the average balances in endowment operating and gift accounts in fiscal year 2017. 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 to support campus-wide fundraising and stewardship activities and to offset 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 $2.1 million at June 30, 2017.

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 $112.8 million at June 30, 2017. Income received from these trusts, which is included in investment income, was $4.6 million for the year ended June 30, 2017.

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 $47.5 million in fiscal year 2017 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 in the fair value of investments during the year ended June 30, 2017, was $337.1 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, 2017:

University of Washington
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

Investments by fair value level	**Fair Value**	**Fair Value Measurements Using** Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fixed income securities				
U.S. treasury	$ 777,094	$ 3,059	$ 774,035	$ -
U.S. government agency	573,706	9,497	564,209	-
Mortgage-backed	205,503	-	205,503	-
Asset-backed	141,845	-	141,845	-
Corporate and other	249,196	16,856	232,340	-
Total fixed income securities	1,947,344	29,412	1,917,932	-
Equity securities				
Global equity investments	740,427	711,755	28,672	-
Private equity and venture capital funds	1,340	-	-	1,340
Real estate	9,396	-	-	9,396
Other	2,754	1,482	-	1,272
Total equity securities	753,917	713,237	28,672	12,008
Total investments by fair value level	2,701,261	$ 742,649	$ 1,946,604	$ 12,008
Investments measured at net asset value (NAV)				
Global equity investments	1,272,046			
Absolute return strategy funds	465,553			
Private equity and venture capital funds	339,876			
Real asset funds	183,070			
Other	69,630			
Total investments measured at the NAV	2,330,175			
Total investments measured at fair value	5,031,436			
Cash equivalents at amortized cost	275,400			
Total Investments	$ 5,306,836			

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, are stated at fair value based on net asset value (NAV) estimates used as a practical expedient and 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, 2017
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 1,272,046	$ 22,308	Monthly to annually	15-180 days
Absolute return strategy funds	465,553	45,490	Quarterly to annually	30-60 days
Private equity and venture capital funds	339,876	241,330	n/a	-
Real asset funds	183,070	68,452	n/a	-
Other	69,630	8,011	Quarterly to annually	30-95 days
Total investments measured at the NAV	$ 2,330,175			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. For 2017, approximately 75 percent of the value of the investments in this category can be redeemed within 90 days, and 92 percent can be redeemed within one year. The remaining balance of these investments contains 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 91 percent of the value of the investments in this category can be redeemed within one year. The remaining balance of these investments contains 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 majority of 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 majority of 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 81 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 contains 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 10 years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2017, the University had outstanding commitments to fund alternative investments in the amount of $385.6 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, 2017, 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 1.95 years at June 30, 2017.

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.

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 Pool (IF or operating funds), 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 along with credit quality and effective duration measures at June 30, 2017. The schedule excludes $15.6 million of fixed income securities held outside the CEF and the IF pool, which makes up 0.80 percent of the University's fixed income investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2017
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	$ 774,034	$ -	$ -	$ -	$ 774,034	1.57
U.S. government agency	569,325	-	-	-	569,325	2.30
Mortgage-backed	-	135,624	49,402	20,477	205,503	1.50
Asset-backed	-	139,233	2,048	564	141,845	0.92
Corporate and other	-	171,826	40,591	28,595	241,012	3.68
Total	$ 1,343,359	$ 446,683	$ 92,041	$ 49,636	$ 1,931,719	1.95

* 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, 2017, of $1.12 billion.

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

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2017
(expressed in thousands)

Foreign Currency	Amount
India-Rupee	$ 169,112
Japan-Yen	117,709
E.M.U.-Euro	112,308
China-Renminbi	100,807
Brazil-Real	88,806
South Korea-Won	63,005
Hong Kong-Dollar	61,804
Britain-Pound	55,104
Russia-Ruble	43,103
Canada-Dollar	41,703
Mexico-Peso	32,802
Taiwan-Dollar	30,102
Philippines-Peso	26,002
Switzerland-Franc	24,202
Remaining currencies	155,211
Total	$ 1,121,780

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, 2017. 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 at June 30, 2017:

University of Washington
Derivative Investments
June 30, 2017
(expressed in thousands)

Description	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Swaps fixed income	$ -	$ 94,365	$ 94,365
Swaps fixed income short	$ (1,044)	$ (95,409)	$ (94,365)
Futures on contracts - long	$ (207)	$ 133,374	$ 133,581
Futures on contracts - short	$ 63	$ (74,723)	$ (74,786)

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 2017, a portion of the investment income reported by the General Fund was earned by other funds.

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

Investment Objectives. All Treasury/Trust funds will be invested in conformance with federal, state, and other legal requirements. The primary objectives of the portfolio shall be safety and liquidity, with return on investment a secondary objective.

Investments shall be undertaken in a manner that seeks preservation of capital in the overall portfolio. Because the investment portfolio must remain liquid to enable the State Treasurer to meet all cash requirements that can reasonably be anticipated, investments will be managed to maintain cash balances needed to meet daily obligations of the state. After assuring needed levels of safety and liquidity, the investment portfolio will be structured to attain a market rate of return.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 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.
- U.S. dollar denominated obligations of supranational institutions, provided that at the time of investment the institution has the U.S. government as its largest shareholder.
- 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.
- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the State Treasurer adheres to the investment policies and procedures adopted by the Washington State Investment Board (WSIB), per RCW 39.58.080.
- Investment deposits with financial institutions qualified by the Washington Public Deposit Protection Commission (RCW 39.58.010(9)) and deposits made pursuant to RCW 39.58.080.

- 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 minimum restrictions listed below. Certain investment instruments are subject to more restrictive limitations.

- 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, 2017:

Office of the State Treasurer (OST)
Cash Management Account
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
U.S. government securities	$ 1,707,868		$ 1,707,868	
U.S. agency securities	1,146,231		1,146,231	
Supranational securities	412,172		412,172	
Corporate notes	51,670		51,670	
Total investments measured at fair value	$ 3,317,941		$ 3,317,941	

Investments classified as level 2. The 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 U.S. government and U.S. agency securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements, 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 2017, 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, 2017, the fair value of cash collateral held totaled $120.2 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, 2017, the fair value of securities on loan totaled $117.3 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 2017, 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 schedules present the OST investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2017:

Office of the State Treasurer (OST)
Cash Management Account
Schedule of Maturities and Effective Duration
June 30, 2017
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	Maturity: 1-5 Years
U.S. agency securities	$ 1,731,201	$ 358,655	$ 1,372,546
U.S. government securities	1,348,763	402,390	946,373
Supranational securities	422,166	39,893	382,273
Corporate notes	51,670	-	51,670
Certificates of deposit	169,350	169,350	-
Investments with LGIP	3,240,167	3,240,167	-
Interest bearing bank accounts	741	741	-
Total Investments	$ 6,964,058	$ 4,211,196	$ 2,752,862

Credit ratings of investments are presented using the Standard and Poor's (S&P) rating scale as follows:

Office of the State Treasurer (OST)
Cash Management Account
Investment Credit Ratings
June 30, 2017
(expressed in thousands)

S&P Credit Rating	Investment Type: Corporate Notes	Investment Type: Supranationals	Total Fair Value
AAA	$ 19,831	$ 422,166	$ 441,997
AA+	19,026	-	19,026
A+	12,813	-	12,813
Total	$ 51,670	$ 422,166	$ 473,836

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in to U.S. government and agency securities, U.S. dollar denominated obligations of supranational institutions, commercial paper, corporate notes, and deposits with qualified public depositaries. Investments in non-government securities may not exceed set percentages of the total daily portfolio size.

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 adheres to the WSIB policy on commercial paper and corporate notes investments which limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 3 percent of the portfolio to any single issuer.

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 under the terms of a written master repurchase agreement and only with primary dealers, the state's bank of record, or master custodial bank.

Purchased securities utilized in repurchase agreements will be limited to government securities. Repurchase agreements with any single primary dealer or financial institution will not exceed 20 percent of the portfolio. 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.

The market value, plus accrued income, of securities utilized in repurchase agreements will be priced at 102 percent of the value of the repurchase agreement, plus accrued income.

There were no repurchase agreements as of June 30, 2017.

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 2017.

Note 4
Receivables, Unearned, and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2017, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,047,408	$ -	$ -	$ -	$ 1,047,408
Sales	1,971,706	-	-	-	1,971,706
Business and occupation	693,692	-	-	-	693,692
Estate	1,713	9,245	-	-	10,958
Fuel	-	-	-	167,925	167,925
Beer and Wine	-	-	-	5,573	5,573
Marijuana	-	-	-	31,991	31,991
Real Estate Excise	3,413	152	-	133	3,698
Insurance Premium	2,259	-	-	-	2,259
Other	344	-	-	158	502
Subtotals	3,720,535	9,397	-	205,780	3,935,712
Less: Allowance for uncollectible receivables	48,053	-	-	1,075	49,128
Total Taxes Receivable	$ 3,672,482	$ 9,397	$ -	$ 204,705	$ 3,886,584

Receivables
Receivables at June 30, 2017, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	$ 634,673	$ -	$ -	$ -	$ 634,673
Accounts receivable	536,971	1,160,670	23,683	322,268	2,043,592
Interest	5,763	9,179	4,425	7,693	27,060
Loans (2)	6,334	126,362	-	484,664	617,360
Long-term contracts (3)	2,560	-	19,736	96,278	118,574
Miscellaneous	11	223	-	30	264
Subtotals	1,186,312	1,296,434	47,844	910,933	3,441,523
Less: Allowance for uncollectible receivables	624,560	31,881	-	64,449	720,890
Total Receivables	$ 561,752	$ 1,264,553	$ 47,844	$ 846,484	$ 2,720,633

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 $109.5 million in the Higher Education Special Revenue Fund for student loans and $473.5 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, 2017, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 3,455	$ -	$ -	$ 92	$ 3,547
Charges for services	99,326	220,560	-	21,314	341,200
Donable goods	-	-	-	4,117	4,117
Grants and donations	2,262	4,560	-	6,555	13,377
Tolls	-	-	-	21,222	21,222
Transportation	-	-	-	7,844	7,844
Miscellaneous	114	14,845	-	**8,599**	23,558
Total Unearned Revenue	$ 105,157	$ 239,965	$ -	$ 69,743	$ 414,865

Unavailable Revenue

Unavailable revenue at June 30, 2017, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 1,027,592	$ -	$ -	$ -	$ 1,027,592
Other taxes	435,345	6,985	-	85	442,415
Timber sales	2,560	-	19,736	96,317	118,613
Transportation	-	-	-	13,819	13,819
Charges for services	-	-	-	6,028	6,028
Miscellaneous	5,000	-	-	30,807	35,807
Total Unavailable Revenue	$ 1,470,497	$ 6,985	$ 19,736	$ 147,056	$ 1,644,274

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2017, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Accounts receivable	$ 943,995	$ 492,824	$ 378,670	$ 27,626	$ 26,164	$ 1,869,279	$ 28,874
Interest	106,661	-	1,228	3,797	-	111,686	439
Investment trades pending	10,895	-	-	624	-	11,519	-
Miscellaneous	-	-	26	-	2	28	1
Subtotals	1,061,551	492,824	379,924	32,047	26,166	1,992,512	29,314
Less: Allowance for uncollectible receivables	168,466	103,822	71,036	-	50	343,374	463
Total Receivables	$ 893,085	$ 389,002	$ 308,888	$ 32,047	$ 26,116	$ 1,649,138	$ 28,851

Unearned Revenue

Unearned revenue at June 30, 2017, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Charges for services	$ -	$ -	$ 55,573	$ -	$ 1	$ 55,574	$ 4,600
Grants and donations	5,594	-	-	-	-	5,594	-
Other taxes	218	-	-	-	-	218	-
Miscellaneous	1,626	-	407	-	-	2,033	-
Total Unearned Revenue	$ 7,438	$ -	$ 55,980	$ -	$ 1	$ 63,419	$ 4,600

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2017, consisted of $14.0 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2017, consisted of $937 thousand 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, 2017, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 2,724	$ -	$ 343,191	$ 526
Higher Education Special Revenue	97,270	-	-	23,268	266
Higher Education Endowment	-	-	-	201	-
Nonmajor Governmental Funds	197,891	46,992	2,818	252,589	384
Workers' Compensation	19	-	-	5	-
Unemployment Compensation	1,566	999	-	317	36
Higher Education Student Services	448	2,739	-	18,624	88
Guaranteed Education Tuition Program	11	-	-	-	-
Nonmajor Enterprise Funds	12,035	23	-	4,921	34
Internal Service Funds	13,751	2,328	-	44,580	4,732
Fiduciary Funds	-	-	-	-	-
Totals	$ 322,991	$ 55,805	$ 2,818	$ 687,696	$ 6,066

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 $9.9 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next three years; (2) a $4.9 million loan between nonmajor governmental funds which is expected to be paid over the next five years, and (3) a $162.4 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 $67.3 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
$ 10	$ 2	$ 153	$ 21,350	$ 19,666	$ -	$ 387,622
-	223,361	-	54	-	-	344,219
-	-	-	-	-	51	252
1,350	-	3	7,555	5,217	-	514,799
-	-	-	-	18	15	57
-	32	-	13	62	-	3,025
-	-	-	61	-	-	21,960
-	-	-	-	-	6	17
-	1	-	1,541	1,262	-	19,817
-	23	9	665	5,989	-	72,077
-	-	-	-	-	-	-
$ 1,360	$ 223,419	$ 165	$ 31,239	$ 32,214	$ 72	$ 1,363,845

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2017, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 627	$ 550	$ 1,283,683	$ -
Higher Education Special Revenue	84,769	-	20,313	195,714	-
Higher Education Endowment	-	160,520	-	28,099	-
Nonmajor Governmental Funds	472,679	85,815	716	1,292,702	-
Workers' Compensation	192	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	4,402	535,848	123	2,605	-
Guaranteed Education Tuition Program	42	-	-	-	-
Nonmajor Enterprise Funds	148,536	-	-	30,980	-
Internal Service Funds	2,150	32,668	160,000	1,047	-
Private Purpose Trust	3	-	-	-	-
Totals	$ 712,773	$ 815,478	$ 181,702	$ 2,834,830	$ -

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, 2017, $1.12 billion 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 $10.4 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	Private Purpose Trust	Totals
$ -	$ -	$ -	$ -	$ 14,898	$ -	$ 1,299,758
-	596,421	-	-	40,894	-	938,111
-	-	-	-	160,000	-	348,619
-	71	-	7,499	-	-	1,859,482
-	-	-	-	-	-	192
-	-	-	-	-	-	-
-	-	-	-	593	-	543,571
-	-	-	-	-	-	42
-	-	-	14,846	-	-	194,362
-	-	-	-	5,669	-	201,534
-	-	-	-	-	-	3
$ -	$ 596,492	$ -	$ 22,345	$ 222,054	$ -	$ 5,385,674

Note 6
Capital Assets

Capital assets at June 30, 2017, 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, 2017 (expressed in thousands):

Capital Assets	Balances July 1, 2016	Additions	Deletions/ Adjustments	Balances June 30, 2017
Capital assets, not being depreciated:				
Land	$ 2,665,708	$ 50,284	$ (49,944)	$ 2,666,048
Transportation infrastructure	23,894,300	808,520	-	24,702,820
Intangible assets - indefinite lives	14,938	-	-	14,938
Art collections, library reserves, and museum and historical collections	120,288	1,699	(1,260)	120,727
Construction in progress	1,245,246	609,201	(678,644)	1,175,803
Total capital assets, not being depreciated	27,940,480			28,680,336
Capital assets, being depreciated:				
Buildings	13,247,499	888,322	(30,562)	14,105,259
Accumulated depreciation	(5,296,077)	(385,772)	10,179	(5,671,670)
Net buildings	7,951,422			8,433,589
Other improvements	1,502,667	85,136	(2,159)	1,585,644
Accumulated depreciation	(770,018)	(55,140)	1,119	(824,039)
Net other improvements	732,649			761,605
Furnishings, equipment, and intangible assets	5,166,302	543,591	(273,398)	5,436,495
Accumulated depreciation	(3,372,811)	(316,883)	261,972	(3,427,722)
Net furnishings, equipment, and intangible assets	1,793,491			2,008,773
Infrastructure	1,091,718	123,812	(292)	1,215,238
Accumulated depreciation	(548,259)	(38,286)	5	(586,540)
Net infrastructure	543,459			628,698
Total capital assets, being depreciated, net	11,021,021			11,832,665
Governmental Activities Capital Assets, Net	$ 38,961,501			$ 40,513,001

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2017 (expressed in thousands):

Capital Assets	Balances July 1, 2016*	Additions	Deletions/ Adjustments	Balances June 30, 2017
Capital assets, not being depreciated:				
Land	$ 68,542	$ 4,646	$ (3,503)	$ 69,685
Intangible assets - indefinite lives	4,580	-	-	4,580
Art collections	75	-	-	75
Construction in progress	81,407	150,148	(16,096)	215,459
Total capital assets, not being depreciated	154,604			289,799
Capital assets, being depreciated:				
Buildings	3,737,011	67,266	(9,179)	3,795,098
Accumulated depreciation	(1,155,580)	(120,575)	2,186	(1,273,969)
Net buildings	2,581,431			2,521,129
Other improvements	100,793	4,273	(370)	104,696
Accumulated depreciation	(50,528)	(5,618)	338	(55,808)
Net other improvements	50,265			48,888
Furnishings, equipment, and intangible assets	977,923	122,238	(90,820)	1,009,341
Accumulated depreciation	(762,452)	(67,788)	40,699	(789,541)
Net furnishings, equipment, and intangible assets	215,471			219,800
Infrastructure	55,319	2,327	-	57,646
Accumulated depreciation	(27,203)	(2,004)	(18)	(29,225)
Net infrastructure	28,116			28,421
Total capital assets, being depreciated, net	2,875,283			2,818,238
Business-Type Activities Capital Assets, Net	$ 3,029,887			$ 3,108,037

* Beginning balance reflects the prior period adjustment to reclassify the Northwest Hospital from a discrete component unit of the University of Washington to a blended component unit, which resulted in an increase in capital assets of $393.3 million and an increase in accumulated depreciation of $281.5 million.

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2017, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	105,017
Education - elementary and secondary (K-12)		5,067
Education - higher education		446,958
Human services		38,375
Adult corrections		55,879
Natural resources and recreation		37,867
Transportation		106,918
Total Depreciation Expense - Governmental Activities *	$	796,081
Business-Type Activities:		
Workers' compensation	$	9,851
Unemployment compensation		-
Higher education student services		184,269
Guaranteed education tuition program		3
Other		1,862
Total Depreciation Expense - Business-Type Activities	$	195,985

* Includes $104.0 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, 2017, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2017	Remaining Project Commitments
Office of the Secretary of State:		
Library-Archives Building and other projects	$ 2,008	$ 86,571
Department of Revenue:		
Tax Legacy System replacement	13,092	40,780
Consolidated Technology Services:		
State Data Center buildout	10,332	91
Department of Enterprise Services:		
1063 Building project	86,836	7,502
Various projects	5,966	6,768
Department of Social and Health Services:		
Residential housing unit renovations and other projects	20,414	19,674
State hospitals	19,615	44,156
Department of Veterans Affairs:		
Walla Walla Veterans Home and other projects	42,692 -	3,787
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	17,957	14,866
Department of Transportation:		
State ferry vessels and terminals, locomotives, and other projects	271,629	93,049
Transportation infrastructure	-	1,545,095
Department of Fish and Wildlife:		
Soos Creek renovation, Fir Island farm restoration, and other projects	33,642	57,868
University of Washington:		
Haggett and McCarty Hall projects	84,491	105,717
Life Sciences, Computer Sience Engineering and Burk Building	207,187	212,058
Parking and other projects	1,866	2,438
UW Medical Center expansion and renovation projects	20,048	11,848
Washington biomedical research facility	47,104	59,626
Washington State University:		
Animal Health Research, Museum of Art, Plant Science, Food Quality, and other facility projects	19,706	48,343
Chief Joseph Village and other housing projects	12,730	377
Cultural house	16,226	1,781
Parking lots, boiler, and other projects	346	1,025
Soccer field, locker rooms, and other athletics projects	1,007	2,069
Eastern Washington University:		
Engineering Building, Pence Union Building, and other projects	20,155	85,348
Interdisciplinary science center renovation	5,584	169,752
Central Washington University:		
Bouillon Hall, and other projects	15,066	1,046
Samuelson communication & tech center	37,015	16,496
The Evergreen State College:		
Housing and other projects	23,590	1,206
Western Washington University:		
Carver Hall renovation, residence hall, and other projects	86,376	48,138
Community and Technical Colleges:		
Bellevue student housing	10,790	40,666
Big Bend Professional Technical Building	1,400	41,703
ctcLink project	89,602	10,938
Edmonds Science, Engineering and Technology building project	2,913	41,183
Olympic College Instruction Center	34,034	13,076
Seattle integrated education center and Maritime Academy	40,387	2,789
Other miscellaneous community college projects	68,597	61,846
Other Agency Projects:	20,859	20,686
Total Construction in Progress	$ 1,391,262	$ 2,920,362

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2017, 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 8.3 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 2017 is $1.35 billion.

This computation excludes specific bond issues and types, that are not secured by general state revenues. Of the $19.19 billion general obligation bond debt principal outstanding at June 30, 2017, $11.64 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2017, 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://tre.wa.gov/wp-content/uploads/Debt-Limit-Report-2017-Final.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $10.44 billion in general obligation bonds authorized but unissued as of June 30, 2017, 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 0.5 to 5.75 percent. Interest rates on revenue bonds range from 0.9 to 7.4 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 2017. 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 711, or by visiting their website at:
http://www.tre.wa.gov/about-us/resources/annual-reports/

Total debt service requirements to maturity for general obligation bonds as of June 30, 2017, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2018	$ 960,969	$ 950,082	$ -	$ -	$ 960,969	$ 950,082
2019	960,449	910,432	-	-	960,449	910,432
2020	959,772	872,736	-	-	959,772	872,736
2021	939,645	816,145	-	-	939,645	816,145
2022	947,742	753,827	-	-	947,742	753,827
2023-2027	4,831,771	3,126,480	-	-	4,831,771	3,126,480
2028-2032	4,549,624	1,954,544	-	-	4,549,624	1,954,544
2033-2037	3,213,495	834,610	-	-	3,213,495	834,610
2038-2042	1,798,650	201,511	-	-	1,798,650	201,511
2043-2047	30,120	968	-	-	30,120	968
Total Debt Service Requirements	$ 19,192,237	$ 10,421,335	$ -	$ -	$ 19,192,237	$ 10,421,335

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, 2017, include $834.6 million in governmental activities and $1.79 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, 2017, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2018	$ 120,863	$ 105,737	$ 130,824	$ 98,548	$ 251,687	$ 204,285
2019	123,477	100,101	64,970	95,595	188,447	195,696
2020	127,604	94,199	66,764	92,354	194,368	186,553
2021	133,329	87,966	70,274	89,273	203,603	177,239
2022	139,842	81,431	73,418	85,920	213,260	167,351
2023-2027	550,143	311,454	371,065	376,503	921,208	687,957
2028-2032	360,529	215,734	404,913	282,587	765,442	498,321
2033-2037	283,959	135,971	401,069	190,027	685,028	325,998
2038-2042	242,503	66,995	387,074	87,052	629,577	154,047
2043-2047	152,075	30,363	149,922	14,280	301,997	44,643
2048-2052	84,453	10,709	4,971	199	89,424	10,908
Total Debt Service Requirements	$ 2,318,777	$ 1,240,660	$ 2,125,264	$ 1,412,338	$ 4,444,041	$ 2,652,998

Governmental activities include revenue bonds outstanding at June 30, 2017, of $208.8 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 $305.2 million, payable through 2033. For the current year, both pledged revenue and debt service were $45.9 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2017, of $658.0 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the cost 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, 2017, of $300.0 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, 2017, of $40.1 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 $52.6 million, payable through 2029. For the current year, both pledged revenue and debt service were $3.6 million.

Governmental activities include revenue bonds outstanding at June 30, 2017, of $273.8 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 $474.2 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, 2017, of $3.5 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center. 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 $3.8 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, 2017, 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	$ 38,835	$ 82,507	$ 298
Current year debt service	19,113	12,045	202
Total future revenues pledged *	299,135	200,156	3,438
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	2017-2042	2017-2039	2034
Percentage of debt service to pledged revenues (current year)	49.2%	14.6%	67.8%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2017, 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, 2017, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2018	$ 142,212	$ 48,875	$ 4,716	$ 1,621	$ 146,928	$ 50,496
2019	71,923	26,211	9,551	3,481	81,474	29,692
2020	68,117	22,996	9,045	3,054	77,162	26,050
2021	55,953	19,973	7,430	2,652	63,383	22,625
2022	51,119	17,380	6,788	2,308	57,907	19,688
2023-2027	175,453	56,766	23,298	7,538	198,751	64,304
2028-2032	106,202	23,946	14,103	3,180	120,305	27,126
2033-2037	52,437	7,710	6,963	1,024	59,400	8,734
2038-2042	7,309	233	971	31	8,280	264
Total Debt Service Requirements	$ 730,725	$ 224,090	$ 82,865	$ 24,889	$ 813,590	$ 248,979

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 July 14, 2016, the state issued $531.3 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $577.7 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $88.9 million gross debt service savings over the next 18 years and a net present value savings of $76.4 million.

Also on July 14, 2016, the state issued $271.6 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $296.0 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $50.4 million gross debt service savings over the next 18 years and a net present value savings of $42.9 million.

On January 24, 2017, the state issued $137.1 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $155.2 million of various purpose 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 9 years and a net present value savings of $22.8 million.

Also on January 24, 2017, the state issued $24.5 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $27.4 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $4.1 million gross debt service savings over the next 9 years and a net present value savings of $3.6 million.

Business-Type Activities.
On July 14, 2016, the University of Washington issued $9.1 million in general obligation refunding bonds with an average interest rate of 4.9 percent to refund $9.8 million of general obligation bonds with an average interest rate of 5 percent. The refunding resulted in $3.3 million gross debt service savings over the next 15 years and an economic gain of $2.6 million.

On November 9, 2016, the University of Washington issued $25.0 million in general revenue refunding bonds with an average interest rate of 4.8 percent to refund $28.5 million general revenue bonds for the purchase of a capital asset with an average interest rate of 4.7 percent. The refunding resulted in $4.8 million gross debt service savings over the next 17 years and an economic gain of $3.9 million.

Also on November 9, 2016, the University of Washington issued $10.0 million in general revenue refunding bonds with an average interest rate of 2.9 percent to refund $9.8 million general revenue bonds for the purchase of a capital asset with an average interest rate of 4.7 percent. The refunding resulted in $1.4 million gross debt service savings over the next 17 years and an economic gain of $1.1 million.

On August 30, 2016, Eastern Washington University issued $23.5 million in general revenue refunding bonds with an average interest rate of 2.9 percent to refund $24.1 million general revenue bonds for the construction of the University's recreation center with an average interest rate of 4.6 percent. The refunding resulted in $6.2 million gross debt service savings over the next 22 years and an economic gain of $4.7 million.

On September 8, 2016, Central Washington University issued $29.2 million in general revenue refunding bonds with an average interest rate of 3.4 percent to refund $29.4 million general revenue bonds for the remodel of a residence hall with an average interest rate of 4.8 percent. The refunding resulted in $4.6 million gross debt service savings over the next 23 years and an economic gain of $205 thousand.

Certificates of Participation (COPs)

On August 30, 2016, the state issued $28.8 million in refunding certificates of participation with an average interest rate of 5.2 percent to refund $29.4 million of various purpose general obligation bonds with an average interest rate of 3.65 percent. The refunding resulted in a $4.2 million gross debt service savings over the next 12 years and a net present value savings of $3.8 million.

On August 30, 2016, the state issued $3.2 million in refunding certificates of participation with an average interest rate of 5.5 percent to refund $4.4 million of various purpose general obligation bonds with an average interest rate of 1.3 percent. The refunding resulted in a $182 thousand gross debt service savings over the next 5 years and a net present value savings of $185 thousand.

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, 2017, $3.58 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2017, $42.1 million of revenue bond debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2017, $64.9 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2017, 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, 2017, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ -	$ 4,512
Equipment	5,131	10,436
Less: Accumulated Depreciation	(2,463)	(8,091)
Totals	$ 2,668	$ 6,857

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2017 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2018	$ 596	$ 2,463	$ 197,856	$ 58,900
2019	585	2,109	180,382	57,993
2020	593	1,770	163,986	57,839
2021	572	1,407	143,184	42,700
2022	510	1,383	110,289	33,699
2023-2027	616	1,045	110,272	56,938
2028-2032	-	-	36,821	45,768
2033-2037	-	-	25,407	52,934
2038-2042	-	-	19,865	61,226
2043-2047	-	-	5,982	70,825
Total Future Minimum Payments	3,472	10,177	994,044	538,822
Less: Executory Costs and Interest Costs	(216)	(781)	-	-
Net Present Value of Future Minimum Lease Payments	$ 3,256	$ 9,396	$ 994,044	$ 538,822

The total operating lease rental expense for fiscal year 2017 for governmental activities was $384.5 million, of which $43 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2017 for business-type activities was $37.2 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, 2017, $38.24 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $26.64 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 4.5 to 6.2 percent (pensions not yet granted), and 6.2 percent (granted pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $26.64 billion as of June 30, 2017, include $13.31 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 $13.33 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 2016 and 2017 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
2016	$ 25,066,149	3,024,336	(2,238,159)	$ 25,852,326
2017	$ 25,852,326	3,030,714	(2,242,502)	$ 26,640,538

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, 2017, 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 $603.0 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, 2017, the Risk Management Fund held $2.6 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 2016 and 2017 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
2016	$ 579,928	50,583	(38,755)	(22,935)	$ 568,821
2017	$ 568,821	182,654	(128,620)	(19,828)	$ 603,027

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, 2017, health insurance claims liabilities totaling $83.9 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 2016 and 2017 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
2016	$ 73,607	1,023,194	(1,009,431)	$ 87,370
2017	$ 87,370	1,086,732	(1,090,211)	$ 83,891

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 20 projects in progress for which the state has recorded a liability of $52.9 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, 2017, the state has recorded a liability of $98.0 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $150.9 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, 2017, 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 2017 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2016*	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,566,435	$ 2,168,185	$ 1,954,630	$ 18,779,990	$ 907,440
GO - zero coupon bonds (principal)	471,656	-	59,409	412,247	53,529
Subtotal - GO bonds payable	19,038,091	2,168,185	2,014,039	19,192,237	960,969
Accreted interest - GO - zero coupon bonds	479,226	-	21,591	457,635	68,176
Revenue bonds payable	2,369,844	82,162	133,229	2,318,777	120,863
Plus: Unamortized premiums on bonds sold	1,007,716	464,877	81,535	1,391,058	-
Total Bonds Payable	22,894,877	2,715,224	2,250,394	23,359,707	1,150,008
Other Liabilities:					
Certificates of participation	703,100	118,588	90,963	730,725	142,212
Plus: Unamortized premiums on COPs sold	15,895	7,500	2,605	20,790	-
Claims and judgments	982,059	156,493	142,757	995,795	368,707
Installment contracts	1,728	-	137	1,591	137
Leases	4,130	235	1,109	3,256	534
Compensated absences	581,282	438,448	393,932	625,798	86,700
Net pension liability	4,352,316	1,604,991	954,486	5,002,821	-
Other postemployment benefits obligations	2,491,573	385,819	230	2,877,162	-
Pollution remediation obligations	154,145	12,586	15,878	150,853	-
Unclaimed property refunds	165,215	32,196	-	197,411	-
Other	725,408	231,266	395,476	561,198	50,224
Total Other Liabilities	10,176,851	2,988,122	1,997,573	11,167,400	648,514
Total Long-Term Debt	$ 33,071,728	$ 5,703,346	$ 4,247,967	$ 34,527,107	$ 1,798,522

* The beginning balance of certificates of participation has been restated by $1.4 million as a result of reclassification between fund types. The beginning balance of net pension liability has been restated by $273.3 million as a result of the implementation of GASB 73.

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 net pension liability will be liquidated approximately 46 percent by the General Fund, 23 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 81 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 2017 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2016*	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Long-Term Debt:					
Revenue bonds payable	$ 2,056,220	$ 211,813	$ 142,769	$ 2,125,264	$ 130,824
Plus: Unamortized premiums on bonds sold	158,559	40,717	17,234	182,042	-
Total Bonds Payable	2,214,779	252,530	160,003	2,307,306	130,824
Other Liabilities:					
Certificates of participation	44,899	44,135	6,169	82,865	4,716
Plus: Unamortized premiums on COPs sold	2,919	6,840	775	8,984	-
Claims and judgments	25,868,902	1,579,988	789,825	26,659,065	2,044,124
Installment contracts	81,871	-	16,153	65,718	3,023
Lottery prize annuities payable	126,082	40,666	45,372	121,376	13,499
Tuition benefits payable	1,726,000	34,378	20,378	1,740,000	168,000
Leases	9,373	2,029	2,006	9,396	2,619
Compensated absences	80,740	31,964	28,973	83,731	52,308
Net pension liability	534,904	238,846	110,383	663,367	-
Other postemployment benefits obligations	269,142	49,267	-	318,409	-
Other	48,706	56,349	23,134	81,921	3,567
Total Other Liabilities	28,793,538	2,084,462	1,043,168	29,834,832	2,291,856
Total Long-Term Debt	$ 31,008,317	$ 2,336,992	$ 1,203,171	$ 32,142,138	$ 2,422,680

* The beginning balance of certificates of participation has been restated by $1.4 million as a result of reclassification between fund types. The beginning balance of installment contracts has been restated by $81.9 million as result of the inclusion of a new component unit. The beginning balance of net pension liability has been restated by $39.4 million as a result of the implementation of GASB No. 73.

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, 2017, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities		**Principal Balance**
Washington State Housing Finance Commission	$	4,271,164
Washington Higher Education Facilities Authority		630,233
Washington Health Care Facilities Authority		5,662,000
Washington Economic Development Finance Authority		688,432
Total No Commitment Debt	$	11,251,829

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, 2017, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 2,376,534	$ 210,226	$ 2,586,760
Consumable inventories	13,071	10,505	-	41,566	65,142
Other receivables – long-term	29,851	-	-	-	29,851
Total Nonspendable Fund Balance	$ 42,922	$ 10,505	$ 2,376,534	$ 251,792	$ 2,681,753
Restricted for: *					
Higher education	$ -	$ 62,336	$ 1,410,155	$ 40,105	$ 1,512,596
Education	-	-	5,906	33,144	39,050
Transportation	-	-	-	959,552	959,552
Other purposes	-	-	-	7,011	7,011
Human services	-	-	387	499,418	499,805
Wildlife and natural resources	-	-	-	1,040,971	1,040,971
Local grants and loans	20,424	-	-	229	20,653
School construction	2	-	-	113,175	113,177
Budget stabilization	1,638,335	-	-	-	1,638,335
Debt service	-	-	-	55,881	55,881
Pollution remediation	-	-	-	51,132	51,132
Operations and maintenance	-	-	-	9,205	9,205
Repair and replacement	-	-	-	14,673	14,673
Revenue stabilization	-	-	-	28,805	28,805
Third tier debt service	-	-	-	6,595	6,595
Fourth tier debt service	-	-	-	1,820	1,820
Total Restricted Fund Balance	$ 1,658,761	$ 62,336	$ 1,416,448	$ 2,861,716	$ 5,999,261
Committed for:					
Higher education	$ 86,468	$ 2,601,444	$ -	$ 23,701	$ 2,711,613
Education	172	-	-	2,427	2,599
Transportation	-	-	-	315,936	315,936
Other purposes	10,519	-	-	285,462	295,981
Human services	14,176	-	-	761,037	775,213
Wildlife and natural resources	25,978	-	-	392,785	418,763
Local grants and loans	3,592	-	-	1,044,639	1,048,231
State facilities	-	-	-	2,173	2,173
Debt service	-	-	-	336,357	336,357
Total Committed Fund Balance	$ 140,905	$ 2,601,444	$ -	$ 3,164,517	$ 5,906,866
Assigned for:					
Working capital	$ 1,257,952	$ 18,300	$ -	$ -	$ 1,276,252
Total Assigned Fund Balance	$ 1,257,952	$ 18,300	$ -	$ -	$ 1,276,252

*Net position restricted as a result of enabling legislation totaled $9.0 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, 2017, the Budget Stabilization Account had restricted fund balance of $1.64 billion.

Note 10
Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $100.6 million at June 30, 2017. 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, 2017 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2016	$ (91,847)
Fiscal year 2017 activity	(8,726)
Balance, June 30, 2017	$ (100,573)

State Facilities Fund

The State Facilities Fund, a capital projects fund, had a deficit net position of $70.0 million at June 30, 2017. The State Facilities Fund is used to pay for various capital projects throughout the state.

The State Facilities Fund is primarily supported by bond proceeds, income from property, and sales of property. Costs were incurred during fiscal year 2017 but the bonds to support these projects were not issued until after June 30, 2017 resulting in a deficit net position.

The following schedule details the change in net position for the State Facilities Fund during the fiscal year ended June 30, 2017 (expressed in thousands):

State Facilities Fund	**Net Position**
Balance, July 1, 2016	$ 14,887
Fiscal year 2017 activity	(84,892)
Balance, June 30, 2017	$ (70,005)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $603.3 million at June 30, 2017. 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, 2017 (expressed in thousands):

Risk Management Fund	**Net Position**
Balance, July 1, 2016	$ (520,129)
Fiscal year 2017 activity	(83,206)
Balance, June 30, 2017	$ (603,335)

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 for the state as an employer, for fiscal year 2017 (expressed in thousands):

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	5,666,188
Pension assets	$	(1,132,236)
Deferred outflows of resources related to pensions	$	1,472,461
Deferred inflows of resources related to pensions	$	244,584
Pension expense/expenditures	$	477,527

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.

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. The state implemented GASB 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* for the fiscal year 2017 financial reporting.

The state has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the Higher Education Supplemental Retirement Plan.

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 2017 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, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 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 7.5 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. Refer to 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 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 methods 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, 2017, the state reported $2.26 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $2.50 billion for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.99 percent, an increase of 0.42 percent since the prior reporting period, and 49.72 percent for PERS Plan 2/3, an increase of 0.62 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	$	2,719,597
Current Discount Rate	$	2,255,244
1% Increase	$	1,855,639

PERS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	4,609,049
Current Discount Rate	$	2,503,313
1% Increase	$	(1,303,119)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a PERS Plan 1 pension expense of $155.2 million, and recognized a PERS Plan 2/3 pension expense of $351.9 million. At June 30, 2017, 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	56,783	-
Change in proportion	-	-
State contributions subsequent to the measurement date	255,173	-
Total	$ 311,956	$ -

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 133,300	$ 82,639
Changes of assumptions	25,874	-
Net difference between projected and actual earnings on pension plan investments	306,333	-
Change in proportion	28,270	3,754
State contributions subsequent to the measurement date	312,182	-
Total	$ 805,959	$ 86,393

For PERS Plan 1, $255.2 million, and for PERS Plan 2/3, $312.2 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, 2018.

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		
2018	$	(13,981)
2019	$	(13,981)
2020	$	52,149
2021	$	32,596
2022	$	-
Thereafter	$	-

PERS Plan 2/3		
2018	$	12,109
2019	$	9,182
2020	$	239,691
2021	$	146,402
2022	$	-
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 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. 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 2017 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, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 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 7.5 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. Refer to 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 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 methods 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, 2017, the state reported a liability of $33.0 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $11.9 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 0.97 percent, an increase of 0.11 percent since the prior reporting period, and 0.87 percent for TRS Plan 2/3, an increase of 0.14 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	$	40,599
Current Discount Rate	$	33,026
1% Increase	$	26,503

TRS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	26,923
Current Discount Rate	$	11,896
1% Increase	$	(13,820)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a TRS Plan 1 pension expense of $5.8 million, and recognized a TRS Plan 2/3 pension expense of $4.1 million. At June 30, 2017, 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	1,048	-
Change in proportion	-	-
State contributions subsequent to the measurement date	3,598	-
Total	$ 4,646	$ -

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 900	$ 528
Changes of assumptions	121	-
Net difference between projected and actual earnings on pension plan investments	1,915	-
Change in proportion	2,891	-
State contributions subsequent to the measurement date	3,500	-
Total	$ 9,327	$ 528

For TRS Plan 1, $3.6 million, and for TRS Plan 2/3, $3.5 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, 2018.

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		
2018	$	(271)
2019	$	(270)
2020	$	980
2021	$	609
2022	$	-
Thereafter	$	-

TRS Plan 2/3		
2018	$	799
2019	$	799
2020	$	2,283
2021	$	1,346
2022	$	72
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 2016, the state contributed $60.4 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 2017 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.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 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 7.5 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. Refer to 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 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 methods 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, 2017, the state reported an asset of $5.1 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.88 percent, an increase of 0.04 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	$	14,338
Current Discount Rate	$	(5,113)
1% Increase	$	(19,773)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a LEOFF Plan 2 pension expense of $257 thousand. At June 30, 2017, 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	$ 701	$ -
Changes of assumptions	19	-
Net difference between projected and actual earnings on pension plan investments	1,837	-
Change in proportion	53	26
State contributions subsequent to the measurement date	1,385	-
Total	$ 3,995	$ 26

For LEOFF Plan 2, $1.4 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, 2018.

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		
2018	$	(20)
2019	$	(19)
2020	$	1,523
2021	$	1,049
2022	$	51
Thereafter	$	-

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, 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 2017 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, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 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 7.5 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. Refer to 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 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 methods 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, 2017, the state reported a liability of $20.4 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 47.97 percent, an increase of 0.04 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	$	88,518
Current Discount Rate	$	20,386
1% Increase	$	(28,145)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a PSERS Plan 2 pension expense of $13.9 million. At June 30, 2017, 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	$ 6,944	$ -
Changes of assumptions	79	-
Net difference between projected and actual earnings on pension plan investments	4,204	-
Change in proportion	14	17
State contributions subsequent to the measurement date	11,419	-
Total	$ 22,660	$ 17

For PSERS Plan 2, $11.4 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, 2018.

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		
2018	$	1,371
2019	$	1,371
2020	$	3,961
2021	$	3,103
2022	$	1,398
Thereafter	$	20

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 2017 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, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 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 7.5 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. Refer to 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 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 methods 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, 2017, the state reported a net pension liability of $69.3 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	$	260,659
Current Discount Rate	$	69,316
1% Increase	$	(81,250)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a WSPRS pension expense of $6.6 million. At June 30, 2017, 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	$ 3,807	$ 7,363
Changes of assumptions	9	-
Net difference between projected and actual earnings on pension plan investments	21,852	-
Change in proportion	-	-
State contributions subsequent to the measurement date	7,587	-
Total	$ 33,255	$ 7,363

For WSPRS 1/2, $7.6 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, 2018.

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	
2018	$ (4,106)
2019	$ (5,378)
2020	$ 16,479
2021	$ 11,310
2022	$ -
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 disability and 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.

Members are eligible to receive a full retirement allowance at age 70 with 10 years of credited service, or at any age with 18 years of credited service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge.

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 2016, no such appropriations or contributions were made.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 2015 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods 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 2.85 percent for the June 30, 2016, 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, 2017, the state reported a net pension liability of $2.5 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 2.85 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 (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate (expressed in thousands):

Judges' Net Pension Liability/(Asset)		
1% Decrease	$	2,650
Current Discount Rate	$	2,515
1% Increase	$	2,390

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a Judges' Retirement Fund pension expense of $419 thousand. At June 30, 2017, 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	38	-
Change in proportion	-	-
State contributions subsequent to the measurement date	499	-
Total	$ 537	$ -

For the Judges' Retirement Fund, $499 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, 2018.

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'		
2018	$	15
2019	$	15
2020	$	6
2021	$	2
2022	$	-
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 2016, the state contributed $9.5 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, 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, 2015, 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 2015 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods 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 2.85 percent for the June 30, 2016, 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, 2017, the state reported a net pension liability of $97.9 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 2.85 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 (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate (expressed in thousands):

JRS Net Pension Liability/(Asset)		
1% Decrease	$	108,084
Current Discount Rate	$	97,867
1% Increase	$	89,146

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a JRS pension expense of $12.4 million. At June 30, 2017, 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	257	-
Change in proportion	-	-
State contributions subsequent to the measurement date	9,300	-
Total	$ 9,557	$ -

For JRS, $9.3 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, 2018.

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		
2018	$	88
2019	$	88
2020	$	58
2021	$	23
2022	$	-
Thereafter	$	-

2. DRS Plans – Nonemployer Contributing Entity Disclosures

For fiscal year 2017, 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, 2016, 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 2016, 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, 2016, measurement date. In this plan, the state is an employer and 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 2016, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.46 percent based on total plan contributions received in fiscal year 2016.

Collective Net Pension Liability/(Asset). At June 30, 2017, the state as a nonemployer contributing entity reported a net pension asset of $897.6 million and $229.5 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 39.46 percent for LEOFF Plan 2, a decrease of 0.34 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 2016 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	$	(533,202)
Current Discount Rate	$	(897,585)
1% Increase	$	(1,209,051)

LEOFF Plan 2 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	643,689
Current Discount Rate	$	(229,538)
1% Increase	$	(887,698)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state as a nonemployer contributing entity recognized $(116.2) million pension expense for LEOFF Plan 1 and $11.54 million pension expense for LEOFF Plan 2.

At June 30, 2017, the state as a 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	91,238	-
Change in proportion	-	-
State contributions subsequent to the measurement date	-	-
Total	$ 91,238	$ -

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 31,453	$ -
Changes of assumptions	865	-
Net difference between projected and actual earnings on pension plan investments	82,482	-
Change in proportion and difference between state contributions and proportionate share of contributions	2,373	1,148
State contributions subsequent to the measurement date	62,158	-
Total	$ 179,331	$ 1,148

For LEOFF Plan 2, $62.2 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, 2018. No contributions were made subsequent to the measurement date for LEOFF plan 1.

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	
2018	$ (18,855)
2019	$ (18,855)
2020	$ 79,019
2021	$ 49,929
2022	$ -
Thereafter	$ -

LEOFF Plan 2	
2018	$ (877)
2019	$ (877)
2020	$ 68,397
2021	$ 47,089
2022	$ 2,293
Thereafter	$ -

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, 2015, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
WSPRS 1	1,078	76	498	1,652
WSPRS 2	-	28	470	498
JRS	103	-	-	103
Judges	12	-	-	12
Total	1,193	104	968	2,265

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, 2015, 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	$ 16,534	$ -	$ -
Interest	83,373	3,704	116
Changes of benefit terms	1,947	-	-
Differences between expected and actual experience	(10,431)	20	123
Changes of assumptions	2	8,737	181
Benefit payments, including refunds of member contributions	(54,159)	(9,131)	(440)
Net Change in Total Pension Liability	37,266	3,330	(20)
Total Pension Liability--Beginning	1,130,177	101,312	3,117
Total Pension Liability --Ending (a)	$ 1,167,443	$ 104,642	$ 3,097
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 7,044	$ 9,500	$ 501
Contributions--employee	8,895	-	-
Net investment income	25,352	74	6
Benefit payments, including refunds of member contributions	(54,159)	(9,131)	(440)
Administrative expense	(60)	(1)	-
Other	429	-	-
Net Change in Plan Fiduciary Net Position	(12,499)	442	67
Plan Fiduciary Net Position--Beginning	1,110,626	6,333	515
Plan Fiduciary Net Position--Ending (b)	$ 1,098,127	$ 6,775	$ 582
Plan's Net Pension Liability (Asset)--Beginning	$ 19,551	$ 94,979	$ 2,602
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	$ 69,316	$ 97,867	$ 2,515

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 fiscal year 2017 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
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% *			
TRS						
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%					
LEOFF						
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
WSPRS						
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%				
PSERS						
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, 2017, there were approximately 450 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	4,367
Inactive plan members entitled to but not yet receiving benefits	6,263
Active plan members	9,434
Total membership	20,064

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 and amount 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 2017, the fire insurance premium tax contribution was $6.6 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 2017 were the following:

	Firefighters	EMSD & 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, 2017, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 13.26 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, 2017, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 192,700
Plan fiduciary net position	(229,800)
Participating municipality net pension liability/(asset)	$ (37,100)
Plan fiduciary net position as a percentage of the total pension liability	119.25%

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	2.75%
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, 2016, 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 2016 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.50 percent long–term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by WSIB.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. WSIB's CMAs contain three pieces of information for each class of asset the WSIB currently invests in.

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between annual returns of each asset class with every other asset class.

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
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.

For additional information and background on OSA's development of the long-term rate of return assumptions, refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website. The selection of this assumption and economic experience studies are further detailed in the Actuarial Certification Letter.

In consultation with OST, OSA selected a 3.75 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 inflation assumption of 2.75 percent for the United States National Comsumer Price Index.

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 (3.75 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	$	(13,894)
Current Discount Rate	$	(37,100)
1% Increase	$	(57,160)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

Plan Description. The Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component 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. No assets are accumulated in trusts or equivalent arrangements.

The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a separate plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

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.

The Higher Education Defined Contribution Retirement Plans are described in Note 11.E.

Benefits Provided. The Higher Education Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all Higher Education Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

Plan members have the option to retire early with reduced benefits.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50% - 4.25%
Fixed Income and Variable Income Investment Returns	4.25% - 6.25%

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.

Most actuarial assumptions used in the June 30, 2016, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes dring the measurement period include the discount rate increase from 2.85 percent to 3.58 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 percent.

Discount Rate. 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 3.58 percent for the June 30, 2017, measurement date.

Pension Expense. For the year ended June 30, 2017, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense	
Plans	
University of Washington (UW)	$ 22,055
Washington State University (WSU)	3,567
Eastern Washington University (EWU)	556
Central Washington University (CWU)	(377)
The Evergreen State College (TESC)	258
Western Washington University (WWU)	794
State Board for Community and Technical Colleges (SBCTC)	4,811
Total	**$ 31,664**

Plan Membership. Membership of the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2016, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	**Inactive Members (Or Beneficiaries) Currently Receiving Benefits**	**Inactive Members Entitled To But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
University of Washington (UW)	696	4	7,046	7,746
Washington State University (WSU)	277	24	2,210	2,511
Eastern Washington University (EWU)	38	-	537	575
Central Washington University (CWU)	61	-	124	185
The Evergreen State College (TESC)	20	5	231	256
Western Washington University (WWU)	48	1	646	695
State Board for Community and Technical Colleges (SBCTC)	173	22	6,171	6,366
Total	1,313	56	16,965	18,334

Change in Total Pension Liability/(Asset). The following table presents the change in total pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2017 (expressed in thousands):

Change in Total Pension Liability/(Asset)	UW	WSU	CWU	EWU	TESC	WWU	SBCTC
TOTAL PENSION LIABILITY							
Service cost	$ 19,891	$ 3,803	$ 150	$ 658	$ 296	$ 1,057	$ 5,417
Interest	15,097	3,140	293	420	230	842	3,514
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(74,918)	(16,389)	(1,270)	(2,852)	(1,327)	(5,278)	(25,336)
Changes of assumptions	(28,553)	(6,574)	(616)	(647)	(387)	(2,126)	(5,980)
Benefit payments	(5,136)	(1,890)	(411)	(140)	(158)	(298)	(902)
Other	-	-	-	-	-	-	-
Net Change in Total Pension Liability	(73,619)	(17,910)	(1,854)	(2,561)	(1,346)	(5,803)	(23,287)
Total Pension Liability--Beginning	512,372	107,324	10,331	14,162	7,856	28,623	118,337
Total Pension Liability --Ending (a)	$ 438,753	$ 89,414	$ 8,477	$ 11,601	$ 6,510	$ 22,820	$ 95,050

Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate. The following table presents the total pension liability/(asset), calculated using the discount rate of 3.58 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

Total Pension Liability (Asset)			
Plans	**1% Decrease**	**Current Discount Rate**	**1% Increase**
University of Washington (UW)	$ 507,452	$ 438,753	$ 382,026
Washington State University (WSU)	102,303	89,414	78,698
Eastern Washington University (EWU)	13,266	11,601	10,218
Central Washington University (CWU)	9,498	8,477	7,618
The Evergreen State College (TESC)	7,414	6,510	5,756
Western Washington University (WWU)	26,062	22,820	20,118
State Board for Community and Technical Colleges (SBCTC)	109,199	95,050	83,332
Total	**$ 775,194**	**$ 672,625**	**$ 587,766**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.
At June 30, 2017, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

University of Washington (UW)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 65,554
Changes of assumptions	-	24,984
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 90,538

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 718
Changes of assumptions	-	348
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 1,066

Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 13,980
Changes of assumptions	-	5,607
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 19,587

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,119
Changes of assumptions	-	327
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 1,446

Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,427
Changes of assumptions	-	550
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 2,977

Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 4,490
Changes of assumptions	-	1,809
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 6,299

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 22,003
Changes of assumptions	-	5,193
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 27,196

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):

University of Washington (UW)		
2018	$	(12,934)
2019	$	(12,934)
2020	$	(12,934)
2021	$	(12,934)
2022	$	(12,934)
Thereafter	$	(25,868)

Central Washington University (CWU)		
2018	$	(820)
2019	$	(246)
2020	$	-
2021	$	-
2022	$	-
Thereafter	$	-

Eastern Washington University (EWU)		
2018	$	(522)
2019	$	(522)
2020	$	(522)
2021	$	(522)
2022	$	(522)
Thereafter	$	(367)

State Board for Community and Technical Colleges (SBCTC)		
2018	$	(4,121)
2019	$	(4,121)
2020	$	(4,121)
2021	$	(4,121)
2022	$	(4,121)
Thereafter	$	(6,591)

Washington State University (WSU)		
2018	$	(3,377)
2019	$	(3,377)
2020	$	(3,377)
2021	$	(3,377)
2022	$	(3,377)
Thereafter	$	(2,702)

The Evergreen State College (TESC)		
2018	$	(268)
2019	$	(268)
2020	$	(268)
2021	$	(268)
2022	$	(268)
Thereafter	$	(106)

Western Washington University (WWU)		
2018	$	(1,105)
2019	$	(1,105)
2020	$	(1,105)
2021	$	(1,105)
2022	$	(1,105)
Thereafter	$	(774)

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, 2017, there were three active members and 122 inactive members and one member receiving benefits 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 2017, the state recognized pension expense for contributions of $17 thousand made to employee accounts. No plan refunds were made.

The administrator of JRA has entered an agreement with the DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, the 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 7.6 percent to 9.3 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 2017, employer and employee contributions were $204.3 and $204.1 million, respectively, for a total of $408.4 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, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. 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), 74 of the state's K-12 schools and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 schools and ESDs. The PEBB plan is also available to charter schools, but none of the charter schools currently participate in PEBB. As of June 2017, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees (2)	Total (1)
State	113,326	32,520	145,846
K-12 schools and ESDs (3)	3,081	35,551	38,632
Political subdivisions	14,288	2,032	16,320
Total (1)	130,695	70,103	200,798

(1) Based on June 2017 PEBB Total Subscribers Enrollment Report

(2) Retirees include retired employees, surviving spouses. COBRA/LWOP/RIF members are not included.

(3) In fiscal year 2017, there were 111,242 full-time equivalent active employees in the 238 K-12 schools, charter schools, and ESDs that elected to limit participation in PEBB to their retirees.

For calendar year 2017, the estimated monthly cost for PEBB benefits for each active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium (4)		
Medical	$	1,025
Dental		79
Life		4
Long-term disability		2
Total	$	1,110
Employer contribution	$	959
Employee contribution		151
Total	$	1,110

(4) Per 2017 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

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, Higher Education, Judicial, and LEOFF 2.

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 2016, the average weighted implicit subsidy was valued at $304 per member per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be $328 per adult unit 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 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2017.

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://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx.

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 the 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 2017 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	$	534,198
Interest on net OPEB obligation		103,527
Amortization of net OPEB obligation		(107,438)
Annual OPEB cost (expense)		530,287
Contributions made*		(95,431)
Increase in net OPEB obligation		434,856
Net OPEB obligation - beginning of year		2,760,715
Net OPEB obligation - end of year*	$	3,195,571

*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 2017, 2016, and 2015 were as follows (dollars expressed in thousands):

	2017	2016	2015
Annual OPEB cost	$ 530,287	$ 520,663	$ 502,376
% of annual OPEB cost contributed	18.00%	15.91%	14.70%
Net OPEB obligation	$ 3,195,571	$ 2,760,715	$ 2,322,888

Funded Status and Funding Progress

The funded status of the state's portion of the plan as of January 1, 2017, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$ 5,480,321
Actuarial value of plan assets	-
Unfunded actuarial accrued liabliity (UAAL)	$ 5,480,321
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 6,511,457
UAAL as a percentage of covered payroll	84.16%

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 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, 2017
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	3.75%
Projected salary increases	3.75%
Health care inflation rate	7.0% 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, 2017 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2017		Notional amount
	Classification	Amount	Classification	Amount	(in gallons)
Governmental Activites					
Cash Flow Hedges:					
Commodity Swaps	Deferred Outflow	$ (823)	Accounts Payable	$ 373	23,268

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

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 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.

Significant Terms

The significant terms of active hedges WSF entered into during fiscal year 2017 are presented in the table below:

Type	Counterparty	Contract price range per gallon	Variable rate received	Trade date	Settlement period	Monthly notional amount (in gallons)
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	Cargill	$1.72	NYMEX ULSD Heating Oil	2/15/2017	7/2017 - 6/2018	42,000 - 294,000
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	$1.56	NYMEX ULSD Heating Oil	8/12/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.58	NYMEX ULSD Heating Oil	11/10/2016	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
Commodity Swap	BofA - Merrill Lynch	$1.57	NYMEX ULSD Heating Oil	5/3/2017	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, 2017, credit ratings of the state's counterparty were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Cargill	A2	A	A
Bank of America Merrill Lynch International Limited	-	A+	A

Note 14
Tax Abatements

The State of Washington provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77, seven of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than $10.0 million in taxes abated during the calendar year ended December 31, 2016, are disclosed. All tax abatement programs for the aerospace industry are disclosed.

Data Center Server Equipment and Power Infrastructure Sales and Use Tax Exemption

Per RCWs 82.08.986 and 82.12.986, the purchase or use of server equipment and power infrastructure in data centers within Washington, along with certain related labor and services charges, may be exempt from sales and use tax to encourage immediate investments in technology facilities. The Department of Revenue (DOR) will issue an exemption certificate, which the buyer must present to the seller at the time of the sale in order to make eligible tax-exempt purchases.

Within six years of the date that the exemption certificate is issued, the certificate holder must establish that net employment at the computer data center has increased by a minimum of 35 family wage positions or 3 family wage employment positions for each 20,000 square feet or less of space. Family wage employment positions are new permanent employment positions requiring 40 hours of weekly work, or their equivalent, at the eligible computer data center, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located. All previously exempted sales and use tax are immediately due and payable for a qualifying business or tenant that does not meet these requirements.

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

To encourage public and private investment in low-income areas with high rates of unemployment, sales and use tax arising from certain construction and equipment purchases for new and expanding manufacturers, persons conditioning vegetable seeds, research and development, and commercial testing for manufacturers in a Community Empowerment Zone (CEZ) may be permanently deferred if the project meets specific criteria per chapter 82.60 RCW. To qualify for deferral, the business must submit an application to DOR prior to completion of construction or the business takes possession of the machinery and equipment. Approved applicants will receive a sales and use tax deferral certificate, which allows vendors and contractors to sell to the approved applicant without charging sales tax.

Deferred taxes need not be repaid if the business fills at least one permanent full-time position for each $750,000 investment with a resident of the CEZ by the end of the second calendar year following the year in which the project is certified as operationally complete. Failure to meet the employment requirement causes all deferred taxes to become immediately due. Each recipient of a deferral of taxes must file a complete annual survey with DOR for eight years following the year in which the project is operationally complete. If DOR finds that the project does not qualify for the deferral, all deferred taxes become immediately due.

High-Technology Sales and Use Tax Deferral

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31, of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Aerospace Incentives

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. The amount of sales and use tax abated from the exemption for the construction of new facilities used to manufacture commercial airplanes, or fuselages or wings of commercial airplanes cannot be disclosed because there are fewer than three taxpayers that received the exemption in the calendar year ended December 31, 2016, per RCW 82.32.330(2).

RCW 82.04.4461 allows a business and occupation tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington. A business claiming the credit must file an annual report with DOR.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a business and occupation tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction. Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components. A business claiming the credit must file an annual report with DOR.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a business and occupation tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services. A business claiming the credit must file an annual report with DOR.

The purchase and use of computer hardware, software, or peripherals, including installation charges is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

Leasehold interests in port district facilities used by a manufacturer of superefficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing superefficient airplanes is exempt from property taxation per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during the calendar year ended December 31, 2016.

The following table shows the amount of taxes abated by the state of Washington during the calendar year ended December 31, 2016 (expressed in thousands):

Tax Abatement Program	**Amount of Taxes Abated**
Data center server equipment and power infrastructure sales and use tax exemption	$ 17,963
High unemployment county sales & use tax deferral for manufacturing facilities	14,582
High-technology sales and use tax deferral	60,424
Aerospace incentives:	
Reduced B&O tax rate	118,045
Credit for preproduction development expenditures	85,460
Credit for property and leasehold taxes paid on aerospace business facilities	33,654
Computer hardware, software, and peripherals sales and use tax exemption	3,232
TOTAL	$ 333,360

Note 15
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.92 billion at June 30, 2017.

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 period. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. There were no encumbrances outstanding against continuing appropriations at the end of fiscal year 2017.

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 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 $113.3 million in fiscal year 2017. 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 2017 strategic contribution payment was approximately $37.9 million. This was the final strategic contribution payment due under MSA.

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 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. Washington's state-specific hearing is set for the week of April 9, 2018. Diligence determinations are expected in early 2019.

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 $11.41 billion at June 30, 2017. 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 million 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.

Substitute Senate Bill 5806, effective July 23, 2017, provides $350,000 for the purpose of conducting a planning inventory to document existing planning data related to the construction of a new I-5 bridge over the Columbia River. WSDOT will submit a report to the legislature that details the findings of the planning inventory by December 1, 2017. In addition, it invited the Legislature of Oregon to participate in a joint legislative action committee. This committee is tasked with beginning a process toward project development and providing a report of findings and recommendations by December 15, 2018.

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. Adjustments have been made to the GET program as a result of the College Affordability Program, and the GET program will reopen to new enrollments and unit purchases on November 1, 2017.

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, 2017, outstanding certificates of participation notes totaled $70.6 million for 145 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 16
Subsequent Events

A. BOND ISSUES

In September 2017, the state issued:

- $336.0 million in various purpose general obligation bonds to provide funds to pay and reimburse for various state capital projects.

- $100.8 million in motor vehicle fuel tax general obligation bonds to provide funds to pay and reimburse for construction of selected projects that are identified as transportation 2003 or 2005 projects.

- $36.7 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.

- $27.3 million in general obligation refunding bonds for the purpose of refunding certain various general obligation bonds of the state.

- $29.3 million in motor vehicle fuel tax general obligation refunding bonds for the purpose of refunding certain motor vehicle fuel tax general obligation bonds of the state.

The state has tentative plans to issue general obligation refunding bonds later this year.

B. CERTIFICATES OF PARTICIPATION

In September 2017, the state issued $24.2 million in Certificates of Participation (COP).

C. 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.

To address these issues, the 2017 Legislature added significant funding, along with a number of policy changes, in House Bill 2242 and the 2017-19 biennial operating budget. In fall 2017, the Supreme Court is expected to address whether the changes bring the state into constitutional compliance.

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

	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	37,162,688	37,286,751	124,063
Licenses, permits, and fees	229,281	235,778	246,339	10,561
Other contracts and grants	550,314	579,661	485,285	(94,376)
Timber sales	6,616	6,501	6,514	13
Federal grants-in-aid	22,720,205	22,958,888	21,768,591	(1,190,297)
Charges for services	76,910	89,613	86,513	(3,100)
Investment income (loss)	16,457	28,865	29,996	1,131
Miscellaneous revenue	285,145	446,516	678,406	231,890
Unclaimed property	121,876	137,378	133,897	(3,481)
Transfers from other funds	1,975,011	3,219,180	2,746,969	(472,211)
Total Resources	63,276,179	66,415,915	65,020,108	(1,395,807)
Charges To Appropriations				
General government	4,087,194	4,118,103	3,860,147	257,956
Human services	32,532,950	32,568,287	32,021,693	546,594
Natural resources and recreation	695,716	867,502	770,629	96,873
Transportation	104,731	156,354	133,382	22,972
Education	23,047,518	23,892,923	23,598,387	294,536
Capital outlays	759,279	731,382	326,813	404,569
Transfers to other funds	715,878	1,776,240	1,706,886	69,354
Total Charges To Appropriations	61,943,266	64,110,791	62,417,937	1,692,854
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,332,913	2,305,124	2,602,171	297,047
Reconciling Items				
Bond sale proceeds	319,039	158,182	217,316	59,134
Issuance premiums	-	-	2,533	2,533
Bond issuance discount	-	-	(396)	(396)
Assumed reversions	172,500	218,768	-	(218,768)
Working capital adjustment	-	-	(243,000)	(243,000)
Noncash activity (net)	-	-	217,934	217,934
Nonappropriated fund balances	-	-	99,001	99,001
Changes in reserves (net)	-	-	4,659	4,659
Total Reconciling Items	491,539	376,950	298,047	(78,903)
Budgetary Fund Balance, June 30	$ 1,824,452	$ 2,682,074	$ 2,900,218	$ 218,144

The separately submitted report that demonstrates compliance at a legal level of budgetary control is traceable to the Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual found on page 276-277.

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	65,020,108
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(2,746,969)
Budgetary fund balance at the beginning of the biennium, as restated		(1,550,847)
Appropriated loan principal repayment		(606)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		3,069,775
Revenues collected for other governments		242,132
Unanticipated receipts		37,551
Noncash revenues		170,523
Other		12,725
Biennium total revenues		64,254,392
Fiscal year 2016 total revenues, as restated for fund reclassification		(31,137,700)
Nonappropriated activity		29,363
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	33,146,055
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	62,417,937
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		(2,969,306)
Other transfers to other funds		(1,706,886)
Appropriated loan disbursements		(106)
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		3,069,775
Distributions to other governments		242,132
Certificates of participation and capital lease acquisitions		49,918
Expenditures related to unanticipated receipts		37,551
Other		13,074
Biennium total expenditures		61,154,089
Fiscal year 2016 total expenditures, as restated for fund reclassification		(30,121,251)
Nonappropriated activity		685,679
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	31,718,517

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

	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	459,935	468,702	8,767
Licenses, permits, and fees	-	968	-	(968)
Other contracts and grants	310	1,398	-	(1,398)
Charges for services	21,888	366,820	-	(366,820)
Investment income (loss)	1,741	3,053	1,365	(1,688)
Miscellaneous revenue	2,270	2,265	1	(2,264)
Transfers from other funds	54,500	56,220	54,695	(1,525)
Total Resources	871,622	1,226,242	860,346	(365,896)
Charges To Appropriations				
Education	456,902	434,551	433,841	710
Transfers to other funds	53,900	53,900	54,694	(794)
Total Charges To Appropriations	510,802	488,451	488,535	(84)
Excess Available For Appropriation Over (Under) Charges To Appropriations	360,820	737,791	371,811	(365,980)
Reconciling Items				
Issuance premiums	-	140	-	(140)
Refunding COPs issued	-	7,800	-	(7,800)
Payments to escrow agents for refunded debt	-	(11,000)	-	11,000
Working Capital Adjustment	-	-	(2,240)	(2,240)
Noncash activity (net)	-	-	31,768	31,768
Nonappropriated fund balances	-	-	2,238,496	2,238,496
Changes in reserves (net)	-	-	23,945	23,945
Total Reconciling Items	-	(3,060)	2,291,969	2,295,029
Budgetary Fund Balance, June 30	$ 360,820	$ 734,731	$ 2,663,780	$ 1,929,049

BUDGETARY COMPARISON SCHEDULE

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	860,346
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(54,695)
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		(183)
Biennium total revenues		469,885
Fiscal year 2016 total revenues		(5,295,661)
Nonappropriated activity		10,264,338
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	5,438,562
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	488,535
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		(26,665)
Other transfers to other funds		(54,694)
Biennium total expenditures		407,176
Fiscal year 2016 total expenditures		(5,369,983)
Nonappropriated activity		10,571,102
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	5,608,295

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/2017/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.

Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2
Last Four Measurement Years*
(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ 16,534	$ 16,633	$ 18,041	N/A
Interest	83,373	80,037	75,249	N/A
Changes of benefit terms	1,947	2,258	-	N/A
Differences between expected and actual experience	(10,431)	8,883	-	N/A
Changes in assumptions	2	17	-	N/A
Benefit payments, including refunds of employee contributions	(54,159)	(50,075)	(47,510)	N/A
Net Change in Total Pension Liability	37,266	57,753	45,780	N/A
Total Pension Liability - Beginning	1,130,177	1,072,424	1,026,644	N/A
Total Pension Liability - Ending (a)	$ 1,167,443	$ 1,130,177	$ 1,072,424	$ 1,026,644
Plan Fiduciary Net Position				
Contributions - employer	$ 7,044	$ 6,679	$ 6,587	N/A
Contributions - employee	8,895	6,323	6,555	N/A
Net investment income	25,352	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(54,159)	(50,075)	(47,510)	N/A
Administrative expense	(60)	(67)	(84)	N/A
Other	429	293	509	N/A
Net Change in Plan Fiduciary Net Position	(12,499)	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	1,110,626	1,098,427	955,514	N/A
Plan Fiduciary Net Position - Ending (b)	$ 1,098,127	$ 1,110,626	$ 1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 69,316	$ 19,551	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a percentage of the Total Pension Liability /(Asset)	94.06%	98.27%	102.42%	93.07%
Covered-employee payroll	$ 86,660	$ 84,388	$ 85,046	$ 81,895
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	79.99%	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

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System
Last Four Measurement Years*
(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ -	$ -	$ -	N/A
Interest	3,704	4,382	4,319	N/A
Changes of benefit terms	-	-	-	N/A
Differences between expected and actual experience	20	1,590	-	N/A
Changes in assumptions	8,737	4,335	-	N/A
Benefit payments, including refunds of employee contributions	(9,131)	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	3,330	971	(5,161)	N/A
Total Pension Liability - Beginning	101,312	100,341	105,502	N/A
Total Pension Liability - Ending (a)	$ 104,642	$ 101,312	$ 100,341	$ 105,502
Plan Fiduciary Net Position				
Contributions - employer	$ 9,500	$ 10,600	$ 10,600	N/A
Contributions - employee	-	-	-	N/A
Net investment income	74	38	25	N/A
Benefit payments, including refunds of employee contributions	(9,131)	(9,336)	(9,480)	N/A
Administrative expense	(1)	-	-	N/A
Other	-	-	-	N/A
Net Change in Plan Fiduciary Net Position	442	1,302	1,145	N/A
Plan Fiduciary Net Position - Beginning	6,333	5,031	3,886	N/A
Plan Fiduciary Net Position - Ending (b)	$ 6,775	$ 6,333	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 97,867	$ 94,979	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	6.47%	6.25%	5.01%	3.68%
Covered-employee payroll [1]	N/A	N/A	N/A	$ 160
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll [1]	N/A	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

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund
Last Four Measurement Years*
(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ -	$ -	$ -	N/A
Interest	116	138	137	N/A
Changes of benefit terms	-	-	-	N/A
Differences between expected and actual experience	123	182	-	N/A
Changes in assumptions	181	95	-	N/A
Benefit payments, including refunds of employee contributions	(440)	(444)	(444)	N/A
Net Change in Total Pension Liability	(20)	(29)	(307)	N/A
Total Pension Liability - Beginning	3,117	3,146	3,453	N/A
Total Pension Liability - Ending (a)	$ 3,097	$ 3,117	$ 3,146	$ 3,453
Plan Fiduciary Net Position				
Contributions - employer	$ 501	$ -	$ -	N/A
Contributions - employee	-	-	-	N/A
Net investment income	6	4	7	N/A
Benefit payments, including refunds of employee contributions	(440)	(444)	(444)	N/A
Administrative expense	-	-	-	N/A
Other	-	-	-	N/A
Net Change in Plan Fiduciary Net Position	67	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	515	955	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	$ 582	$ 515	$ 955	$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 2,515	$ 2,602	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	18.79%	16.52%	30.36%	40.31%
Covered-employee payroll [1]	N/A	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

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

Single Employer Plans

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
2017	$ 8,179	$ 7,587	$ 592	$ 93,053	8.15%
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%

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

Single Employer Plans

Schedule of Contributions
Judicial Retirement System
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
2017	$ 8,761	$ 9,300	$ (539)	$ -	N/A
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%

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

Single Employer Plans

Schedule of Contributions
Judges' Retirement Fund
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
2017	$ 439	$ 499	$ (60)	$ -	N/A
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

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

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.99%	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 2,255,244	$ 2,174,623	$ 2,134,189
Covered payroll of employees participating in PERS plan 1	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS plan 2/3	4,648,843	4,363,171	4,215,934
Covered payroll of employees participating in PSERS plan 2	155,768	140,977	130,172
Covered-Employee Payroll	$ 4,907,846	$ 4,624,834	$ 4,489,942
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	45.95%	47.02%	47.53%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	57.03%	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 *
(expressed in thousands)

	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	49.72%	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 2,503,313	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	$ 4,648,843	$ 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	53.85%	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	85.82%	89.20%	93.29%

* This schedule is to be built prospectively until it contains ten years of data.

Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	0.97%	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 33,026	$ 27,186	$ 22,924
Covered payroll of employees participating in TRS plan 1	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS plan 2/3	41,803	33,705	25,673
Covered-employee payroll	$ 47,538	$ 37,618	$ 30,284
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	69.47%	72.27%	75.70%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	62.07%	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 *
(expressed in thousands)

	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.87%	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 11,896	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered-employee payroll	$ 41,803	$ 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	28.46%	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	88.72%	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

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 *
(expressed in thousands)

	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	47.97%	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	$ 20,386	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	$ 155,768	$ 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	13.09%	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.41%	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 *
(expressed in thousands)

	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$ (897,585)	$(1,049,988)	$(1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	123.74%	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

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 *
(expressed in thousands)

	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.88%	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.46%	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (5,113)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(229,538)	(409,091)	(524,419)
Total	$ (234,651)	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered-employee payroll	$ 19,828	$ 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	-25.79%	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	106.04%	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

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contributions (CRC)	$ 251,924	$ 238,158	$ 191,618	$ 188,639
Employer Contributions related to covered payroll of employees participating in PERS plan 1	9,537	11,385	11,072	12,964
Employer UAAL Contributions related to covered payroll of employees participating in PERS plan 2/3 and PSERS plan 2	242,387	226,773	180,546	175,675
Contributions in Relation to the Actuarially Determined Contributions	251,924	238,158	191,618	188,639
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll of employees participating in PERS plan 1	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS plan 2/3	4,928,806	4,648,843	4,363,171	4,215,935
Covered payroll of employees participating in PSERS plan 2	175,395	155,768	140,977	130,172
Covered-Employee Payroll	$ 5,189,542	$ 4,907,846	$ 4,624,834	$ 4,489,943
Contributions as a percentage of covered-employee payroll	4.85%	4.85%	4.14%	4.20%

* 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*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 306,591	$ 287,049	$ 219,395	$ 209,455
Contributions in relation to the contractually required contribution	306,591	287,049	219,395	209,455
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,928,806	$ 4,648,843	$ 4,363,171	$ 4,215,935
Contributions as a percentage of covered-employee payroll	6.22%	6.17%	5.03%	4.97%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 1

Fiscal Year Ended June 30*

(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 3,608	$ 2,940	$ 1,920	$ 1,537
Employer Contributions related to covered payroll of employees participating in TRS plan 1	326	369	388	451
Employer UAAL Contributions related to covered payroll of employees participating in TRS plan 2/3	3,282	2,571	1,532	1,086
Contributions in Relation to the Actuarially Determined Contributions	3,608	2,940	1,920	1,537
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll of employees participating in TRS plan 1	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS plan 2/3	52,534	41,803	33,705	25,673
Covered-employee payroll	$ 55,009	$ 47,538	$ 37,618	$ 30,284
Contributions as a percentage of covered-employee payroll	6.56%	6.18%	5.10%	5.08%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 2/3

Fiscal Year Ended June 30*

(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 3,542	$ 2,827	$ 1,924	$ 1,454
Contributions in relation to the contractually required contribution	3,542	2,827	1,924	1,454
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 52,534	$ 41,803	$ 33,705	$ 25,673
Contributions as a percentage of covered-employee payroll	6.74%	6.76%	5.71%	5.66%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 11,465	$ 10,233	$ 8,932	$ 8,100
Contributions in relation to the contractually required contribution	11,465	10,233	8,932	8,100
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 175,395	$ 155,768	$ 140,977	$ 130,172
Contributions as a percentage of covered-employee payroll	6.54%	6.57%	6.34%	6.22%

* 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*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 1,346	$ 1,345	$ 1,224	$ 1,184
Contributions in relation to the contractually required contribution	1,346	1,345	1,224	1,184
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 20,396	$ 19,828	$ 18,744	$ 18,259
Contributions as a percentage of covered-employee payroll	6.60%	6.78%	6.53%	6.48%

* This schedule is to be built prospectively until it contains ten years of data.

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 RCWs 2.10.90 and 2.12.60, 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, 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 Five Fiscal Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability - Ending	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	229,800	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	119.25%	108.97%	110.22%	109.47%	96.49%
Covered-employee payroll	N/A	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

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.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Change in Net Pension Liability

Last Five Fiscal Years*

(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 869	$ 893	$ 919	$ 1,240	N/A
Interest	12,946	12,887	12,656	12,480	N/A
Changes of benefit terms	-	-	-	-	N/A
Differences between expected and actual experience	(1,998)	(176)	(2,948)	-	N/A
Changes in assumptions	463	101	1,931	-	N/A
Benefit payments, including refunds of member contributions	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	1,206	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	191,494	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position					
Contributions - Municipalities	$ 848	$ 918	$ 913	$ 953	N/A
Contributions - Member	69	67	76	95	N/A
Contributions - State as nonemployer contributing entity	6,646	7,235	5,903	6,383	N/A
Net investment income	26,114	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(1,466)	(1,205)	(1,020)	(1,469)	N/A
Other	-	-	-	(22)	N/A
Net Change in Plan Fiduciary Net Position	21,137	808	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	208,663	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	$ 229,800	$ 208,663	$ 207,855	$ 204,195	$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (37,100)	$ (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.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Contributions
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)
2017	$ 4,528	$ 7,494	$ (2,966)
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)

Notes: Neither covered-employee payroll nor contributions as a percentage of covered-employee payroll are applicable. This is a volunteer organization.

Beginning in 2017, the methodology for determining the Actuarially Determined Contributions was revised to reflect the timing of the contributions based upon the Board's adoption cycle and the actuarial funding methods selected.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns
Last Four Fiscal Years*

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	13.26%	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, 2017.

Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
University of Washington
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 19,891
Interest	15,097
Changes of benefit terms	-
Differences between expected and actual experience	(74,918)
Changes in assumptions	(28,553)
Benefit payments	(5,136)
Other	-
Net Change in Total Pension Liability	(73,619)
Total Pension Liability - Beginning	512,372
Total Pension Liability - Ending	$ 438,753
Covered-employee payroll	$ 801,161
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	54.76%

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

Schedule of Changes in Total Pension Liability and Related Ratios
Washington State University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 3,803
Interest	3,140
Changes of benefit terms	-
Differences between expected and actual experience	(16,389)
Changes in assumptions	(6,574)
Benefit payments	(1,890)
Other	-
Net Change in Total Pension Liability	(17,910)
Total Pension Liability - Beginning	107,324
Total Pension Liability - Ending	$ 89,414
Covered-employee payroll	$ 196,596
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	45.48%

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
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
Central Washington University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 150
Interest	293
Changes of benefit terms	-
Differences between expected and actual experience	(1,270)
Changes in assumptions	(616)
Benefit payments	(411)
Other	-
Net Change in Total Pension Liability	(1,854)
Total Pension Liability - Beginning	10,331
Total Pension Liability - Ending	$ 8,477
Covered-employee payroll	$ 11,028
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	76.87%

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

Schedule of Changes in Total Pension Liability and Related Ratios
Eastern Washington University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 658
Interest	420
Changes of benefit terms	-
Differences between expected and actual experience	(2,852)
Changes in assumptions	(647)
Benefit payments	(140)
Other	-
Net Change in Total Pension Liability	(2,561)
Total Pension Liability - Beginning	14,162
Total Pension Liability - Ending	$ 11,601
Covered-employee payroll	$ 38,505
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	30.13%

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
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
The Evergreen State College
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 296
Interest	230
Changes of benefit terms	-
Differences between expected and actual experience	(1,327)
Changes in assumptions	(387)
Benefit payments	(158)
Other	-
Net Change in Total Pension Liability	(1,346)
Total Pension Liability - Beginning	7,856
Total Pension Liability - Ending	$ 6,510
Covered-employee payroll	$ 16,941
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	38.43%

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

Schedule of Changes in Total Pension Liability and Related Ratios
Western Washington University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 1,057
Interest	842
Changes of benefit terms	-
Differences between expected and actual experience	(5,278)
Changes in assumptions	(2,126)
Benefit payments	(298)
Other	-
Net Change in Total Pension Liability	(5,803)
Total Pension Liability - Beginning	28,623
Total Pension Liability - Ending	$ 22,820
Covered-employee payroll	$ 55,840
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	40.87%

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
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
State Board for Community and Technical Colleges
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 5,417
Interest	3,514
Changes of benefit terms	-
Differences between expected and actual experience	(25,336)
Changes in assumptions	(5,980)
Benefit payments	(902)
Other	-
Net Change in Total Pension Liability	(23,287)
Total Pension Liability - Beginning	118,337
Total Pension Liability - Ending	$ 95,050
Covered-employee payroll	$ 375,725
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	25.30%

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

Higher Education Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The Higher Education Supplemental Retirement Plans are 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. No assets are accumulated in trusts or equivalent arrangements.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth, and the variable income investment return.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Funding Progress
Other Postemployment Benefits
(expressed in millions)

	2017	2015	2013
Actuarial valuation date	1/1/2017	1/1/2015	1/1/2013
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	5,480	5,274	3,707
Unfunded actuarial accrued liability (UAAL)	5,480	5,274	3,707
Funded ratio	0%	0%	0%
Covered payroll	6,511	6,219	5,787
UAAL as a percentage of covered payroll	84%	85%	64%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

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 2017, the state was responsible to maintain and preserve 20,797 pavement lane miles, 3,312 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			
2015	2013	2011	Average of Last Three Assessments
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)*					
	2017	2016	2015	2014	2013
Planned	$ 304,040	$ 160,423	$ 173,716	$ 122,868	$ 137,779
Actual	264,315	161,211	142,789	143,598	108,972
Variance	$ 39,725	$ (788)	$ 30,927	$ (20,730)	$ 28,807
	13.1%	-0.5%	17.8%	-16.9%	20.9%

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.

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

2017	2015	2013	Average of Last Three Assessments
91.8%	92.1%	91.4%	91.8%

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)

	2017	2016	2015	2014	2013
Planned	$ 45,891	$ 75,160	$ 71,078	$ 92,192	$ 98,519
Actual	45,088	66,339	64,060	87,271	87,306
Variance	$ 803	$ 8,821	$ 7,018	$ 4,921	$ 11,213
	1.7%	11.7%	9.9%	5.3%	11.4%

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			
2017	**2015**	**2013**	**Average of Last Three Assessments**
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)*					
	2017	**2016**	**2015**	**2014**	**2013**
Planned	$ 9,964	$ 7,204	$ 8,463	$ 7,488	$ 6,607
Actual	8,011	7,185	8,369	7,591	6,676
Variance	$ 1,953	$ 19	$ 94	$ (103)	$ (69)
	19.6%	0.3%	1.1%	-1.4%	-1.0%

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.

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Office of the Washington State Auditor
Pat McCarthy

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 2, 2017

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, 2017, 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 2, 2017. The financial statements include pension trust fund investments valued at $39.3 billion, which comprise 30.5 percent of total assets and 32.7 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 State'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 2017-001 to be material weaknesses.

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.

Pat McCarthy

State Auditor

Olympia, WA

November 2, 2017

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S 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, 2016 through June 30, 2017

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, 2017. 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 $8,769,155 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 $941,310 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, 2017. 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 Child Care and Development Fund Cluster (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)

As described in Findings 2017-024, 2017-025, 2017-026 and 2017-027 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Child Care and Development Fund Cluster program for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions – Health and Safety Requirements, and Special Tests and Provisions - Fraud Detection and Repayment. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the program.

Adverse Opinion on Child Care and Development Fund Cluster (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)

In our opinion, because of the significance of the matter discussed in the Bases of Adverse Opinion 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 Child Care and Development Fund Cluster program for the year ended June 30, 2017.

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, 2017.

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: 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, 2017-014, 2017-015, 2017-016, 2017-017, 2017-018, 2017-022, 2017-023, , 2017-028, 2017-029, 2017-030, 2017-031, 2017-032, 2017-033, 2017-034, 2017-035, 2017-036, 2017-037, 2017-038, 2017-039, 2017-040, 2017-041, 2017-044, 2017-045, 2017-046, 2017-047, 2017-048, 2017-049, 2017-050, 2017-051, and 2017-052. 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 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 Audit Findings and Questioned Costs as Findings 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, 2017-014, 2017-015, 2017-016, 2017-018, 2017-024, 2017-025, 2017-026, 2017-027, 2017-029, 2017-030, 2017-031, 2017-033, 2017-034, 2017-035, 2017-037, 2017-038, 2017-042, 2017-043, 2017-044, 2017-045, 2017-046, 2017-048, and 2017-052 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 2017-008, 2017-017, 2017-019, 2017-020, and 2017-021 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 EXPENDIURES 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, 2017, and have issued our report thereon dated November 2, 2017, 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

Pat McCarthy

State Auditor

Olympia, WA

March 23, 2017, except for the Schedule
of Expenditures of Federal Awards, as to
which the date is November 2, 2017

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

State of Washington
July 1, 2016 through June 30, 2017

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 Child Care and Development Fund Cluster (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) 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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
17.225	Unemployment Insurance (UI)
20.319	Highway Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
64.015	Veterans State Nursing Home Care
66.468	Capitalization Grants for Drinking Water State Revolving Fund
	<u>Student Financial Assistance Cluster</u>
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.033	Federal Work-Study Program
84.038	Federal Perkins Load (FPL) – Federal Capital Contributions
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
93.264	Nurse Faculty Loan Program (NFLP)
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS)
93.364	Nursing Student Loans (NSL)
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
	<u>Special Education Cluster (IDEA)</u>
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.266	Health Systems Strengthening and HIV/AIDS Prevention
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.563	Child Support Enforcement
	<u>Child Care and Development Fund Cluster</u>
93.575	Child Care and Development Block Grant
93.596	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

CFDA	PROGRAM
93.767	Children's Health Insurance Program (CHIP)
	Medicaid Cluster
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)
93.959	Block Grants for Prevention and Treatment of Substance Abuse
	Disability Insurance/SSI Cluster
96.001	Social Security – Disability Insurance (DI)
96.006	Supplemental Security Income (SSI)
97.036	Disaster Grants – Public Assistance

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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State of Washington
July 1, 2016 through June 30, 2017

SECTION II – SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding Number	Finding
2017-001	The State should improve internal controls over specific areas of processing, recording, monitoring and reporting of financial activity included in the State's financial statements.

SECTION III – SUMMARY OF FEDERAL AWARD FINDINGS

Finding Number	Finding
2017-002	The Department of Social and Health Services improperly charged about $4.1 million to multiple federal grants.
2017-003	The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.
2017-004	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.
2017-005	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 weekly benefits.
2017-006	The Department of Services for the Blind did not have adequate internal controls over and was not compliant with federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
2017-007	The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.

Finding Number	Finding
2017-008	The Department of Services for the Blind did not have adequate internal controls to ensure cash draws were accurate and federal spending requirements were met for the Vocational Rehabilitation program.
2017-009	The Department of Services for the Blind did not have adequate controls over, and was not compliant with, federal requirements for charging costs to the Vocational Rehabilitation program.
2017-010	The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, reporting requirements for the Vocational Rehabilitation Grant.
2017-011	The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.
2017-012	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
2017-013	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure client eligibility determinations were accurate and made within a reasonable period of time for the Vocational Rehabilitation program.
2017-014	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.
2017-015	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.
2017-016	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
2017-017	The Department of Social and Health Services did not have adequate internal controls over requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.

Finding Number	Finding
2017-018	The Department of Social and Health Services did not establish adequate internal controls over and did not comply with federal requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.
2017-019	The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.
2017-020	The Department of Social and Health Services did not have adequate internal controls in place for ensuring the accuracy of submitted quarterly reports for the Temporary Assistance for Needy Families Grant.
2017-021	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.
2017-022	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors.
2017-023	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.
2017-024	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.
2017-025	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.
2017-026	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.
2017-027	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to identify and detect fraud in the Child Care and Development Fund program.
2017-028	The Department of Social and Health Services improperly charged $1,544 to the federal foster care grant.
2017-029	The Department of Social and Health Services did not have adequate internal controls over and did not comply with payment rate setting and application requirements for the Foster Care program.
2017-030	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.

Finding Number	Finding
2017-031	The Health Care Authority did not perform semi-annual data sharing with health insurers as required by State law.
2017-032	The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.
2017-033	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met.
2017-034	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.
2017-035	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.
2017-036	The Health Care Authority overpaid Medicaid hospitals for outpatient services.
2017-037	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.
2017-038	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children's Health Insurance Program funds.
2017-039	The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.
2017-040	The Health Care Authority made improper Medicaid pharmacy fee-for-service payments for clients enrolled in managed care.
2017-041	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers.
2017-042	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.
2017-043	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.
2017-044	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.

Finding Number	Finding
2017-045	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 Medicaid Community First Choice client support plans were properly approved.
2017-046	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.
2017-047	The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.
2017-048	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 Adult Family Home providers had proper background checks.
2017-049	The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint background checks.
2017-050	The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid individual providers.
2017-051	The Department of Social and Health Services charged payroll costs to the Disability Insurance/SSI Cluster that were not adequately supported.
2017-052	The Washington Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.

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State of Washington
July 1, 2016 through June 30, 2017

SECTION IV – SUMMARY OF FEDERAL AWARD QUESTIONED COSTS

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Agriculture	Department of Social and Health Services	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	$2,515,277	$0	2017-002 2017-004
U.S. Department of Agriculture	Department of Social and Health Services	10.580	Supplemental Nutrition Assistance Program, Outreach/ Participation Program	Undetermined	Undetermined	2017-004
U.S. Department of Agriculture	Department of Social and Health Services	10.596	Pilot Projects to Promote Work and Increase State Accountability in SNAP	Undetermined	Undetermined	2017-004
U.S. Department of Housing and Urban Development	Department of Social and Health Services	14.008	Transformation Initiative: Choice Neighborhoods Demonstration Small Research Grant Program	Undetermined	Undetermined	2017-004
U.S. Department of Justice	Department of Social and Health Services	16.540	Juvenile Justice and Delinquency Prevention Allocation to States	Undetermined	Undetermined	2017-004
U.S. Department of Justice	Department of Social and Health Services	16.593	Residential Substance Abuse Treatment for State Prisoners	Undetermined	Undetermined	2017-004

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Justice	Department of Social and Health Services	16.727	Enforcing Underage Drinking Laws Program	Undetermined	Undetermined	2017-004
U.S. Department of Justice	Department of Social and Health Services	16.827	Justice Reinvestment Initiative	Undetermined	Undetermined	2017-004
U.S. Department of Labor	Department of Social and Health Services	17.235	Senior Community Service Employment Program	Undetermined	Undetermined	2017-004
U.S. Department of Education	Department of Services for the Blind	84.126	Vocational Rehabilitation Grants to States	$2,479,527	$0	2017-009
U.S. Department of Education	Department of Social and Health Services	84.126	Vocational Rehabilitation Grants to States	$97,869	$4,428,499	2017-004 2017-014 2017-015
U.S. Department of Health and Human Services	Department of Social and Health Services	93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.052	National Family Caregiver Support, Title III, Part E	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.072	Lifespan Respite Care Program	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.090	Guardianship Assistance	Undetermined	Undetermined	2017-004

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Health and Human Services	Department of Social and Health Services	93.150	Projects for Assistance in Transition from Homelessness (PATH)	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.517	Affordable Care Act – Aging and Disability Resource Center	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.558	Temporary Assistance for Needy Families (TANF)	$1,508,473	$6,242,250	2017-002 2017-004 2017-017 2017-018
U.S. Department of Health and Human Services	Department of Social and Health Services	93.563	Child Support Enforcement	$29,194	$0	2017-004 2017-023
U.S. Department of Health and Human Services	Department of Social and Health Services	93.564	Child Support Enforcement Research	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.566	Refugee and Entrant Assistance	$41,447	$0	2017-002 2017-004
U.S. Department of Health and Human Services	Department of Early Learning	93.575 93.596	Child Care and Development Fund Cluster	$10,669	$43,926,590	2017-024 2017-025
U.S. Department of Health and Human Services	Department of Social and Health Services	93.575 93.596	Child Care and Development Fund Cluster	$7,386	$4,902,586	2017-004 2017-026

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Health and Human Services	Department of Social and Health Services	93.584	Refugee and Entrant Assistance Targeted Assistance Grants	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.597	Grants to States for Access and Visitation Programs	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.599	Chafee Education and Training Vouchers Program (ETV)	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.609	The Affordable Care Act – Medicaid Adult Quality Grants	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.628	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	Undetermined	Undetermined	2017-004
US. Department of Health and Human Services	Department of Social and Health Services	93.643	Children's Justice Grants to States	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.658	Foster Care Assistance – Title IV-E	$1,837	$214,819	2017-004 2017-028 2017-029
U.S. Department of Health and Human Services	Department of Social and Health Services	93.659	Adoption Assistance	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.667	Social Services Block Grant	Undetermined	Undetermined	2017-004

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Health and Human Services	Department of Social and Health Services	93.669	Child Abuse and Neglect State Grants	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.674	Chafee Foster Care Independence Program	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Service	Department of Social and Health Services	93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.767	Children's Health Insurance Program	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Service	Health Care Authority	93.775 93.777 93.778	Medicaid Cluster	$32,395,132	$45,284,386	2017-032 2017-035 2017-036 2017-038 2017-039 2017-040 2017-041
U.S. Department of Health and Human Services	Department of Social and Health Services	93.775 93.777 93.778	Medicaid Cluster	$3,441,270	$115,486,672	2017-004 2017-044 2017-045 2017-046 2017-047 2017-048 2017-049 2017-050

Federal Grantor	State Agency	CFDA Number	Federal Program	Known Questioned Costs	Likely Improper Payments	Finding Number(s)
U.S. Department of Health and Human Services	Department of Social and Health Services	93.791	Money Follows the Person Rebalancing Demonstration	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.958	Block Grants of Community Mental Health Services	Undetermined	Undetermined	2017-004
U.S. Department of Health and Human Services	Department of Social and Health Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Undermined	Undetermined	2017-004
U.S. Social Security Administration	Department of Social and Health Services	96.001 96.006	Social Security Disability Insurance	$557,743	$0	2017-004 2017-051
			Total	**$43,085,854**	**$220,485,802**	

State of Washington
July 1, 2016 through June 30, 2017

Financial Findings Reported Under Government Auditing Standards

2017-001 The State should improve internal controls over specific areas of processing, recording, monitoring and reporting of financial activity included in the State's financial statements.

Background

State management is responsible for designing and following 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, requires the auditor to communicate material weaknesses, as defined below in the Applicable Laws and Regulations section, as a finding.

Employment Security Department (ESD)

The Employment Security Department (ESD) administers Washington's unemployment insurance program. ESD implemented the Next Generation Tax System (NGTS) in March 2014 to process employer wage reports and payments.

During the past two audits, we issued a finding related to NGTS's processing of employer wage reports and payments. NGTS processed about $1 billion in Unemployment Insurance Premium payments during fiscal year 2017.

Health Care Authority (HCA)

The Health Care Authority (HCA) contracted with a vendor, which uses a system known as ProviderOne, to process payments for Medicaid. During the previous four audits, we identified and communicated deficiencies in controls over the ProviderOne system. For fiscal year 2017, ProviderOne processed about 94 million transactions totaling $11.2 billion.

State Board of Community and Technical Colleges (SBCTC)

The Washington State Board for Community and Technical Colleges (SBCTC) advocates for, coordinates and directs Washington's system of 34 public community and technical colleges. One of SBCTC's responsibilities is to collect community and technical college financial data for reporting in the State's Agency Financial Reporting System (AFRS).

Department of Licensing (DOL)

The Department of Licensing (DOL) administers the State's Prorate and Fuel Tax Program. This program provides services related to fuel tax and commercial motor carriers including fuel tax collection, refunds, investigation of illegal fuel imports, licensing and registration for the International Registration Plan. For fiscal year 2017, the state reported fuel tax revenues of about $1.7 billion.

Office of Financial Management (OFM)

The Office of Financial Management (OFM) is responsible for preparing the state's basic financial statements in accordance with Generally Accepted Accounting Principles (GAAP). These statements provide a thorough and detailed presentation of the state's overall financial condition.

OFM is responsible for the overall coordination of financial data across the state used to prepare these statements. At year-end, OFM is also responsible for ensuring the accuracy of the financial information presented in the statements.

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:

ESD

The following deficiencies were identified in the fiscal year 2016 audit. Follow-up procedures with ESD staff indicate that these deficiencies still existed during fiscal year 2017.

<u>System processing</u>

- Adjustments can be entered and processed in NGTS without review and approval of a second person.
- Detail Benefit Charges within NGTS do not consistently match the Summary Benefit Charges.

<u>System report issues</u>

- Employer Unemployment Insurance Premium payments and tax and wage reports did not consistently post 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 did 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 were not adequate 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, but due to a variety of system errors, the bank and NGTS are often out of balance.

HCA

During the previous four audits, we identified and communicated deficiencies in controls over the ProviderOne system. HCA has made improvements, including obtaining a service organization control audit report (also called SSAE 16) for six months of the prior fiscal year; however, HCA did not obtain this report for fiscal year 2017. This report is essential because it determines whether controls are properly designed and operating as intended in the processing and recording of Medicaid payments.

SBCTC

SBCTC implemented a new computer system to replace the existing legacy software with modern technology. Two colleges converted to the new PeopleSoft system in 2015.

At the time of the audit, these Colleges had not closed their financial records for fiscal year end 2016. As a result, beginning balances for balance sheet accounts related to these Colleges were omitted from the State's financial statements.

No adjustments were created to ensure the State's financial statements were accurate and agreed to supporting financial documentation at the College level.

Due to time restrictions, SBCTC was unable to perform a reconciliation between amounts in AFRS and their system's information.

GET

The legislative change to the GET program resulted in complicated and unique accounting of the program's activities. The Office of Financial Management (OFM) and GET program staff did not ensure program activities were correctly recorded in the State's general ledger accounting system and financial statements.

DOL

DOL accounting staff detected an error in reported revenue within the Prorate and Fuel Tax Program. A journal voucher was posted to correct reported fuel tax revenues. However, the voucher was not completed correctly, resulting in misclassified revenue.

OFM

To prepare the state's financial statements OFM makes a number of year-end adjustments. Many of the required adjustments are not posted to the state's accounting system, but are manually entered into the financial statements. Several year-end adjustments were not posted correctly.

Cause of Condition

ESD

This is the third year that ESD has used NGTS. Before implementing the system, ESD 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 increases the likelihood that system errors will not be detected and corrected promptly.

HCA

HCA and its vendor did not adequately outline in their original contract the responsibilities, controls and requirements for monitoring the ProviderOne system. Specifically, the contract did not require the vendor to obtain an SSAE 16 report. At the time of the contract, HCA did not have complete knowledge of the extent of its monitoring responsibilities for ProviderOne.

SBCTC

SBCTC does not have adequate staffing resources or time to completely reconcile all the Community College system's balances to AFRS. SBCTC has not performed a year-end reconciliation between balances reported by the Community and Technical Colleges and balances reported in AFRS.

SBCTC has chosen not to reconcile any information to AFRS or to make adjustments to agree information to AFRS until records kept in PeopleSoft are accurate. Due to the current software conversion implementation plan, underlying data for fiscal year 2016 is still being reconciled for accuracy in PeopleSoft and does not agree to AFRS.

GET

GET program staff did not perform adequate accounting research before recording negative revenues into AFRS. OFM did not adequately monitor the unique GET program activities to ensure correct reporting in AFRS and on the financial statements.

DOL

Although DOL accounting staff reviewed and approved the journal voucher, the error was not detected. OFM staff detected the unusual transaction as part of its routine monitoring procedures; however, it did not perform follow-up procedures to verify that the error was corrected.

OFM

OFM has consistently produced one of the fastest statewide financial reports in the nation. As a result of this goal, OFM has a short turnaround time for the final review over the financial statements, notes, and schedules.

The State's financial statements are complex, and reviewing year-end adjustments requires a significant amount of time. The State did not dedicate enough review time over year-end adjustments.

Effect of Condition

During our testing, we identified the following misstatements:

ESD

- Testing of 89 employer receivable balances found 17 instances in which the employer paid amount recorded in NGTS varied from what was recognized as receivable at year-end, resulting in a misstatement of $775,924.
- We sampled 59 experienced-rated employers with delinquent accounts to determine if NGTS assessed the correct tax rate. We found that 11 (19%) of these employers were not actually delinquent and were improperly assessed at a higher rate. For these 11 employers the errors resulted in overstated unemployment insurance revenues of $995,710. When projected into the population of all employers with delinquent accounts, the likely overstatement would be $ 7.5 million.

HCA

- The failure to ensure that the vendor received an internal control audit for the ProviderOne system could lead to:
  - Inaccurate financial reporting in the state's General Fund
  - Misuse, loss or misappropriation, inaccurate payments, and unauthorized software changes to the ProviderOne system

SBCTC

- SBCTC has not performed a year-end reconciliation of College data to AFRS. Several unreconciled differences are as follows:
  - Revenues for "Education – higher education – Charges for services" have an unreconciled difference of $110.7 million
  - Higher Education Special Revenue fund "Education expenses" have an unreconciled difference of $13.8 million

  - Expenses for “Education – higher education” have an unreconciled difference of $89.9 million
  - Revenues for “Education – higher education - Operating Grants and Contributions” have an unreconciled difference of $53.5 million
  - Higher Education Special Revenue fund revenues for “Federal grants – in aid” have an unreconciled difference of $56.1 million
  - Higher Education Special Revenue fund revenues for “Charges for services” have an unreconciled difference of $1.4 million.
- Cash was underreported at the two Colleges by $72.8 million and $29.6 million.
- The SBCTC’s amounts for Capital Assets are not reconcilable to the State’s AFRS system. Capital assets reported by SBCTC are negative $2.04 million and negative $2.03 million. The College’s records report capital assets of $97.2 million and $156.7 million

These errors were not corrected on the financial statements.

GET

- Refunds to program participants were accounted for as a reduction to revenues, which resulted in negative revenues of $124 million in the charges for services balance in AFRS. Rather than a negative revenue, this should have been accounted for as an expense. This error was corrected on the financial statements.

DOL

- Fuel tax revenue was overstated and licenses, permits and fees revenue was understated, each by $146 million. This error was corrected on the financial statements.

OFM

- Local Government Investment Pool cash and cash equivalents were overstated and investments: liquidity was understated, each by $2.97 billion.
- Operating transfers in and operating transfers out were both overstated, each by $320 million.
- Restricted cash and investments were overstated and cash and cash equivalents were understated, each by $69 million.
- These errors were corrected on the financial statements

Recommendations

We recommend the following:

NGTS

- Establish internal controls to ensure 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

HCA

- Work with its vendor to obtain, each year, a service organization control audit report that covers an entire fiscal year

SBCTC

- Perform a timely reconciliation of recorded amounts in AFRS to the SBCTC's data at year-end.
- Work with its PeopleSoft vendor and the Colleges to ensure complete data from PeopleSoft is included at year's end for the State's financial reporting

GET

- Work with OFM to ensure adequate research is performed to ensure the correct accounting of unique transactions

DOL

- DOL and OFM staff perform more effective monitoring, including an analytical review at year's end to detect and correct accounting errors and to follow up on errors to ensure they are properly addressed when identified

OFM

- OFM dedicate more resources and time towards review of year-end adjustments to ensure the accuracy and completeness of the basic financial statements.

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 Employment Security Department, Department of Licensing, Health Care Authority, State Board of Community and Technical Colleges, and the Washington Student Achievement Council to improve their internal controls over the processing and reporting of financial activities.

OFM will review and strengthen its process for identifying and adjusting entries that are material to the state's 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.

.A11 Indicators of material weaknesses in internal control include:

- Identification of fraud, whether or not material, on the part of senior management. For the purpose of this indicator, the term "senior management" includes the principal executive and financial officers as well as any other members of senior management who play a significant role in the entity's financial reporting process;
- Restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error;
- Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control; and
- Ineffective oversight of the entity's financial reporting and internal control 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

2017-002 The Department of Social and Health Services improperly charged about $4.1 million to multiple federal grants.

Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	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 (TANF)
	93.566	Refugee and Entrant Assistance – State-Administered Programs
Federal Award Number:	201616S806947, 2015IS251447, 201616S251447, 201717S251447, 201717Q750347, 201616S251947 201717S251947, 201616Q750347, 201616S252047 201717S252047, 201616S803647, 201717S803647 201717S802647, 2015IQ390347, 201616Q390347 201717Q390347, 1601WATANF, 1701WATANF, 1601WARCMA, 1601WARSOC, 1701WARCMA 1701WARSOC	
Applicable Compliance Component:	Period of Performance	
Known Questioned Cost Amount:	$4,061,653	

Background

The Department of Social and Health Services (Department) administers multiple federal grant programs and spent about $5.2 billion in federal grant funds during fiscal year 2017. 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 performance period during which program costs may be obligated. These periods typically align with the federal fiscal year of October 1 through September 30. Payments for costs obligated before a grant's beginning date are not allowed without the grantor's prior approval.

The Department uses a financial system that is heavily automated and assigns expenditures to a specific grant year. In the prior three audits, we found that the Department improperly charged multiple federal grants before their effective dates. These were reported as finding numbers 2016-002, 2015-003 and 2014-022. In those audits, we determined the improper charges were for centralized costs that are allocated throughout the Department.

During fiscal year 2017, the Department implemented a new manual process to identify and move unallowable charges to the proper grant.

Description of Condition

We found the Department identified and reversed $17.6 million in improper charges to the 2017 grants. However, we also found almost $4.1 million in expenditures were charged to grants for activities that occurred before the grants were open. The grant programs and amounts improperly charged were:

- Temporary Assistance for Needy Families: $1,504,929
- Supplemental Nutrition Assistance Program Cluster: $2,515,277
- Refugee and Entrant Assistance: $41,447

The Department did not have prior authorization from the grantor to charge pre-award costs to these grants.

Cause of Condition

The Department said it did not fully correct this problem because of limitations in its automated systems. Additionally, while the Department made changes to its procedures that helped correct the problem, these changes were not sufficient to ensure all improper charges were identified and reversed.

Effect of Condition and Questioned Costs

We are questioning improperly charged expenditures of $4,061,653 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 supports its expenditures. When an agency does not comply with grant regulations, the grantor may require it to repay unallowable charges.

Recommendations

We recommend the Department only charge expenditures to federal grants if they are obligated during the period of performance. We also recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Department concurs with this finding.

The Department will utilize the journal voucher process to correct the remaining $4.1 million by moving the expenditures to the proper grant year.

The Department implemented a mandatory process for Economic Services Administration staff to include the Month of Service (MOS) on the Agency and Financial Reporting System (AFRS) *transactions. The Department utilizes the MOS to perform a monthly review of AFRS transactions to identify unallowable charges and move them via the journal voucher process to the proper grant year. For FY17, the Department identified almost $21.7 million in expenditures that were charged to grants for activities that occurred before the grants were open. At the time of this audit, the Department had already reversed $17.6 million of the improper charges. However, due to the time-consuming, manual process and competing priorities, $4.1 million in charges remained.*

In addition to the aforementioned processes, the Department implemented a procedure for FFY18 to aid in the automatic charging of costs to the appropriate grant year through cost allocation by changing when the automated cost allocation plan is updated for the applicable federal fiscal year. This process assists with ensuring transactions outside ESA's control, such as Payroll and Benefits and other Administrations' transactions, are applied to the appropriate grant year.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 sample 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 findings, 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.

Title 2 U.S. Code of Federal Regulations section 200.309 Period of performance, states:

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI Compliance Supplement, states in part:

H. Period of Performance

Compliance Requirements

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award (2 CFR section 200.343(b)). When used in connection with a non-Federal entity's utilization of funds under a Federal award, "obligations" means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 CFR section 200.71).

2017-003 The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.

Federal Awarding Agency:	U.S. Department of Agriculture	
Pass-Through Entity:	None	
CFDA Number and Title:	10.557	Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC)
Federal Award Number:	7WA700WA1; 7WA700WA7	
Applicable Compliance Component:	Subrecipient Monitoring	
Known Questioned Cost Amount:	None	

Background

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). WIC reaches more than 294,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants 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 performs fiscal monitoring at each of these entities once every two years. The Department spent about $131 million in federal grant funds during fiscal year 2017, and it passed through about $37 million to local WIC agencies as subrecipients of grant funds.

To determine the appropriate level of monitoring, federal regulations require the Department to evaluate each subrecipient's risk of noncompliance with federal statutes and regulations, and the terms and conditions of the subaward. The Department must perform a risk assessment every time it issues a new subaward.

Description of Condition

The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.

During the audit period, the Department issued 37 new subawards, all of which were to existing WIC agencies. The Department had documentation showing it performed risk assessments for seven subrecipients identified as high or moderate-risk during their previous assessment. The other 30 subawards went to subrecipients with low-risk assessments from previous awards. The Department said it conducted informal risk assessments based on the results of its ongoing monitoring of these subrecipients. Because of a lack of supporting documentation, we were unable to determine if any risk assessments were performed for these 30 subrecipients.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

Cause of Condition

Management said the reason risk assessments were not documented in all cases was that informal risk assessments were performed by staff and the Department's procedures did not require staff to document those activities.

While the Department had written procedures in place, they did not explicitly require staff to conduct risk assessments for all new subawards. The procedures state staff are to consider filling out a new risk assessment if the subrecipient's risk has changed, before issuing a subaward to an existing subrecipient. The procedures did not specify what information was to be included in this consideration and did not require the staff member to document their assessments.

During the audit period, the program was in the process of a reorganization that included the staff responsible for performing risk assessments. Management said that during the reorganization, the roles were shifting and no one owned the risk assessment process. Both Department management and staff said they performed the required risk assessments, but were unable to provide documentation for us to verify they took place.

Effect of Condition

If risk assessments are not performed, the Department increases its risk of not detecting whether local WIC agencies are at a higher risk of not complying with grant terms and federal regulations. Without documenting its risk assessment activities, Department management cannot as effectively monitor if staff perform the assessments in compliance with federal regulations and agency policy.

Recommendations

We recommend the Department establish adequate internal controls to ensure required risk assessments are performed. Examples include:

- Maintain documentation to show required risk assessments were performed, which would allow management to monitor the results

- Amend its internal policies to clearly require staff to conduct risk assessments for all new subawards and provide examples of factors that should be considered by staff when they perform assessments

Agency's Response

We appreciate the State Auditor's Office (SAO) audit of our WIC program. Our Agency is committed to ensuring our programs comply with federal regulations, and understand it is SAO's point of view documentation must be maintained in order to verify the Agency's compliance. We will work with the necessary parties to develop a system for documenting risk assessments of subrecipients which not only meet audit standards, but provides benefit to the agency.

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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

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 200.516 Audit findings, 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.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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.

Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 – Frequently Asked Questions (updated July 2017)

.331-10 Requirements for Pass-Through Entities. Timing of Subrecipient Risk Assessments, states in part:

Section §200.331 (b) indicates that pass-through entities must "evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring…" Are pass-through entities required to assess the risk of non-compliance for each applicant prior to issuing a subaward?

No. While section §200.331 (b) requires risk assessments of subrecipients, there is no requirement for pass-through entities to perform these assessments before making subawards. Under the Uniform Guidance, the purpose of these risk assessments is for pass-through entities to determine appropriate subrecipient monitoring. Pass-through entities may use judgment regarding the most appropriate timing for the assessments. Regardless of the timing chosen, the pass-through entity should document its procedures for assessing risk. Section §200.331 (b) (1) – (4) includes factors that a pass-through entity may consider when assessing subrecipient risk.

2017-004 **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 Agency:	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 U.S. Social Security Administration
Pass-Through Entity:	None
CFDA Number and Title:	Numerous, see list at end of finding
Federal Award Number:	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 promptly, 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 2015 plan in March 2017 and the fiscal year 2016 plan in August 2017.

In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements. The prior finding number was 2016-004.

Description of Condition

The Department did not submit a cost allocation plan for fiscal year 2017 by July 1, 2016, as federal law required. We followed up with the Department and determined it submitted the fiscal year 2017 plan on April 28, 2017.

We consider this control deficiency to be a material weakness.

Cause of Condition

The Department said that in fiscal year 2014, a HHS employee verbally requested that 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 that agency.

The Branch Chief for HHS told us the agency does not have the authority to grant exceptions to the regulations requiring the plans to be submitted. The Department became aware of this in the middle of the fiscal year and was not able to finalize and submit the public assistance cost allocation plan until April 2017.

Effect of Condition and Questioned Costs

About $1.1 billion in costs are distributed to federal and state programs using the public assistance cost allocation plan. We determined at least $544 million of that amount was 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 promptly. 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.

Last year, 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.

After last year's finding, 2016-004, the Department received written directions from DCA and ensured, prior to July 1, 2017, that all outstanding plans, up through FY18 would be submitted to DCA. Per the 2016-004 corrective action plan, the Centers for Medicare and Medicaid Services' (CMS), Region 10, Division of Cost Allocation (DCA) would be in possession of the Department's cost allocation plans by July 1, 2017. The plans were received by DCA on the following dates:

- *FY16 cost allocation plan on February 28, 2017*
- *FY17 cost allocation plan on April 28, 2017*
- *FY18 cost allocation plan on June 30, 2017.*

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) establishes the following applicable requirements:

> Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:
>
> 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 sample 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 findings, 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) 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.
   (4) 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.
   (5) 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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.
> >
> > **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 95.511 Approval of the cost allocation plan or plan amendment.

(a) The Director, DCA, after consulting with the affected Operating Divisions, shall notify the State in writing of his/her findings. This notification will be made within 60 days after receipt of the proposed plan or amendment and shall either: (1) Advise the State that the plan or plan amendment is approved or disapproved, (2) advise the State of the changes required to make the plan or amendment acceptable, or (3) request the State to provide additional information needed to evaluate the proposed plan or amendment. If the DCA cannot make a determination within the 60-day period, it shall so advise the State.

(b) For purpose of this subpart, State agency cost allocation plans which have been approved by an authorized official of the Department of HHS prior to the effective date of this regulation are considered approved until such time as a new plan or plan amendment is required by §95.509(a).

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.

(a) (1) If the issue affects the program(s) of only one Operating Division and does not affect the programs of other Operating Divisions or Federal departments, that Operating Division will determine the amount of the disallowance and will also inform the State of its opportunity for reconsideration of the determination in accordance with the Operating Division's procedures. Prior to issuing the notification, however, the Operating Division shall consult with the DCA to ensure that the issue does not affect the programs of other Operating Divisions or Federal departments.

(2) If the State wishes to request a reconsideration of the Operating Division's determination, it must submit the request in accordance with the Operating Division's procedures.

(b) If the issue affects the programs of more than one Operating Division, or Federal department or the State, the Director, DCA, after consulting with the Operating Divisions, shall determine the amount inappropriately claimed under each program. The Director, DCA will notify the State of this determination, of the dollar affect of the determination on the claims made under each program, and will inform the State of its opportunity for appeal of the determination under 45 CFR part 16. The State will subsequently be notified by the appropriate Operating Division as to the disposition of the funds in question.

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
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.564	Child Support Enforcement Research
93.566	Refugee and Entrant Assistance State Administered Programs
93.584	Refugee and Entrant Assistance Targeted Assistance Grants
93.597	Grants to States for Access and Visitation Programs
93.628	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees
93.643	Children's Justice Grants to States
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
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program
10.596	Pilot Projects to Promote Work and Increase State Accountability in SNAP
14.008	Transformation Initiative: Choice Neighborhoods Demonstration Small Research Grant Program
16.540	Juvenile Justice and Delinquency Prevention Allocation to States
16.593	Residential Substance Abuse Treatment for State Prisoners
16.827	Justice Reinvestment 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
93.072	Lifespan Respite Care Program
93.090	Guardianship Assistance
93.150	Projects for Assistance in Transition from Homelessness (PATH)
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.517	Affordable Care Act – Aging and Disability Resource Center

93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.599	Chafee Education and Training Vouchers Program (ETV)
93.609	The Affordable Care Act – Medicaid Adult Quality Grants
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes
93.674	Chafee Foster Care Independence Program
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)
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, 2012JFFX0017, 2013MUFX0046, 2013RTBX0022, 2014RTBX0051, 2015IE320321, 2015IQ390347, 2015IS251447, 2015RTBX0016, 201616Q390347, 201616Q750347, 201616S251447, 201616S251947, 201616S252047, 201616S603121, 201616S803647, 2016RTBX0049, 2016ZBBX0013, 201717Q390347, 201717Q750347, 201717S251447, 201717S251947, 201717S252047, 201717S802647, 201717S803647, 2-14AAWAT3FC, 2-14AAWAT3SS, 2-15AAWAT3FC, 2-15AAWAT3SS, 2-16AAWAT3FC, 2-16AAWAT3SS, 2-17AAWAT3FC, 2-17AAWAT3SS, 2-90CS006201, 2-90JI001001, 2-90LI001701, 2-90LI001702, 2-90LI001703, 2-90LRLI000601, 2-90NWPG003001, 2-90RO003002, 2-90RO003003, 2-90RO003004, 4-1404WADI00, 4-1504WADI00, 4-1604WADI00, 4-1704WADI00, 5-1065WA5MAP, 5-1505WA5001, 5-1605WA5000, 5-1605WA5001, 5-1605WA5021, 5-1605WA5ADM, 5-1705WA0301, 5-1705WA5000, 5-1705WA5001, 5-1705WA5ADM, 5-1705WA5MAP, 5-1I1331234A, 5-AMQG131118, 5-MFP300141A, C-11TI23477A, C-12SM61237A, C-12TI24265A, C-13SP20155A, C-13TI25342A, C-14C1WACMHS, C-14SM61705A, C-14TI25570A, C-15B1WASAPT, C-15C1WACMHS, C-15SM16048A, C-15TI26138A, C-15TI2995A, C-16B1WASAPT, C-16C1WACMHS, C-16SM16048A, C-16SP22135A, C-U9SM57468A, E-H126A150071, E-H126A160071, E-H126A170071, G-1061WASOSR, G-1401WASAVP, G-1501WACETV, G-1501WACILP, G-1501WACJA1, G-1501WAFVPS, G-1501WASAVP, G-15TAWARTAG, G-1601WAADPT, G-1601WACA01, G-1601WACETV, G-1601WACILP, G-1601WACJA1, G-1601WAFOST, G-1601WAFVPS, G-1601WAGARD, G-1601WARCMA, G-1601WARSOC, G-1601WASAVP, G-1601WATANF, G-1601WATANF, G-1604WACEST, G-1604WACSES, G-16TAWARTAG, G-1701WAADPT, G-1701WACA01, G-1701WACILP, G-1701WAFOST, G-1701WAGARD, G-1701WARCMA, G-1701WARSOC, G-1701WASOSR, G-1701WATANF, G-1701WATANF, G-1704WACEST, G-1704WACSES, G-90FD019402, G-90FD019403, G-90FD019802, G-90FD019803, H-12645RG, T-AD287994S0, T-AD304399K0

2017-005 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 weekly benefits.

Federal Awarding Agency:	U.S. Department of Labor
Pass-Through Entity:	None
CFDA Number and Title:	17.225 Unemployment Insurance
Federal Award Number:	UI-29874-17-55-A-53, UI30252-17-60-A-53, UI-28010-16-55-A-53, UI-28165-16-60-A-53, UI-26568-15-55-A-53, UI-27138-15-55-A-53, UI-27935-15-55-A-53, UI-26427-14-55-A-53
Applicable Compliance Component:	Eligibility
Known Questioned Cost Amount:	None

Background

The Employment Security Department (Department) administers the Unemployment Insurance (UI) program that provides benefits to workers during periods of involuntary unemployment. The federal government and employers in Washington primarily fund the program.

To be eligible to receive UI benefits, a claimant must:

- Have worked 680 hours in the base year
- Have an allowable reason for being unemployed
- Be able and available for work

A claimant must also meet continued eligibility requirements to receive weekly benefit payments. Claimants must contact the Department weekly and report that they are still unemployed, any wages earned and if they completed the required minimum of three job searches that week.

Claimants must keep a weekly job search log that documents what jobs they applied for, the date of contact and how the contact was made. The Department is responsible for monitoring weekly job search activities of claimants. To meet this requirement, the Department randomly selects claimants and requires them to submit their job search logs for a specific week. Staff then review the logs to ensure they contain all required information and appear to meet the job search requirements.

Department policy states that 10 percent of claimants selected to submit logs for the week will also be selected for a verification of their job search activity. Automated systems select the logs for verification, then the job search review is performed. Once a claimant indicates in the system that a job search review has been completed, that information is automatically forwarded for verification. Department staff contact employers listed on the job search log to verify the claimant inquired with their company about employment. This is a key step to ensure that claimants are meeting continued eligibility requirements and meeting job search requirements.

In January 2017, the Department implemented a new benefit payment system, Unemployment Tax and Benefit (UTAB). This system allows staff to perform and document the job search review and the job search verification processes. The Department performed 10,197 job search log reviews in fiscal year 2017. To ensure it met the 10 percent job search verification policy, the Department selected 1,045 job logs for verification. Of these, 414 were documented in the Department's old system and 631 were documented in UTAB.

In fiscal year 2017, the Department paid about $1.1 billion in grant funds, with over $1 billion paid for benefits to workers.

Description of Condition

The Department did not have adequate internal controls in place to ensure verifications were performed and adequately documented, and that the weekly job search verification process was effectively designed.

We used a statistical sampling method to randomly select and examine 44 job search verifications. We selected 17 from the Department's old system and 27 from UTAB and found:

- Five instances (11 percent) when a verification was not performed because the UTAB system did not identify them as ready for verification
- One instance (2 percent) when the work search review process could not be completed because the claimant submitted the wrong weekly log. The Department did not detect this error and accepted the job search log during review, and no issue was set.
- One instance (2 percent) when UTAB contained inadequate documentation to support how the reviewer contacted the employers and why the Department considered the contacts unverifiable.

We further analyzed the 631 job search verifications documented in UTAB and found 116 pulled for verification were not marked in the system as having a completed job search review. This caused the cases to not be forwarded for the job search verification process. We determined the Department only verified at most 929 (91 percent) of the required 1,019 job search verifications. Because of limitations in UTAB, the Department was not able to determine how many cases were marked as complete but not moved forward for verification. Because this error affected three of the 27 (11 percent) cases we examined that were documented in UTAB, we estimate 56 additional cases were not properly verified.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

Cause of Condition

Design flaws in the UTAB system resulted in cases selected for the job search verification process not being forwarded for verification. Additionally, management did not effectively monitor or review the work of Department staff to ensure the verification process was performed and adequately documented. Management also did not effectively monitor that at least 10 percent of job search reviews were verified, instead relying on the system.

Effect of Condition

By not adequately performing the weekly work search verification process, the Department increases its risk of providing benefits to ineligible claimants and not detecting improper payments.

Recommendations

We recommend the Department:

- Address the system errors that were detected during the audit and continue to analyze system data to detect additional internal control weaknesses
- Monitor to ensure all selected work search verifications are complete and that staff adequately document their reviews

Agency's Response

The Department concurs with the finding. The Department has corrected the design flaws in UTAB that were identified by the audit. The Department has established new monitoring procedures to help ensure all work search verifications are completed and staff have adequately documented their reviews.

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) establishes the following applicable requirements:

> Section 200.303 Internal controls, states in part:
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>
> (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 200.516 Audit findings, 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, 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.

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.

The Social Security Act, Section 303 [42 U.S.C. 503(a)], states in part:

> The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act, includes provision for—
>
> (12) A requirement that, as a condition of eligibility for regular compensation for any week, a claimant must be able to work, available to work, and actively seeking work.

Revised Code of Washington 50.20.240 Job search monitoring, states:

> (1) (a) To ensure that following the initial application for benefits, an individual is actively engaged in work, the employment security department shall implement a job search monitoring program. Effective January 4, 2004, the department shall contract with employment security agencies in other states to ensure that individuals residing in those states and receiving benefits under this title are actively engaged in searching for work in accordance with the requirements of this section. The department may use interactive voice technology and other electronic means to ensure that individuals are subject to comparable job search monitoring, regardless of whether they reside in Washington or elsewhere.
>
> (b) Except for those individuals with employer attachment or union referral, individuals who qualify for unemployment compensation under *RCW 50.20.050 (1)(b)(iv) or (2)(b)(iv), as applicable, and individuals in commissioner-approved training, an individual who has received five or more weeks of benefits under this title, regardless of whether the individual resides in Washington or elsewhere, must provide evidence of seeking work, as directed by the commissioner or the commissioner's agents, for each week beyond five in which a claim is filed. With regard to claims with an effective date before January 4, 2004, the evidence must demonstrate contacts with at least three employers per week or documented in-person job search activity at the local reemployment center. With regard to claims with an effective date on or after January 4, 2004, the evidence must demonstrate contacts with at least three employers per week or documented in-person job search activities at the local reemployment center at least three times per week.
>
> (c) In developing the requirements for the job search monitoring program, the commissioner or the commissioner's agents shall utilize an existing advisory committee having equal representation of employers and workers.
>
> (2) Effective January 4, 2004, an individual who fails to comply fully with the requirements for actively seeking work under RCW 50.20.010 shall lose all benefits for all weeks during which the individual was not in compliance, and the individual shall be liable for repayment of all such benefits under RCW 50.20.190.

Washington Administrative Code 192-180-020, states:

> Monitoring job search activities – RCW 50.20.240
>
> (1) Will my job search activities be monitored: Every week that you file a claim for benefits, you must certify whether you met the job search requirements. The department may review your job search activities at any time. Once you have been paid benefits for five or more weeks in any benefit year, you must provide the department with a copy of your job search log upon request.
>
> (2) Will the department verify the information on my job search log? Employer contacts and other job search activities on your log may be verified by the department.

The Unemployment Insurance Resource Manual, section 5815 – Job Search Review, states in part:

> Ten percent of the claimants selected for the JSR interview are also selected for verification of their job search activities.

2017-006 The Department of Services for the Blind did not have 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:	H126A150072, H126A1600072, H126A170072	
Applicable Compliance Component:	Special Tests and Provisions – Completion of Individual Plans for Employment	
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 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.

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.

In the prior audit, we reported the Department did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients. The prior audit finding number was 2016-010.

Description of Condition

We found the Department did not implement adequate internal controls to ensure it completed IPE development within 90 days as required. The Department provided us with reports from its case management system showing 277 clients entered into an IPE during the audit period. We used a non-statistical sampling method and randomly sampled 25 of these clients to determine if they entered into the IPE within 90 days or, if not, whether the Department and the client agreed to an extension with a specific date. In eight cases, we found the Department did not enter into the IPE within the 90-day limit and did not obtain the client's agreement to an extension. This resulted in a noncompliance rate of 32 percent.

To more precisely determine the rate of noncompliance, we separately tested cases in which the IPE took more than 90 days to complete. Reports from the Department's case management system showed 83 applicants did not receive their IPE within 90 days. We used a non-statistical sampling method and randomly selected 14 of the late determinations for examination. In 13 cases, the Department's internal controls failed (93 percent), resulting in the IPE development exceeding 90 days without client agreement. In these cases, the IPEs were completed between one and 306 days after the 90-day limit.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

There is not an adequate review process to ensure the cases identified in the monthly reports are addressed and adequately documented by staff. The program's procedure manual does not contain any guidance on how the monthly reports should be addressed or how a review process to ensure completion is supposed to be performed.

Effect of Condition

Because it has not implemented adequate internal controls, the Department is not always making timely IPE determinations in accordance with federal law. By extrapolating our identified error rate on overdue IPEs (92.9 percent) to the total overdue population of 83 clients, we estimate 77 client cases were noncompliant with federal requirements during the audit period.

This condition may lead to a delay in clients receiving services and puts the Department at risk the federal grantor will withhold grant funds.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure IPEs are created promptly
- 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 perspective of the above audit report. The agency had taken the 2016 audit finding (completed in February 2017) seriously, and we have been improving our internal controls to be able to reduce delays in completing plans for eligible individuals, and to be inserting appropriate documentation to justify a delay when a delay is necessary.

The agency understands the intent of this 90-day timeline is to not unreasonably delay an individual into a planned status where they might begin to receive services and engage actively in their vocational rehabilitation process. We strive for expedience in moving towards planned services, and acknowledge the gap that still exists in more closely meeting the expected timelines to plan, and in inserting the necessary justification documentation that describes the reason for delayed plan development, the client agreement to the delay, and the specific expected date that plan completion will be finalized.

Of the 278 individuals who developed individual plans for employment with agency staff in SFY2017, there were delays for 82 eligible individuals. The average number of days for all individuals was 78 days to plan development.

While the number of delayed plans remains a higher ratio than desired, this represents a marked reduction in delays and average time to plan from the previous year:
Percent of delayed plans: SFY2017 = 29.5%; SFY2016 = 38.9%
Average number of days to plan: SFY2017 = 78 days; SFY2016 = 107 days

These statistics demonstrate that there has been some success in internal controls to diminish the impact of delayed plan development. While our internal controls may not have been perfect, we have been applying internal controls and making a significant improvement in time to plan.

The system for internal controls has been evolving since we received the completed SFY2016 audit in February of this year. Management had been relying on a system of reviewing reports on a monthly basis with staff to identify delayed plans. After the audit, the agency realized the limitations of the monthly report, which showed a snapshot in time and missed alerting staff to delayed plans that had been resolved before the date the report was pulled. Managers thus often missed identifying a case that had a delayed plan that was missing the required documentation: the applicant's agreement to the delay, the justification for why the delay was necessary, and a specific date for expected plan completion.

The customer management system has an "actions-due" feature called a dashboard, but historically the data values provided by the tool had been incomplete or inaccurate. Through testing, the agency determined the tool was more reliable than it had been in the past, and managers have since trained staff to utilize the tool on a weekly basis, and to manage their own caseloads in real-time. As a result, we have discontinued the monthly reporting/alert system.

In the past two or three months, managers have developed systems in alerting staff on a weekly basis if a plan is coming due that week, and to remind counselors of the need for all the necessary components for documenting a delay justification if a plan can't be developed within the 90 days. The managers have installed the "actions-due" tool on their computers, and monitor for their entire team each week.

The policy revision (within the Washington Administrative Code, or WAC, structure) which highlights the new requirements for documenting a delay justification is in a final draft stage, and is out to the State Rehab Council, the Client Assistance Program, the general VR agency, and Tribal VR partners for initial feedback, expected by mid-November. After that initial input, the proposed revised WAC will be published for public comment before becoming adopted as final policy for the agency.

The relevant language in the drafted policy revision is as follows:

> *"WAC 67-25-230 Individualized plan for employment – Timeline and criteria*
> *(1) The individualized plan for employment is a written agreement that documents important decisions made between the participant and a vocational rehabilitation counselor concerning activities towards achievement of the participant's competitive and integrated employment goal including responsibilities agreed upon by the department and the participant, and the vocational rehabilitation services to be provided.*
> *(2) The individualized plan for employment is developed and implemented in a timely manner for each eligible individual, and no later than 90 days after eligibility except:*
> *(a) When the department is operating under an order of selection, in accordance with WAC 67-25-190, or;*
> *(b) The eligible individual and VR counselor agree to a delayed plan completion, with specific expected date of completion documented.…"*

In 2018, the agency's Vocational Rehabilitation Procedures Manual will need to be revised to align with new regulations and the finalized agency policy. Chapters for the revised Procedures Manual are planned to be formatted with consideration towards five main elements of each significant process (including plan development):

- *Fundamental Overview of process*
- *Philosophy and Intent of process*
- *Processes – how to enact element*
- *Internal Controls – how completed processes will be reviewed and which required elements will be expected*
- *Definitions of relevant terms*

The work necessary for revising the Procedures Manual is extensive, and will be occurring in tandem with the agency's project for implementing a new case management system, so a final product likely won't be completed until end of 2018.

Thank you for the input. We value the most efficient and expedient entry into services for agency participants, and equally recognize the individualized nature of services. The agency recognizes a need to improve the consistency of documenting the justification for delay, and to include the expected date for determination, and we believe we have systems developing to better address those issues in a more real-time fashion. We recognize our improvement this past year over the previous, and recognize more improvement can be achieved.

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) establishes the following applicable requirements:

> Section 200.303 Internal controls, states in part:
>
> 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 200.516 Audit findings, 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:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design

exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 requir4ements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

29 United State Code 722 Eligibility and individualized plan for employment, states in part:

(b) Development of an individualized plan for employment

(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.

2017-007 The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.

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, H126A1600072, H126A170072	
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 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 with a State Plan that is approved every fiscal year. In most cases, clients must be determined eligible within a reasonable time period not to exceed 60 days. There are two exceptions to the 60-day requirement:

- An exceptional or unforeseen circumstance occurred beyond the Department's control, and the individual agreed to a specific time extension.
- The Department is assessing the client's ability to perform in work situations through trial work experience.

When either of these exceptions is met, Department staff must document the determination in its case management system. In the case of an unforeseen circumstance, Departmental procedures require staff to enter the following information into the case management system:

- Clear justification for the exception
- An outline of the action needed to complete the determination
- How the individual was informed of the need for an extension
- That the individual accepts the justification and agrees to an extension

The system must be updated to address the above four points every 30 days after the initial entry until either the individual is found eligible or the case is closed.

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.

In the prior audit, we reported the Department failed to establish internal controls over, and was not compliant with, federal requirements to determine client eligibility within the required timelines. The prior finding number was 2016-009.

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 case management system reports of all clients who were determined to be eligible during the audit period. The reports showed 22 of 300 determinations exceeded the 60-day limit. We examined all 22 of these eligibility determinations and found 19 cases (86 percent) in which the Department's internal controls failed, resulting in the eligibility determination exceeding the 60-day limit without evidence the required criteria for an extension were met.

For these 19 cases, we specifically found:

- 13 cases in which no exceptional circumstance for the delay was documented
- 16 cases in which there was no documentation to show the client agreed to the extension
- In all 19 cases, no extension date was documented

We additionally found 28 clients who applied for benefits during the audit period, but the case management indicated they were not determined eligible nor their case closed. We tested 12 of them and determined that in seven cases, the Department exceeded the 60-day limit without evidence the required criteria for an extension were met. In five cases, none of the criteria was present and the other two were missing all criteria except documentation of an exceptional circumstance.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

The Department did not establish a 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 Department's procedure manual does not contain any guidance on how the review process should be performed. In late April 2017, a review process was implemented, but we found it did not ensure all elements required to allow an exception were met, ensuring only that the team leader confirmed the case had been updated in the case management system.

Effect of Condition

Because it has not implemented adequate internal controls, the Department is not always making timely eligibility decisions in accordance with federal law. We identified 26 clients (9 percent) who were not determined to be eligible within federally required timelines.

This condition might lead to eligible clients not receiving services promptly and puts the Department at risk that the federal grantor will withhold grant funds.

Recommendations

We recommend the Department:

- Improve its internal controls to ensure eligibility determinations are made promptly
- Ensure that exceptional and unforeseen circumstances are properly documented
- Ensure that extensions are supported with a client agreement that includes a specific period of time
- Ensure supervisory reviews are effective and properly documented
- Update its procedures to include the federal requirements and the process for supervisory review

Agency's Response

The agency understands the perspective of the above audit report. The agency has taken the 2016 finding (completed in February 2017) seriously, and we have been improving our internal controls to be able to reduce delays in determining eligibility, and to be inserting appropriate documentation to justify a delay when a delay is necessary.

The agency understands the intent of this 60 day timeline is to not unreasonably delay an individual into a status where they might begin to receive services and engage in their vocational planning process. We believe in expedience in entering services – of the 300 individuals determined eligible in SFY2017, 203 individuals (or 67.7%) were determined eligible within 30 days, and 95 individuals (or 31.6%) had an eligibility determination in a week or less. Our average time to eligibility determination for all 300 individuals was 26 days.

Of the 300 eligibilities in SFY2017, 25 cases (or 8.3%) were delayed, of which eight were delayed a week or less. In calculating the total number of cases where eligibility determination was a factor, including cases closed as not eligible, the total percent of delayed cases is 9.8% (42 delayed cases out of 428 total).

We note the numbers of delayed eligibilities in order to highlight a marked reduction in delayed eligibilities from the previous year SFY2016. In that year, of all cases determined as eligible, 12.5% were delayed (as compared to 8.3% for SFY2017). In calculating the total number of cases where eligibility determination was a factor in SFY2016, including cases closed as not eligible, the delay rate was 16.1% (as compared to 9.8% for SFY2017). The ratio of eligibilities determined in less than 30 days, and less than a week, also improved in SFY2017 from the previous year:
Determinations < 30 days: SFY2017 = 67.7%; SFY2016 = 60.4%
Determinations < one week: SFY2017 = 31.6%; SFY2016 = 24.4%

These statistics demonstrate that there has been success in internal controls to diminish the impact of delayed eligibilities. While our internal controls may not have been perfect, we clearly have been applying internal controls and making a significant improvement in time to eligibility.

The system for internal controls has been evolving since we received the completed SFY2016 audit in February of this year. Management had been relying on a system of reviewing reports on a monthly basis with staff to identify delayed eligibilities. After the audit, the agency realized the limitations of the monthly report, which showed a snapshot in time and missed alerting staff to delayed eligibilities that had been resolved before the date the report was pulled. Managers thus often missed identifying a case that had a delayed eligibility and was missing the required documentation, which indicated the applicant's agreement to the delay, the justification for why the delay was necessary, and a specific date for expected eligibility determination.

The customer management system has an "actions-due" feature called a dashboard, but historically the data values provided by the tool had been incomplete or inaccurate. Through testing, the agency determined the tool was more reliable than it had been in the past, and managers have since trained staff to utilize the tool on a weekly basis, and to manage their own caseloads real-time. As a result, we have discontinued the monthly reporting/alert system.

In the past two or three months, managers have developed systems in alerting staff on a weekly basis if an eligibility is coming due that week, and to remind counselors of the need for all the necessary components for documenting a delay justification if a determination can't be made within the 60 days. They have installed and monitor the "actions-due" tool for their entire team each week.

The policy revision (within the Washington Administrative Code, or WAC, structure) which highlights the new requirements for documenting a delay justification is in a final draft stage, and is out to the State Rehab Council, the Client Assistance Program, the general VR agency, and Tribal VR partners for initial feedback, expected by mid-November. After that initial input, the proposed revised WAC will be published for public comment before becoming adopted as final policy for the agency.

The relevant language in the drafted policy revision is as follows:

> *"WAC 67-25-110 Eligibility - Timeline.*
> *(1) Once an individual has submitted an application for vocational rehabilitation services, including applications made through common intake procedures in one-stop centers under section 121 of the Workforce Innovation and Opportunity Act (WIOA), an eligibility determination must be made within sixty (60) days, unless:*
>
> *(a) Exceptional and unforeseen circumstances beyond the control of the department preclude making an eligibility determination in 60 days and the department and the individual agree to a specific extension of time; or*
>
> *(b) An exploration of the individual's abilities, capabilities, and capacity to perform in work situations is carried out in a trial work assessment in accordance with WAC 67-25-140. …"*

In 2018, the agency's Vocational Rehabilitation Procedures Manual will need to be revised to align with new regulations and the finalized agency policy. Chapters for the revised Procedures Manual are planned to be formatted with consideration towards five main elements of each significant process (including determination of eligibility):

- *Fundamental Overview of process*
- *Philosophy and Intent of process*

- *Processes – how to enact element*
- *Internal Controls – how completed processes will be reviewed and which required elements will be expected*
- *Definitions of relevant terms*

The work necessary for revising the Procedures Manual is extensive, and will be occurring in tandem with the agency's project for implementing a new case management system, so a final product likely won't be completed until end of 2018.

Thank you for the input. We value the most efficient and expedient entry into services, and equally recognize the individualized nature of services. We believe that, when an applicant is driving their own need to delay an eligibility determination - and ensuring the agency is not responsible for exacerbating the need for delay – then some delays will be expected, such as when they find it a challenge to complete a necessary eye exam in a timely manner. To move automatically to close the case of an individual who is driving their own delay would most often be detrimental to the individual. The agency recognizes a need to improve the consistency of documenting the justification for delay, and to include the expected date for determination, and we believe we have systems developing to better address those issues in a more real-time fashion. We recognize our improvement this past year over the previous, and recognize more improvement can be achieved.

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) establishes the following applicable requirements:

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 200.516 Audit findings, 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:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 requir4ements that results in

noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

29 United States Code section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility
  (6) Timeframe for making an eligibility determination
  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 Administrative Code 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.

2017-008 The Department of Services for the Blind did not have adequate internal controls to ensure cash draws were accurate and federal spending requirements were met 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:	H126A150072, H126A1600072, H126A170072
Applicable Compliance Component:	Cash Management Matching Level of Effort Period of Performance
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 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 with a State Plan the federal grantor approves every fiscal year. The program has a matching requirement that says the state must pay 21.3 percent of Vocational Rehabilitation Program costs with state funds. The Department also has a level-of-effort requirement that says the state must ensure non-federal expenditures for a particular fiscal year meet or exceed the non-federal expenditures from the two prior years. Each award also has a period of availability when the Department can make expenditures and request reimbursement from that particular grant.

The Department requests funds from the federal grantor twice a month on a reimbursement basis. As part of its reimbursement preparation process, the Department has combined other monitoring processes as well. The manager who prepares the draws ensures the Department meets matching and level-of-effort requirements and that expenditures being reimbursed are drawn properly from the grant with an open period of availability.

The Department established a secondary review of this monitoring to ensure all of these processes are performed properly. This review is performed by another manager and is supposed to happen before the funds are drawn.

Description of Condition

We found the Department did not ensure managers followed established procedures.

To test the Department's internal controls, we examined reimbursement request documents and support for evidence of secondary review. We used a non-statistical sampling method and randomly selected eight out of the 24 draws during the audit period. We found four of the eight draws did not have evidence showing that the secondary review was performed.

We consider these control deficiencies to be a significant deficiency.

This condition was not reported in the prior audit.

Cause of Condition

The Department had turnover in staff who oversaw the draw process, and management did not ensure the established processes continued.

Effect of Condition

By not establishing adequate internal controls, the Department cannot ensure that draw amounts they requested were accurate, they met the level-of-effort and matching requirements, or expenditures occurred within the allowed period of performance. This increases the Department's risk of failing to meet grant compliance requirements.

Recommendation

We recommend the Department ensure staff follow its established procedures over the federal reimbursement request process.

Agency's Response

The Department of Services for the Blind (DSB) agrees with the audit finding and recommendation. The Department developed an internal checklist for steps in processing federal draws. The checklist requires interaction from two managers to ensure internal controls over the submission of federal draws.

During 2017 DSB incurred staff turnover in the fiscal unit. Beginning with the 2018 year, DSB established a new position and hired a Deputy Financial Officer. To ensure internal controls over federal draws, the Accounting Manager develops the draw and receives approval for the Deputy Financial Officer so that a secondary review is conducted prior to finalizing the draw.

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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part.

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 findings, 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:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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.

2017-009 The Department of Services for the Blind did not have adequate controls over, and was not compliant with, federal requirements for charging costs to 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:	H126A170072
Applicable Compliance Component:	Allowable Costs / Cost Principles
Questioned Cost Amount:	$2,479,527

Background

The Department of Services for the Blind's Vocational Rehabilitation program provides services for people who are blind, are going blind or have low vision so that they may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation Grant.

When managing federal programs, the Department incurs some costs that benefit multiple programs. Some examples are salaries and benefits for staff who work on multiple programs, rent, utilities and IT services. The Department may charge these costs using either an indirect costs rate plan or a cost-allocation plan. Whichever plan is used must be submitted to and approved by the federal grantor before the may be used to charge a grant.

Description of Condition

We found the Department charged indirect costs during the audit period without an approved indirect cost rate plan. After the end of the audit period, the Department decided to stop using an indirect cost rate. Instead, it chose to implement a cost-allocation plan, and reversed the previously charged indirect expenditures.

After implementing the cost-allocation plan, the Department charged $2,479,527 in costs based on a cost-allocation plan that had not been submitted to the grantor.

We consider these internal control deficiencies to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

The Department was aware it did not have an approved indirect cost rate for state fiscal year 2017, but decided to charge the grantor using the prior year's rate without approval. The Department later decided to charge cost-allocated expenditures without an approved plan because the federal grantor indicated it would approve a cost-allocation plan that would be retroactive for state fiscal year 2017. Because no cost-allocation plan was submitted, the charges were not allowable.

Effect of Condition and Questioned Costs

We identified $2,479,527 in cost-allocated expenditures charged to the federal grant during fiscal year 2017. Because the federal grantor had not approved any of the Department's allocation plans, we consider the entire amount as 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 its expenditures.

Recommendations

We recommend the Department:

- Establish and follow internal controls to ensure costs are not charged using an indirect rate or cost-allocation method unless a plan has been approved by the grantor
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department of Services for the Blind (DSB) disagrees with this finding.

During August 2017 DSB requested to switch to a Cost Allocation Plan (CAP) in lieu of an Indirect Cost Rate and requested the CAP be approved retroactively to July 1, 2016. The Department requested the following:

> *Although the Cost Allocation Plan is not yet submitted for your approval, the DSB is requesting a Cost Allocation Plan be approved retro-active to July 1, 2016 to coincide with our new structure.*

The Indirect Cost Group with the Department of Education agreed to DSB's plan. DSB charged indirect costs with the understanding the CAP would be approved retroactively.

Indirect costs charged during FY 2017 were appropriate and allowable under 34 CFR Part 361 and meets Administrative requirements of 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Agency believes indirect costs were charged to federal grants in the best interest of the people we serve and with no harm to the state or federal government. The Agency will work with the Department of Education, Rehabilitation Services Administration to resolve this audit finding.

To ensure internal controls over indirect charges, the Accounting Manager identifies the amount of indirect costs to charge against each grant and receives approval from the Deputy Financial Officer so that a secondary review is conducted.

Auditor's Concluding Remarks

In its response, the Department disagreed with the finding but acknowledged charging the grant while knowing it did not have an approved plan in place. While we agree that communication with the grantor indicated it might approve a plan retroactively, federal regulations state the Department cannot charge these costs until a plan has been approved. While the grantor may choose not to require repayment of the questioned costs, we are required to report them as such because they were spent in violation of federal regulations.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:

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 sample 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 findings, 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.
    (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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.
> >
> > **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.

Federal Grant Award number H216A170072 states, in part:

> TERMS AND CONDITIONS
>
> (2) The negotiated indirect costs rate or the indirect cost allocation plan approved for the entity identified in Block 1 of this GAN applies to this grant award.

2017-010 The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, reporting requirements for the Vocational Rehabilitation Grant.

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:	H126A1500072, H126A1600072, H126A170072
Applicable Compliance Component:	Reporting
Known Questioned Cost Amount:	None

Background

The Department of Services for the Blind's Vocational Rehabilitation program provides services for people who are blind, are going blind or have low vision so that they may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department is required to submit a federal financial report SF-425 to the federal grantor semiannually for each open grant award. Information contained on this report includes the federal grant number, the recipient organization, grant period, reporting period end date, basis of accounting and a summary of expenditures and program income related to the grant during the reporting period. During the audit period, the Department submitted four SF-425 reports.

Financial information contained on the SF-425 is obtained from the Department's accounting records.

Description of Condition

We found the Department did not have adequate internal controls to ensure its federal financial reports were prepared accurately and submitted promptly during the audit period.

We examined all four submitted SF-425 reports and found the federal fiscal year 2017 report, which covered the period from October 2016 through March 2017, contained an error totaling $869,402. The Department improperly included expenditures from May 2017 in the report.

We also found the federal fiscal year 2015 and 2016 semiannual reports due September 30, 2016, were filed late.

We consider these control deficiencies to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

The Department had no secondary review of the SF-425 reports or the accounting data used to create them. The Department had staff changes in the positions that create and review the reports. After the staffing changes, the Department no longer completed a secondary review.

Effect of Condition

By not establishing adequate internal controls, the Department over-reported expenditures by $869,402. Without a secondary review process, the Department risks further misreporting to the grantor.

Recommendation

We recommend the Department improve its internal controls, including requiring a secondary review of the SF-425 reports.

Agency's Response

The Department reported expenditure adjustments made in April on the March Report. The Department will submit a corrected FFY 16 SF-425 for the period through March 2017.

The Department of Services for the Blind (DSB) developed an internal checklist for steps in processing federal draws. The checklist requires interaction from two managers to ensure internal controls over the submission of federal draws.

During 2017 DSB incurred staff turnover in the fiscal unit. Beginning with the 2018 year, DSB established a new position and hired a Deputy Financial Officer. To ensure internal controls over federal draws, the Accounting Manager develops the draw and receives approval for the Deputy Financial Officer so that a secondary review is conducted prior to finalizing the draw.

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) establishes the following applicable requirements:

> Section 200.303 Internal controls, states in part:
>
> 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 200.516 Audit findings, 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.

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, Code of Federal Regulations

Section 200.327 Financial reporting

Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

2017-011 The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.

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:	H126A1600072
Applicable Compliance Component:	Earmarking
Questioned Cost Amount:	None

Background

The Department of Services for the Blind's Vocational Rehabilitation program provides services for people who are blind, are going blind or who have low vision so that they may prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation (VR) 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. The Department must earmark at least 15 percent of each VR award for pre-employment transition services to students with disabilities who are eligible, or potentially eligible, for VR services. To be eligible, students must be between the ages of 13 and 21.

Description of Condition

We found the Department did not establish adequate internal controls to detect and prevent unallowable payments from being paid with earmarked funds.

We determined the Department accurately identified the earmarked amount of $1,309,533 for the federal fiscal year 2016 award and was tracking the earmarking expenditures through the year. However, we found the Department only spent $440,131 on pre-employment services. It spent the remaining $869,402 on basic support services, which is unallowable.

We consider these internal control deficiencies to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

Internal controls were in place to track pre-employment expenditures, but not to ensure earmarked funds were not spent on basic support services.

Additionally, there is no secondary review of the pre-employment services tracking to verify the Department is properly spending earmarked funds.

Effect of Condition and Questioned Costs

The Department improperly spent $869,402 (66 percent) of its earmarked funds on non-pre-employment services. We are not reporting these as questioned costs only because the Department reimbursed the grant prior to the end of the year.

Recommendation

We recommend the Department establish adequate internal controls, including policies and procedures, to ensure only allowable services for eligible or potentially eligible students are paid with earmarked funds.

Agency's Response

The Department must set aside 85% of the Vocational Rehabilitation grant for adult employment services. For the period through March 2017 the Department over expended this portion of the 2016 grant by $869,402. The expenditures were allowable as 2017 expenditures but the expenditures were not moved to the 2017 grant until May. This May adjustment was reported on the March SF-425 Federal report in error.

In October the Department submitted a corrected FFY 16 SF-425 and reported only transactions through the reporting period of March 31, 2017.

To ensure internal controls are maintained and federal reports are accurate, two managers review and validate data prior to submitting reports to the Department of Education.

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) establishes the following requirements:

Section 200.303 Internal controls, states in part:

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 200.516 Audit findings, 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.

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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.

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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.

29 U.S. Code. Chapter 16 – Vocational Rehabilitation and Other Rehabilitation Services

Section. 705. Definitions, states in part:

(1) Administrative costs

(C) providing information about the program to the public;

(37) Student with a disability

(A) In general

The term "student with a disability" means an individual with a disability who –

(i)(I)(aa) is not younger than the earliest age for the provision of transition services under section 614(d)(1)(A)(i)(VIII) of the Individuals with Disabilities Education Act (20 U.S.C. 1414(d)(1)(A)(i)(VIII)); or

(bb) if the State involved elects to use a lower minimum age for receipt of pre-employment transition services under this chapter, is not younger than that minimum age; and

(II)(aa) is not older than 21 years of age;

(bb) if the State law for the State provides for a higher maximum age for receipt of services under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.), is not older than that maximum age; and

(ii)(I) is eligible for, and receiving, special education or related services under part B of the Individuals with Disabilities Education Act (20 U.S.C. 1411 et seq.); or

(II) is an individual with a disability, for purposes of section 794 of this title.

Section 730 State Allotments, states in part:

(d) Funds for pre-employment transition services

(1) From any State allotment under section (a) for a fiscal year, the State shall reserve not less than 15 percent of the allotted funds for the provision of pre-employment transition services

(2) Such reserved funds shall not be used to pay for administrative costs of providing pre-employment transition services.

Section 733 Provision of pre-employment transition services, states in part:

(a) In general

From the funds reserved under section 730(d) of this title, and any funds made available from State, local or private funding sources, each State shall ensure that the designated

State unit, in collaboration with the local educational agencies involved, shall provide, or arrange for the provision of, pre-employment transition services for all students with disabilities in need of such services who are eligible or potentially eligible for services under this subchapter.

2017-012 The Department of Social and Health Services did not have 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, H126A160071, H126A170071
Applicable Compliance Component:	Reporting and Special Tests and Provisions – Completion of Individual Plans for Employment
Known Questioned Cost Amount:	None

Background

The Division of Vocational Rehabilitation at the Department of Social and Health Services provides employment and counseling services to individuals with disabilities who want to work but experience barriers because of physical, sensory or mental disabilities. 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 with a State Plan that is approved every fiscal year by the federal grantor. 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 their eligibility determination date. The IPE's creation 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 the Department's 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 by which the counselors believe they can create an IPE. The client is then required to sign the letter and return it to the Department to indicate that they agree to the extension. The Department also requires that the counselor and the client sign and date the completed IPE to indicate that they agree to the plan that was developed. Without both signatures, the IPE is not binding.

During the audit period, the Department was required to submit IPE completion dates on an annual RSA-911 form to the federal grantor and the Rehabilitation Services Administration (RSA). The report captures demographic and other data for each individual whose service record is closed during the fiscal year. The detail captured includes, but is not limited to, date of application, date of eligibility determination and date of IPE. The Department uses information recorded in the case management system to gather the required data and submit it electronically to the federal grantor.

In the prior audit, we reported the Department failed to establish adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for program clients. The prior audit finding number was 2016-011.

Description of Condition

The Department did not have adequate internal controls to ensure IPE development was completed within 90 days as required.

The Department gave us reports from its case management system that indicated 2,335 of 5,899 applicants did not receive their IPE within 90 days. It also gave us a list of 916 clients who should have received an IPE, or an extension, during the audit period but whose IPE date was blank in the case management system.

We used a statistical sampling method to randomly sample and examine 58 of the 3,251 determinations that did not have an IPE completed within 90 days. In 24 cases (41 percent) we found clients did not receive a timely IPE because either there was no client agreement to extend the date or the IPE was not completed by an agreed upon extension date. We also found eight cases (14 percent) when the IPE completion date was entered inaccurately into the case management system. In seven of these cases, the Department entered an earlier date than the actual IPE completion date.

We also received a list of 3,564 clients who received an IPE within the 90-day limit, according to the case management system. We used a statistical sampling method to randomly sample and examine 32 of the cases. In eight (25 percent), we found that the supporting records in the case management system showed the Department did not comply with the 90-day requirement. Specifically:

- In seven cases, a valid IPE was not on file
- In one case, the IPE date in the system was not correct

We found two additional cases where the IPE was completed timely but the date of the IPE completion was entered inaccurately into the case management system. Both cases showed an earlier date than was supported, but they still met the 90-day limit.

The IPE completion date is a key line item for the RSA-911 report. Based on our testing, we determined the submitted report was inaccurate and misreported to the federal grantor.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

The Department did not have an adequate review process to ensure counselors followed department policy and that documentation recorded in case files is accurate. Although the Department states supervisors review cases that are selected each month, the procedure manual does not state that the review process is required or contain any guidance on how the review process is supposed to be performed and documented.

The Department's customer service manual did not include all requirements needed to extend the 90-day timeline until May of 2017. This change was communicated to staff that month.

Effect of Condition

Because it has not established adequate internal controls, the Department does not always make timely IPE determinations in accordance with federal law. The Department faces increased risk of not providing services to eligible clients in a timely manner.

Based on our statistically valid, random samples, we estimate the Department did not establish a timely IPE for 2,234 of the 6,815 clients in our testing populations.

We also estimate the Department incorrectly recorded completion dates for 1,565 of the 6,815 cases in its case management system. By not ensuring the accuracy of the data within the case management system, the Department is reporting inaccurate figures to the federal grantor in required reports.

Recommendations

We recommend the Department:

- Improve internal controls to ensure IPEs are created in a timely manner and data entered into the case management system is accurate
- Communicate internal control updates to all field staff
- 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 finding.

The results of the FY16 audit were not provided until early Spring of 2017. The Department took several corrective action steps in May of 2017. Since these actions were late in this audit period, the corrections will appear in the next audit period.

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) establishes the following applicable requirements:

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 200.516 Audit findings, 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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 U.S. Code 722 (b) Development of an individual 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.

2017-013 The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure client eligibility determinations were accurate and made 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, H126A160071, H126A170071
Applicable Compliance Component:	Eligibility and Reporting
Known Questioned Cost Amount:	None

Background

The Division of Vocational Rehabilitation at the Department of Social and Health Services provides employment and counseling services to individuals with disabilities who want to work but experience barriers because of physical, sensory or mental disabilities. 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 with a state plan that is approved every fiscal year. To be eligible for services, an individual must undergo an assessment to determine eligibility, which includes obtaining medical documentation to support the person's disability. The applicant must also have an employment goal and be able to work.

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 and the individual agreed to a specific extension of time.
- The Department is assessing the client's ability to perform in work situations through trial work experience.

When either of these exceptions is met, staff must document the determination in the Department's case management system. The Department's customer service manual requires staff to complete an extension agreement form and have the client sign, indicating approval.

During the audit period, the Department was required to submit the date of eligibility determination on an annual RSA-911 report to the federal grantor and the Rehabilitation Services Administration (RSA). The report captures demographic and other data for each individual whose service record is closed during the fiscal year. The detail captured includes, but is not limited to, dates of application, eligibility determination and individual plan for employment. The Department uses information recorded in the case management system to gather the required data and submit it electronically to the federal grantor.

In the prior audit, we reported the Department did not establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility within a reasonable period of time. The finding number is 2016-012.

Description of Condition

The Department did not have adequate internal controls to ensure eligibility determinations made during the audit period were properly supported and made within 60 days as required.

The Department provided us reports from their case management system of 9,986 clients who were determined eligible during the audit period. We used a statistical sampling method to randomly select and examine 59 of these determinations. In two cases (3 percent), we found the Department's internal controls failed, resulting in determinations that were made but not adequately supported. We also found 13 cases (22 percent) in which the dates on the source documents did not match the dates in the service tracking and reporting system. Of these 13 cases, three (5 percent) determinations were reported as meeting the required timeline but were actually made after 60 days. There were also two cases (3 percent) that did not have information to support the dates in the system, resulting in the potential for them to be understated as well.

Of the 9,986 cases, 806 were identified in the system as having eligibility determinations that took longer than 60 days. We used a statistical sampling method to randomly sample and examine 57 of these determinations. In 51 cases (89 percent) the Department exceeded the 60-day limit without evidence the required criteria for an extension was met. In 20 cases (35 percent), none of the criteria was present and another 30 (52 percent) were missing all criteria except documentation of an exceptional circumstance. The other case (2 percent) had the required support, but not until after the 60-day limit.

The eligibility completion date is a key line item for the RSA-911 report. Based on our testing, we determined the submitted report was inaccurately reported to the federal grantor.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

The Department did not have an adequate review process to ensure counselors followed Department policy and documentation was accurate. Although the Department states supervisors review selected cases each month, its procedure manual does not state the review process is required or contain any guidance on how the review process is supposed to be performed and documented.

The Department's customer service manual did not include all requirements needed to extend the 60-day timeline until May of 2017. This change was communicated to staff that month.

Effect of Condition

Because it has not established 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 promptly. There is also a risk that the federal grantor could withhold grant funds.

Based on our statistically valid, random samples, we estimate the Department did not establish eligibility promptly for 1,177 of the 9,986 clients in our testing population and did not have valid support for 339 clients that were determined eligible.

We also estimate the Department incorrectly recorded application and/or eligibility dates for 2,197 of the 9,986 cases in its case management system. By not ensuring the accuracy of data within the case management system, the Department risks reporting inaccurate figures to the federal grantor in required reports.

Recommendations

We recommend the Department:

- Improve internal controls to ensure eligibility determinations are made promptly and data entered into the case management system is accurate
- Communicate changes in procedures to all field staff
- Ensure extensions are agreed upon by the client and are properly supported
- Update procedures to include the process for supervisory review

Agency's Response

The Department concurs with the finding.

The results of the FY 16 audit were not provided until early Spring of 2017. The Department took several corrective action steps in May of 2017. Since these actions were late in this audit period, the corrections will appear in the next audit period.

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) establishes the following applicable requirements:

> Section 200.303 Internal controls, states in part:
>
> 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 200.516 Audit findings, 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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 U.S. Code section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility

(1) Criterion for eligibility

An individual is eligible for assistance under this subchapter if the individual—

(A) has undergone an assessment for determining eligibility and vocational rehabilitation needs and as a result has been determined to be an individual with a disability under section 705(20)(A) of this title; and

(B) requires vocational rehabilitation services to prepare for, secure, retain, advance in, or regain employment that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

(3) Presumption of eligibility

(A) In general

For purposes of this section, an individual who has a disability or is blind as determined pursuant to title II or title XVI of the Social Security Act (42 U.S.C. 401 et seq. and 1381 et seq.) shall be—

(i) considered to be an individual with a significant disability under section 705(21)(A) of this title; and

(ii) presumed to be eligible for vocational rehabilitation services under this subchapter (provided that the individual intends to achieve an employment outcome consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the designated State unit involved can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome due to the severity of the individual's disability (as of the date of the determination).

(6) Timeframe for making an eligibility determination

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).

2017-014 The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure payments paid on behalf of clients 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:	H126A150071, H126A160071, H126A170071
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$87,357

Background

The Division of Vocational Rehabilitation at the Department of Social and Health Services provides employment and counseling services to people with disabilities who want to work but experience barriers because of physical, sensory or mental disabilities. 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 with a State Plan that is approved every fiscal year. The Department spends federal grant money for employment services that are included in a client's individual plan for employment (IPE). The IPE assists a person with a disability in preparing for, securing, retaining or regaining an employment outcome. To ensure that the client is informed and involved in their employment outcome, both the client and a counselor must sign and date the completed IPE after reviewing it. Most services are not considered allowable unless they are in an approved IPE.

The Department may also spend federal grant money for pre-employment services that allow the Department to determine eligibility or ability to work and are not required to be in the IPE. While these expenses are not contained in an IPE, they still must be approved and have proper support.

The Department spent $55.2 million in federal program funds in fiscal year 2017 with about $28.7 million paid for client services.

In the prior audit, we reported that the Department 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 were allowable. The finding number was 2016-013.

Description of Condition

We found the Department did not establish adequate internal controls to ensure payments for client employment services were in an approved IPE. We used a statistical sampling method to randomly select and examine 59 of the 38,595 total payments over $50 made for client services during fiscal year

2017. We examined each payment to determine if it was an allowable employment service included in a client's IPE or a pre-employment service.

In seven cases (12 percent), totaling $15,998, we found the employment service was not included in an approved IPE, or the item was purchased before the IPE was approved. All of the exceptions identified were required to be in an approved IPE because they were not pre-employment services. We also examined six payments identified as high-risk expenditures, totaling $287,728, and found that two, totaling $71,359, were not allowable: one because it exceed the amount in the approved IPE by $32,117 and the other because the IPE was never signed by the client.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

Department staff did not follow established policies and procedures to ensure that payments for client services were contained in the client's approved IPE and 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

The Department risks making improper payments for client services with federal funds by not ensuring that employment services were included in an approved IPE. The Department paid $87,357 in improper payments to participants. Because a statistical sampling method was used to select the payments examined, we estimate the number of improper payments to be 4,593, totaling $4,342,649.

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend Vocational Rehabilitation staff ensure the program pays for client employment services only when those services are contained in an approved IPE and that these services are not paid for before approval. We also recommend that managers ensure payments are monitored to ensure federal requirements are met.

We also recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Department concurs with the finding.

The results of the FY 16 audit were not provided until early Spring of 2017. The Department took several corrective action steps in May of 2017. Since these actions were late in this audit period, the corrections will appear in the next audit period.

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) establishes the following applicable requirements:

> Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:
>
> 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 sample 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 findings, 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.

(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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 U. S. Code. section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility

(2) Presumption of benefit

(A) Applicants

For purposes of this section, an individual shall be presumed to be an individual that can benefit in terms of an employment outcome from vocational rehabilitation services under section 705(20)(A) of this title.

(B) Responsibilities

Prior to determining under this subsection that an applicant described in subparagraph (A) is unable to benefit due to the severity of the individual's disability or that the individual is ineligible for vocational rehabilitation services, the designated State unit shall explore the individual's abilities, capabilities, and capacity to perform in work situations, through the use of trial work experiences, as described in section 705(2)(D) of this title, with appropriate supports provided through the designated State unit. Such experiences shall be of sufficient variety and over a sufficient period of time to determine the eligibility of the individual. In providing the trial experiences, the designated State unit shall provide the individual with the opportunity to try different employment experiences, including supported employment, and the opportunity to become employed in competitive integrated employment.

(b) Development of an individual plan for employment

(3) Mandatory procedures

(C) Signatories

An individualized plan for employment shall be—

(i) agreed to, and signed by, such eligible individual or, as appropriate, the individual's representative; and

(ii) approved and signed by a qualified vocational rehabilitation counselor employed by the designated State unit.

2017-015 The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.

Federal Awarding Agency:	Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Number:	H126A150071
Applicable Compliance Component:	Earmarking
Known Questioned Cost Amount:	$10,512

Background

At the Department of Social and Health Services, the Division of Vocational Rehabilitation provides employment services and counseling to people 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 (VR) 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. The Department must earmark at least 15 percent of each VR award each year for pre-employment transition services to students with disabilities who are eligible, or potentially eligible, for VR services. To be eligible, students must be between the ages of 13 and 21. The Department is not allowed to spend these earmarked funds on administrative costs such as providing information about the program to the public.

Of the $6.1 million that the Department earmarked from the federal fiscal year 2015 award, it reported spending $1.2 million.

Description of Condition

We found the Department did not establish adequate internal controls to detect and prevent unallowable payments from being funded by the earmarked amount.

The federal grant award that closed during state fiscal year 2017 was the federal fiscal year 2015 award. This is the award we tested. Using a non-statistical sampling method, we randomly selected 18 of 147 payments paid with funds earmarked for pre-employment transition services. We also examined three payments, totaling $857,816, separately because of their large amounts. We examined each payment to determine if it was allowable under the earmarking requirements.

We found four payments (22 percent), totaling $10,512, that were not allowable pre-employment transition services. Of these, three payments were for unallowable administrative costs, two of which also didn't serve students between the ages of 13 and 21. The fourth payment was for services for a client who was 45 years of age and therefore not eligible to be served with these funds.

We consider these internal control deficiencies to be a material weakness. This condition was not reported in the prior audit.

Cause of Condition

The Department did not have policies in place to guide how payments are initially determined as allowable to be paid with earmarked funds. It also did not establish an adequate monitoring process to ensure payments identified as allowable actually were.

Effect of Condition and Questioned Costs

By not establishing adequate internal controls, the Department made payments with earmarked funds that were not allowable. Some of these payments may have been allowable using basic vocational rehabilitation funds, but the Department fully expended those funds for the applicable fiscal year.

The improper payments also resulted in the Department reporting an inaccurate amount to the federal grantor, and there is a risk that the federal grantor could withhold grant funds.

We used a non-statistical, random sampling method and, therefore, estimate the amount of improper payments to be $85,850. We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to supports its expenditures.

Recommendations

We recommend the Department:

- Establish adequate internal controls, including policies and procedures, to ensure only allowable services for eligible or potentially eligible students are paid with earmarked funds
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department concurs with the finding.

The case management system was updated to ensure payments from the earmarked amount only go to students between the ages of 13 and 21.

The Department will be developing standard operating procedures to guide how payments are initially determined as allowable to be paid with the earmarked funds.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:

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 sample 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 findings, 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.
  (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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.
> >
> > **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 U. S. Code chapter 16 – Vocational Rehabilitation and Other Rehabilitation Services states in part:

> Section. 705. Definitions
>
> (1) Administrative costs
>
> (c) providing information about the program to the public;
>
> (37) Student with a disability
>
> (A) In general The term “student with a disability” means an individual with a disability who –
>
> (i)(I)(aa) is not younger than the earliest age for the provision of transition services under section 614(d)(1)(A)(i)(VIII) of the Individuals with Disabilities Education Act (20 U.S.C. 1414(d)(1)(A)(i)(VIII)); or

(bb) if the State involved elects to use a lower minimum age for receipt of pre-employment transition services under this chapter, is not younger than that minimum age; and

(II)(aa) is not older than 21 years of age;

(bb) if the State law for the State provides for a higher maximum age for receipt of services under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.), is not older than that maximum age; and

(ii)(I) is eligible for, and receiving, special education or related services under part B of the Individuals with Disabilities Education Act (20 U.S.C. 1411 et seq.); or

(II) is an individual with a disability, for purposes of section 794 of this title.

Section 730. State Allotments

(d) Funds for pre-employment transition services

(1) From any State allotment under section (a) for a fiscal year, the State shall reserve not less than 15 percent of the allotted funds for the provision of pre-employment transition services

(2) Such reserved funds shall not be used to pay for administrative costs of providing pre-employment transition services.

Section 733. Provision of pre-employment transition services, states in part:

(a) In general – From the funds reserved under section 730(d) of this title, and any funds made available from State, local or private funding sources, each State shall ensure that the designated State unit, in collaboration with the local educational agencies involved, shall provide, or arrange for the provision of, pre-employment transition services for all students with disabilities in need of such services who are eligible or potentially eligible for services under this subchapter.

2017-016 The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National 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:	2B08TI010056-15; 2B08TI010056-16; 5U79TI023477-05; 79SP020155-03; 5U79TI024265-03; 1H79TI025995-01; 5H79SM061705-02; 5H79TI025342-02; 1H79TI026138-01; 1H79TI025570-01; 1H79SP022135-01; 5U79SM061237-04	
Applicable Compliance Component:	Subrecipient Monitoring	
Known Questioned Cost Amount:	None	

Background

The Department of Social and Health Services, Division of Behavioral Health and Recovery (BHA), 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. While BHA directly awards most of the funds, the Department's Office of Indian Policy (OIP) provides the funds to the tribal entities. OIP enters into the contracts and awarded program funds to 26 tribal entities during the audit period. The Department spent more than $36.9 million in grant funds during fiscal year 2017. Of this amount, the Department passed about $30.6 million to 75 subrecipients, including nearly $1 million to the 26 tribes.

The Department also administers the Substance Abuse and Mental Health Services Projects of Regional and National Significance. This 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 million in grant funds during fiscal year 2017. Of this amount, the Department passed about $6.6 million to 40 subrecipients, including counties, school districts and nonprofit organizations.

Federal regulations require the Department to monitor the activities of award subrecipients. This includes ensuring its subrecipients that spend $750,000 or more in federal grant money during a fiscal year obtain a single audit. The Department also must follow up on any audit findings a subrecipient receives that might affect the federal program, and must 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 2016-014, 2015-016 and 2014-019.

Description of Condition

We found the Department did not have adequate internal controls in place to verify:

- Subrecipients received required audits
- Findings were followed up on and management decisions were issued promptly

BHA implemented a new process to obtain and monitor information related to required subrecipient audits beginning in April 2016. As part of this process, BHA sends audit verification forms to all subrecipients and contractors that receive federal funds, asking whether they required an audit and, if so, to provide a copy of the audit report. When the forms are returned, the results are tracked and monitored in a tracking spreadsheet.

We evaluated BHA's process and found, for the 49 non-tribal subrecipients that received Substance Abuse Block Grants Funds:

- Three were not sent audit verification forms by BHA
- Five were not included on the BHA tracking spreadsheet, including the three that weren't sent forms

We also found, for the 40 subrecipients that received Substance Abuse and Mental Health Services Projects of Regional and National Significance funds:

- Four were not sent audit verification forms by BHA
- Six were not included on the BHA tracking spreadsheet, including the four that weren't sent forms

OIP was responsible for ensuring the 26 tribal entities received required audits. We found OIP did not ensure the required audits were performed for any of the 26 tribal entities and therefore did not review these audits to see if follow up was required.

We consider these internal control weaknesses to constitute a material weakness.

Cause of Condition

While BHA had established procedures to monitor and verify if subrecipients obtained required audits, it did not follow them. When preparing a list of all subrecipients that received federal grant funds, several were unintentionally omitted. Additionally, BHA monitored subrecipient audit results only for those entities that had returned the audit verification form.

OIP did not have an established process in place to ensure tribal entities receive the required audits or to review the audits that are performed to determine if they need to follow up and issue management decision on any findings. OIP stated they did not track these audits because the amounts awarded were not material to the grant.

Effect of Condition

Without establishing adequate internal controls, the Department cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements, and thus that it has met federal monitoring requirements.

Recommendations

To improve its monitoring of subrecipients, we recommend:

- BHA verifies all required audits occurred
- BHA follows up on all subrecipient audit findings related to the program and issues a management decision promptly
- OIP implements and follows procedures that ensure the tribal entities receive audits, if required, and that they review and follow up on identified audit issues as needed

Agency's Response

The Department concurs with the finding.

The Department will ensure all required audits occur.

The Behavioral Health Administration will develop additional internal control procedures to supplement Management Bulletin BFD 16-09-002 to certify:

- *Subrecipients submit required audits*
- *Audits are reviewed for findings*
- *If findings are found which relate to Department program funds, corrective action plans will be put in place and tracked.*

The Office of Indian Policy will establish procedures to document in the Agency Contracts Database:

- *The yearly amount of federal spends spent by each tribal entity.*
- *When the tribal entity audits were completed.*

The Behavioral Health Administration will use the Federal Audit Clearinghouse to determine if any of the tribal audits contained findings. If an audit resulted in a finding with Department funds, the Behavioral Health Administration will contact the tribal entity to obtain a copy of the finding and develop a corrective action plan. If the administration needs assistance, they will contact the Office of Indian Policy for additional support.

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) establishes the following applicable requirements:

> Section 200.303 Internal controls, states in part:
>
> 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 200.516 Audit findings, 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
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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:
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> > **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.

Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI, *Compliance Supplement 2017*, 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.

2017-017 The Department of Social and Health Services did not have adequate internal controls over 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:	1601WATANF; 1701WATANF
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$1,230

Background

The Department of Social and Health Services (DSHS), 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 activities listed in the Individual Responsibility Plan (IRP) through the WorkFirst program, unless the TANF benefits are received only on behalf of a child. TANF funds may be used to pay participants' childcare 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 the program, TANF funds may still be used to pay childcare costs to help the client maintain employment.

Working Connections Child Care program

Washington has established the Working Connections Child Care (WCCC) program to help eligible working families pay for childcare. 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 childcare providers. DSHS determines client eligibility and pays childcare providers under an agreement with DEL.

Federal grant funding

Some payments made to WCCC providers for childcare are paid for by 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 childcare payments are consolidated under the WCCC program.

In fiscal year 2017, DSHS made an estimated 659,003 monthly childcare subsidy payments to childcare providers from both the CCDF and TANF grant as well as state funding. These payments totaled almost $230 million in federal funds, about $39 million of which came from the TANF grant.

Childcare providers

There are three provider types in the WCCC program:

- Licensed centers
- Licensed family homes
- Family, friends and neighbors (FFN)

According to state rules, childcare providers must maintain attendance records to support their billing. At a minimum, the records must include: the children's names; date(s) childcare was provided; and authorized signatures, typically of a parent or guardian, documenting the times the child arrived and left care.

Prior audit results

In the prior audit, we reported DSHS failed to establish adequate internal controls over and did not comply with federal requirements to ensure payments to childcare providers, paid for by TANF funds, were allowable. The prior audit finding number was 2016-019. We have also been reporting on the same condition for the CCDF program since 2005. The most recent audit finding numbers were 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12 and 8-13.

Description of Condition

We found the internal control deficiencies identified during our audit of the CCDF program directly affect DSHS's use of TANF funds, because the federal grants are commingled when paying WCCC providers.

We found DSHS did not have adequate internal controls to ensure payments to childcare providers, paid for by TANF funds, were allowable. Although DEL and DSHS perform some oversight activities, these were not sufficient to ensure payments were allowable.

We randomly selected and examined 133 WCCC payments for childcare, totaling $61,937 in federal funds, to determine if they were allowable. We chose payments from each of the three provider types: licensed centers, licensed family homes and FFN's. Of the 133 payments, 20 included a total of $11,782 in TANF federal funding. With assistance from DEL, we requested attendance records from providers to support the payments. We reviewed the providers' records to determine if the payments were allowed by federal and state regulations, as well as by DEL's policies.

We found three of the 20 (15 percent) payments with TANF federal funding were partially or fully unallowable. Of these payments, two were fully paid for by TANF funds and one was partially paid for by TANF funds. In total, we questioned $1,230 paid by federal TANF funds.

The reasons the overpayments occurred were:

- Providers did not submit attendance records or submitted attendance records that were inadequate to support payments
- Providers overbilled for services not performed or were not supported by attendance records
- Providers billed for overtime, field trip fees or registration fees when they did not have a written policy in place to also charge private paying parents

We consider these internal control deficiencies to be a significant deficiency.

Cause of Condition

Adequate internal controls did not exist to ensure payments were allowable. Although the authorizations establish a maximum for what providers may bill without further approval, they do not prevent providers from billing for unallowable days, hours or services. The claim and payment system is not linked to authorizations or attendance. Childcare providers must maintain attendance records and submit this supporting documentation only when it is requested.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, DSHS increases its risk of making improper payments for childcare services.

A statistical sampling method was used to randomly select the payments examined in the audit. We estimate the total amount of likely improper payments with federal TANF funds to be $6,095,629. Many of the improper payments were partially funded by state TANF funds. Specifically, we found 32 improper payments were partially funded with a total of $392 of state funds, which projects to a likely improper payment amount of $1,940,896. This amount is not included in the federal questioned costs.

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend the Department:

- Implement preventive internal controls over payments to providers to reduce the rate of unallowable payments
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department 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.

As noted in our response to 2016-034 TANF Activities Allowed, because we were already three quarters of the way through SFY17, we acknowledged that we were likely to see similar findings in this audit period.

The Department will continue to develop and implement internal controls including third-party reviews through the establishment of the Process Review Panel (PRP), and pre-authorization reviews on high-risk and/or high cost cases based on trend analysis discovered during the PRP. These initiatives will help ensure staff make correct eligibility and authorization determinations which will minimize the risk for providers to overbill or incorrectly bill for payments.

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.

SAO Description of Weakness: *Providers overbilled for services not performed or supported by required documentation. Adequate internal controls did not exist to ensure payments were allowable. Although the authorizations establish a maximum for what providers may bill without further approval, they do not prevent providers from billing for unallowable days, hours or services.*

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 is implementing an electronic attendance system and intends to require all providers to use it effective July 1, 2018. However, we are likely to see repeat findings because the implementation won't occur until halfway through SFY18.

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. 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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:

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 sample 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.

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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 findings, 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.
    (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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.
>
> **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 Code of Federal Regulations 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.

Washington Administrative Code 170-290-0002 Scope of agency responsibilities.

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.

Washington Administrative Code 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.

Washington Administrative Code 170-290-0271 Payment discrepancies—Consumer overpayments, states :

(1) DSHS establishes overpayments for past or current consumers when the consumer:
  (a) Received benefits when the consumer was not eligible;
  (b) Was determined eligible at application or reapplication based on the consumer's participation in an approved activity and used benefits while never participating in said activity;
  (c) Failed to report changes under the requirements of WAC 170-290-0031 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;
  (e) Received benefits for a child who was not eligible per WAC 170-290-0005, 170-290-0015 or 170-290-0020;
  (f) Failed to enter their approved activity at the end of the fourteen-day wait period;
  (g) Failed to have TANF approved and enter an approved WorkFirst activity; or
  (h) Failed to return, by the sixtieth day, the requested income verification of new employment as provided in WAC 170-290-0012.
(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 170-290-0030 through 170-290-0032 and the provider has billed correctly, the consumer is responsible for the entire overpayment, including any absent days.

Washington Administrative Code 170-290-0030 Consumers' responsibilities, states in part:

When a person applies for or receives WCCC benefits, the applicant or consumer must, as a condition of receiving those benefits:

(12) Document their child's attendance in child care by having the consumer or other person authorized by the consumer to take the child to or from the child care:
  (a) If the provider uses a paper attendance record, sign the child in on arrival and sign the child out at departure, using their full signature and writing the time of arrival and departure; or
  (b) Record the child's attendance using an electronic system if used by the provider;

Washington Administrative Code 170-290-0034 Providers' responsibilities, states in part:

Child care providers who accept child care subsidies must do the following:

(1) Comply with:

(a) All of the DEL child care licensing or certification requirements as provided in chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or
(b) All of the requirements in WAC 170-290-0130 through 170-290-0167, 170-290-0250, and 170-290-0268, for child care providers who provide in-home/relative care;

(2) Report pending charges or convictions to DSHS as provided in:
(a) Chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or
(b) WAC 170-290-0138 (2) and (3), for child care providers who provide in-home/relative care;

(3) Keep complete and accurate daily attendance records for children in their care, and allow access to DEL to inspect attendance records during all hours in which authorized child care is provided as follows:
(a) Current attendance records (including records from the previous twelve months) must be available immediately for review upon request by DEL.
(b) Attendance records older than twelve months to five years must be provided to DSHS or DEL within two weeks of the date of a written request from either department.
(c) Failure to make available attendance records as provided in this subsection may:
(i) Result in the immediate suspension of the provider's subsidy payments; and
(ii) Establish a provider overpayment as provided in WAC 170-290-0268;

(4) Keep receipts for billed field trip/quality enhancement fees as follows:
(a) Receipts from the previous twelve months must be available immediately for review upon request by DEL;
(b) Receipts from one to five years old must be provided to DSHS or DEL within two weeks of the date of a written request from either department;

(5) Allow consumers access to their child at all times while the child is in care;

(6) Collect copayments directly from the consumer or the consumer's third-party payor, and report to DSHS if the consumer has not paid a copayment to the provider within the previous sixty days;

(7) Follow billing procedures:
(a) As described in the most current version of "*Child Care Subsidies: A Guide for Licensed and Certified Family Home Child Care Providers*,"; or
(b) As described in the most current version of "*Child Care Subsidies: A Guide for Family, Friends and Neighbors Child Care Providers*"; or
(c) As described in the most current version of "*Child Care Subsidies: A Guide for Licensed and Certified Child Care Centers*."

(8) Not claim a payment in any month a child has not attended at least one day within the authorization period in that month.

(9) Invoice the state no later than one calendar year after the actual date of service;

(10) For both licensed and certified providers and in-home/relative providers, not charge subsidized families the difference between the provider's customary rate and the maximum allowed state rate; and

(11) For licensed and certified providers, not charge subsidized families for:
(a) Registration fees in excess of what is paid by subsidy program rules;

(b) Absent days on days in which the child is scheduled to attend and authorized for care;
(c) Handling fees to process consumer copayments, child care services payments, or paperwork;
(d) Fees for materials, supplies, or equipment required to meet licensing rules and regulations; or
(e) Child care or fees related to subsidy billing invoices that are in dispute between the provider and the state.

Washington Administrative Code 170-290-0138 In-home/relative providers—Responsibilities, states in part

An in-home/relative provider must:

(6) Bill only for actual hours of care provided. Those hours:
  (a) Must be authorized by DSHS;
  (b) Must be used by the consumer; and
  (c) Can be claimed whether or not the consumer is present during the hours of care.
(7) Bill for no more than six children at one time during the same hours of care;
(8) Track attendance documenting the days and hours of care provided and keep records for five years:
  (a) If paper attendance records are used, the provider must have the consumer sign and date the attendance records at least weekly, verifying the accuracy of the dates and times.
  (b) Providers may use an electronic attendance system as provided in WAC 170-290-0139 to record attendance in lieu of a paper sign-in record;
(9) Repay any overpayments under WAC 170-290-0268; and

Washington Administrative Code 170-290-0190 WCCC authorized and additional payments—Determining units of care, states:

(1) DSHS may authorize and pay for the following:
  (a) Full-day child care to licensed or certified facilities and DEL contracted seasonal day camps when a consumer's children need care between five and ten hours per day;
  (b) Half-day child care to licensed or certified facilities and DEL contracted seasonal day camps when a consumer's children need care for less than five hours per day;
  (c) Hourly child care for in-home/relative child care;
  (d) Full-time care when the consumer participates in one hundred ten hours or more of approved activities per calendar month based on the consumer's approved activity schedule. Full-time care means the following:
    (i) For licensed care or certified facilities, twenty-three full-day units if the child needs five or more hours of care per day, or thirty half-day units if the child needs fewer than five hours of care per day; and
    (ii) Two hundred thirty hours for in-home/relative child care;
  (e) A registration fee (under WAC 170-290-0245);
  (f) A field trip fee (under WAC 170-290-0247);

(g) Special needs care when the child has a documented need for a higher level of care (under WAC 170-290-0220, 170-290-0225, 170-290-0230, and 170-290-0235); and
(h) A nonstandard hours bonus under WAC 170-290-0249.

(2) Beginning September 1, 2016, and applicable to school-age children, DSHS will authorize and pay for child care as follows:
(a) DSHS will automatically increase half-day authorizations to full-day authorizations beginning the month of June when the child needs full-day care; and
(b) DSHS will automatically decrease full-day authorizations to half-day authorizations beginning the month of September unless the child continues to need full-day care during the school year until the following June. If the consumer's schedule has changed and more care is needed, the consumer must request an increase, and DSHS will verify the need for increased care. DSHS will send the consumer notification of the decrease as stated in WAC 170-290-0025;

(3) DSHS may authorize up to the provider's private pay rate if:
(a) The parent is a WorkFirst participant; and
(b) Appropriate child care, at the state rate, is not available within a reasonable distance from the approved activity site.
"Appropriate" means licensed or certified child care under WAC 170-290-0125, or an approved in-home/relative provider under WAC 170-290-0130.
"Reasonable distance" is determined by comparing what other local families must travel to access appropriate child care.

(4) DSHS authorizes overtime care if:
(a) More than ten hours of care is provided per day (up to a maximum of sixteen hours a day); and
(b) The provider's written policy is to charge all families for these hours of care in excess of ten hours per day.

(5) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits cannot receive those benefits for their own children during the hours in which they provide subsidized child care.

Washington Administrative Code 170-290-0245 Registration fees, states:

(1) DSHS may pay licensed or certified child care providers and DEL contracted seasonal day camps a registration fee when:
(a) A child is first enrolled by the consumer for child care with a provider;
(b) A consumer enrolls their child with a new child care provider during their eligibility period; or
(c) A child has more than a sixty-day break in child care services with the same provider, and it is the provider's policy to charge all parents this fee when there is a break in service.

(2) A registration fee will be paid only once per calendar year for children who are cared for by the same provider, even if the provider receives subsidy payments under different subsidy programs during this time period for the enrolled children, unless there is a break of sixty days or more as provided in subsection (1)(c) of this section.

Washington Administrative Code 170-290-0247 Field trip/quality enhancement fees, states:

(1) DSHS pays licensed or certified family home child care providers a monthly field trip/quality enhancement fee up to thirty dollars per child or the provider's actual cost for the field trip, whichever is less, only if the fee is required of all parents whose children are in the provider's care. DEL-licensed or certified child care centers and school-age centers are not eligible to receive the field trip/quality enhancement fee.

(2) The field trip/quality enhancement fee is to cover the provider's actual expenses for:
   (a) Admission;
   (b) Enrichment programs and/or ongoing lessons;
   (c) Public transportation or mileage reimbursement at the state office of financial management rate for the use of a private vehicle;
   (d) The cost of hiring a nonemployee to provide an activity at the child care site in-house field trip activity; and
   (e) The purchase or development of a prekindergarten curriculum.

(3) The field trip/quality enhancement fee shall not cover fees or admission costs for adults on field trips, or food purchased on field trips.

2017-018 The Department of Social and Health Services did not establish adequate internal controls over and did not comply with federal 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; 1701WATANF
Applicable Compliance Component:	Special Tests and Provisions - Child Support Non-Cooperation
Known Questioned Cost Amount:	$2,314

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 over $309 million in grant funds during fiscal year 2017.

The Department's Division of Child Support (DCS) provides child support services, including paternity establishment, child-support-order establishment and child support collection services. TANF clients are required to cooperate with DCS 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 of that determination. Federal regulations require the Department to reduce benefits if a client does not cooperate with DCS.

In our last two audits, we reported the Department did not have adequate internal controls over and did not comply with requirements to sanction TANF clients who did not cooperate with DCS child support services. The prior finding numbers were 2016-015 and 2015-018.

Description of Condition

During the audit period, the Department did not establish adequate internal controls to ensure it complied with child support noncooperation requirements. After child support noncooperation was determined, the Department did not sufficiently monitor to ensure benefits were reduced.

As a result of prior audit findings, the Department implemented the following procedures:

- Increased the priority of noncooperation cases so a staff member examines them within ten working days of being referred
- Implemented an automated process to identify currently closed cases that involve noncooperation, in the event the case is reopened

- Monitors to ensure all notifications of noncooperation received from prosecuting attorneys are entered into the case management system

However, we found that these procedures were not fully implemented until the last quarter of the audit period.

We randomly selected and examined two separate populations of TANF recipients who should have received a noncooperation notice. One population included cases closed during the audit year and the second population included open cases. For the population of closed cases, we examined 17 recipients of a total population of 280. We found no exceptions. For the population of open cases, we examined 59 recipients of a total population of 3,738. For the 59 recipients, we found:

- A record of noncooperation was not documented in three client files
- A record of noncooperation was documented three months late in one client file, as a result of a known computer failure period
- A record of noncooperation was not documented within 10 days of receipt in seven additional client files
- Of these 11 clients, benefits were not properly reduced for eight

None of these exceptions occurred after the Department fully implemented its new procedures in March 2017.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

While the Department implemented new procedures, they were not in place and operating effectively for a majority of the audit period.

Effect of Condition and Questioned Costs

By not monitoring to ensure non-cooperative clients had their benefits reduced or denied, the Department issued $2,314 in improper payments to clients. We used a statistical sampling method to select the payments we examined, and estimate the amount of improper payments to be $146,621.

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining whether or not expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions were above our materiality threshold. This conclusion is reflected in our audit report and finding. However, the estimated improper payments are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3).

Recommendations

We recommend the Department continue to follow its newly established procedures to ensure participants who do not cooperate with DCS have their TANF benefits reduced or denied as required by federal law.

We also recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Department partially concurs with the audit finding.

As a result of the previous year's audit findings, the Department fully implemented new procedures in March 2017 (note: the FY2017 audit period spans July 2016 – June 2017). The SAO did not find exceptions after the Department implemented the new procedures, validating that these new procedures are effective. The Department will continue to follow the new procedures to ensure TANF benefits are reduced or denied timely and accurately for participants who do not cooperate with child support requirements.

The Department recognizes that it did not properly apply sanctions for 11 clients who did not cooperate with child support requirements.

The Department concurs that seven of those 11 clients received more benefits than they were eligible to receive. The Department will carefully review these seven cases and will establish overpayments as appropriate.

For the remaining four clients in question, the Department (appropriately) did not reduce benefits because:

- *For one client, the noncooperation was not worked timely, however, the sanction was imposed and the overpayment was already appropriately established for prior months.*
- *For two clients, a procedural error occurred that did not result in any overpayments to the clients.*
- *For the remaining client, the Department concurs that a procedural error occurred, but does not concur with the associated question cost of $623. The Department did not properly apply the sanction, but subsequently received a back-dated cooperation notice during the audit period that cancelled out the sanction. Therefore, the client received the correct benefit amount. The Department believes the known question cost of this finding should be adjusted to $1,691.*

Auditor's Concluding Remarks

Regarding the Department's disagreement – we deemed the $623 as a questioned cost because, at the time of payment, the client was in non-cooperative status. The client's benefit amount should have been reduced until the Department ultimately determined the client was cooperative.

Since the Department disagrees an overpayment was made to the client, we reaffirm our recommendation that it consult with the grantor to determine what, if any, of the questioned costs should be repaid.

We will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

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(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 sample 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.

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(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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.
> >
> > **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.

2017-019 **The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements 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;1701WATANF
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 $309 million in federal grant funds during fiscal year 2017.

Federal regulations require the Department to maintain state spending at certain levels to meet federal grant requirements, referred to as maintenance of effort (MOE). The state must:

- Maintain state expenditures for eligible families at a level that is at least 80 percent of historic state expenditures.
- Maintain 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.
- Maintain supporting documentation to show the state is complying with MOE requirements.

Although the Department administers the grant, it can count certain expenditures made by other state agencies and nonprofit organizations toward its MOE requirements. The Department must ensure these expenditures of other agencies and organizations were for TANF-eligible clients.

During state fiscal year 2017, the Department claimed about $159 million of its own spending within eight programs toward its MOE requirements. In addition, the Department claimed about $442 million of expenditures from another 15 programs, including seven other state agencies and two nonprofit organizations. These expenditures were not part of the state's TANF program.

In our last two audits, we reported the Department did not have adequate internal controls to ensure it complied with the MOE requirements. This was reported as finding numbers 2016-017 and 2015-020.

Description of Condition

The Department did not have adequate internal controls in place to ensure it complied with the MOE requirements.

The Department uses information from large databases to produce a list of TANF-eligible clients, a complex process that requires changes in the way the information is coded. Other agencies use this list to identify state funds paid for benefits provided to the same clients. The Department performed reviews to ensure necessary coding changes were applied to the data properly. However, we found the Department did not use program change control software. Without the use of such a tool to document what code was modified, added or deleted, there is an increased risk that changes to code could be made and not reviewed.

We found the review and testing of coding changes was not adequately documented to evaluate if the Department's internal controls over MOE claims were in place and effective. We randomly selected and examined 86 clients on the Department's list of TANF clients and found that five (6 percent) were not eligible.

We also found the Department did not:

- Adequately monitor expenditures throughout the year to ensure it would meet the MOE expenditure level requirements
- Review final expenditure data from outside agencies to determine whether the expenditures were allowable and adequately supported

We consider these internal control weaknesses to be a significant deficiency. We were able to examine other supporting data not used by the report preparers to gain reasonable assurance 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, although 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 were sufficient to ensure accuracy and completeness.

The Department did not have ongoing fiscal monitoring to ensure it met the MOE requirements. The Department believed using budget data for the corresponding fiscal year would ensure it met MOE requirements. However, having sufficient budget does not give assurance that all budget will be expended.

The Department also believed it could rely on the other agencies' processes to ensure additional MOE expenditures are allowable, supported, and correct, through the use of attestations that accompany emails stating amounts expended.

Effect of Condition

By not performing adequate reviews of coding and expenditure data, the Department cannot be sure the expenditures claimed to meet the MOE requirements were accurate.

The Department did not know if it would be compliant with MOE requirements until after the year had ended because it did not perform 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.

Although we determined the Department was materially compliant with the MOE requirements, we found the following:

- The Department included amounts totaling $1,516 that were not allowable MOE expenditures. Our examination was performed using a statistically valid sampling method. We estimate the Department claimed a total of $851,322 in unallowable expenditures.
- The Department included MOE amounts that were outside the current federal fiscal year.
- The errors on the Department's eligible client list led to an estimated $2.1 million in unallowable MOE expenditures being claimed.

If it does not ensure 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, or alternative method, along with a secondary review, to ensure all coding changes are appropriate, accurate and complete
- Monitor throughout the fiscal year to ensure MOE expenditure level requirements are being met

Agency's Response

The Department partially concurs with the overall findings of the State Auditor's Office.

The Department concurs with the State Auditor's Office's recommendation to establish written policies and procedures to ensure it collects and reviews adequate documentation to support all MOE expenditures.

In response to the 2016-017 finding, the Department took steps to address its lack of written policies and procedures regarding the preparation of its reports. As of February 1, 2017, the Department developed manuals that outline collaborative procedures between the Community Services Division, the Research and Data Analysis Division (RDA), and the Division of Finance and Financial Recovery in report preparation. However, because these changes were not implemented until half-way through SFY 17, the Department understands that the SAO could not consider the improvements in internal controls and anticipated seeing a repeat finding in this audit area.

RDA will address the recommendation to utilize a change tool and secondary review to ensure all coding changes are appropriate, accurate and complete, in the agency response to 2017-020 TANF Reporting 199 & 209.

Lastly, the Department supports the recommendation to monitor throughout the fiscal year to ensure MOE expenditure level requirements are being met.

In addition to improving the Department's internal controls and documentation processes, the Department proposed additional steps to address the recommendations provided by the State Auditor's Office. The Department intends to implement Memorandums of Understanding (MOUs) with all partnering sources at the outset of the federal fiscal year. These MOUs will give the Department an opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering source. During presentation of the MOU, the Department will also review partners' methodologies and record management protocols, and offer training and assistance, if needed.

During the federal fiscal year, the Department will implement a quarterly monitoring/reporting schedule for all MOE sources, to ensure reported expenditures are allowable and accurate in a timelier manner. The Department believes its use of MOUs during the first quarter of the corresponding federal fiscal year, and the improved review/reporting schedule, will allow the Department to forecast and monitor its ability to meet both its TANF MOE and TANF Contingency Fund requirements throughout the year.

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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

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 findings, 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.

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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 Code of Federal Regulation 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.

2017-020 The Department of Social and Health Services did not have adequate internal controls in place for ensuring the accuracy of submitted 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; 1701WATANF
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. 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 $309 million in grant funds during fiscal year 2017.

Federal regulations require the Department to file quarterly reports that include work participation data at summary and individual levels. 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's determination of whether states have met the required work participation rates. A penalty may apply for failure to meet the required rates.

In our prior audit, we reported the Department did not have adequate internal controls in place for submitting accurate quarterly reports. The prior finding number was 2016-016.

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 in an 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, the reviews were not sufficiently documented. For these reasons, we were unable to evaluate if internal controls were in place and effective.

Additionally, a program change tool was not used to facilitate an adequate review. Without the use of such a tool or an alternative method to identify what code was modified, added or deleted, there is an increased risk that code could be changed, either intentionally or unintentionally.

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 establish adequate written policies or procedures to ensure it complied with reporting requirements. The Department has researched program change tools, but none was used 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 were sufficient to ensure accuracy and completeness.

Effect of Condition

Because it did not perform adequate reviews, the Department cannot be sure data used for reporting purposes was accurate and complete. Without assurance the data is accurate, the Department could unknowingly become noncompliant and could be penalized.

Grant terms would allow the grantor to penalize the Department 4 percent of the grant for each quarter if the state failed to submit accurate, complete and timely reports, and up to 21 percent for not meeting minimum participation rates.

Recommendations

We recommend the Department:

- Establish adequate written policies and procedures that describe how the Department ensures the reported data is accurate and complete
- Improve internal controls to ensure accurate and complete reporting
- Use a program change tool, or an alternate method, along with a secondary review, to ensure changes are appropriate, accurate and complete

Department's Response

The Department partially agrees with the audit finding.

The Department concurs written policies and procedures that describe how the Department ensures grant reporting data is accurate and complete needs to be sufficient. We also concur internal controls are needed to ensure accuracy and completeness.

- *The Department believes 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 (SAS) processes use these data to comply with reporting* *requirements. Staff also run a quality assurance process for each report that identifies potential fatal and warning edits; these results are reviewed by the Supervisor.*

- *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. The quarterly reports required for meeting participation rates were accurate, complete and submitted timely.*
- *During FY17 the Department documented the 199 and 209 processes in detail and submitted this documentation to SAO for review. The Department continues to extend and update these written policies and procedures for this complex reporting process.*
- *The Department implemented a quarterly internal control/quality assurance process beginning in January 2017. In this process, a random sample of 199 and 209 reported cases are checked against the source data systems for correctness, and a summary of the QA results are reviewed by a supervisor. Documentation on this process was also submitted to the SAO for review.*

The Department does not concur a program change tool is needed.

- *Manual monitoring, reviewing, and testing of coding changes were performed by Department staff 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.*

Going forward, the Department will ensure:

- *Quarterly quality assurance testing using statistical sampling continues to be performed in order to ensure that "data used for reporting purposes was accurate and complete."*
- *Written policies and procedures will continue to be updated that describe "how the Department ensures the reported data is accurate and complete."*
- *Supervisor review of quality assurance sampling results will be documented.*
- *Version control software packages and alternative methods will continue to be researched to determine if they will be used. Current source code archiving processes are documented.*

Auditor's Concluding Remarks

Without the use of a program change tool, or alternative method, 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.

During our testing of maintenance of effort requirements for the TANF program we examined a random sample of 86 clients and found that five (six percent) were not eligible clients. These clients were improperly determined TANF eligible because an error was made in the coding that was not detected upon review. This condition is being reported in finding 2017-019. The retention of old versions of code does not help detect improper coding changes unless the two version are compared to each other line by line. This is further evidenced by the fact it took a significant amount of time for the Department to find and correct the undetected error in the code.

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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

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 findings, 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.

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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.

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 by 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;

2017-021 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.

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; 1701WATANF
Applicable Compliance Component:	Reporting
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. 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 $309 million in federal grant funds during state fiscal year 2017. In addition, the Department reported it spent over $601 million in state funds toward meeting a maintenance of effort (MOE) requirement for the federal fiscal year 2016 grant. This amount includes over $400 million in expenditures made by other state agencies. When reporting the expenditures of other agencies, the Department must ensure the amounts reported are accurate and complete or enter into a written agreement with the other agencies specifying that they will do so.

Quarterly financial reports

Federal regulations require the Department to file quarterly financial reports that include details on how both federal and state TANF funds are spent. The Department collects information on a monthly basis and files the federal reports on a quarterly basis. A quarterly report must be filed for each federal grant that is open. At the end of each federal year, the report must include federal and state MOE expenditures.

Annual report

The Department must also file an annual report that contains detailed information on the state's MOE spending for that year. The total MOE expenditures reported on the quarterly financial report at federal fiscal year end must match the expenditures reported on the separate annual report. The Department must keep records that show all costs are allowable and verifiable.

In our last two audits, we reported findings that the Department did not have adequate internal controls over submitting quarterly and annual reports for the TANF program. This was reported in finding numbers 2016-018 and 2015-021.

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 $601,121,012 in state spending for federal fiscal year 2016 but did not maintain adequate documentation needed to support the expenditures. The Department submitted seven quarterly reports, and we examined four of them. The final quarterly report for federal fiscal year 2016, which we examined, included MOE totaling over $400 million in spending by other state agencies. Each of these agencies attested to the Department how much it spent. However, the Department staff who prepared and submitted the reports to the federal government did not independently verify the amounts were accurate and adequately supported.

Annual report

We identified errors in the underlying data from other agencies that totaled about $2.1 million. These errors were partially identified through statistically valid sampling methods. We estimate an additional $850,000 was likely reported in error.

We consider these internal control weaknesses to constitute a significant deficiency for the quarterly financial reports and the annual report.

Cause of Condition

During the audit period, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses. However, these were not completed by the end of the audit period and therefore the Department did not have adequate written policies or procedures in place to ensure it complied with reporting requirements. In last year's finding, we recommended the Department ensure the amounts reported by other agencies were accurate. However, the staff who prepared the reports during fiscal year 2017 again relied on attestations from other state agencies and believed this was sufficient to ensure the reported amounts were correct.

Additionally, management did not adequately monitor to ensure the Department complied with the federal requirements.

Effect of Condition

Not ensuring the accuracy of the required quarterly and annual reports diminishes the federal government's ability to monitor grant funds. 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 to verify the amounts reported by the Department were materially accurate.

Recommendations

We recommend the Department:

- Establish sufficient written policies and procedures for preparing the reports
- Verify expenditures reported by other state agencies to ensure they are allowable and adequately supported
- Maintain adequate documentation to support reports filed with its federal grantor

Agency's Response

The Department partially concurs with the overall findings of the State Auditor's Office.

The Department concurs with the State Auditor's Office's recommendation to establish written policies and procedures for preparing reports and to maintain adequate documentation to support reports filed with the federal grantor.

In response to the 2016-018 TANF Reporting finding, the Department took steps to address its lack of written policies and procedures regarding the preparation of its reports. As of February 1, 2017, the Department developed manuals that outline collaborative procedures between the Community Services Division (CSD), the Division of Research and Data Analysis (RDA), and the Division of Finance and Financial Recovery (DFFR) in report preparation. However, because these changes were not implemented until halfway through SFY 17, the Department understands that the SAO could not consider the improvements in internal controls and anticipated seeing a repeat finding in this audit area.

The Department will take additional steps to determine, to the best of its ability, all expenditures are accurate and adequately supported. The Department will develop a quarterly reporting schedule, use Memorandums of Understanding with all partnering sources at the outset of the federal fiscal year to outline allowable activities and expenditures, and approach partnering sources to offer training and guidance on TANF MOE and report preparation. The Department will also require attestations with submitted expenditure reports. All documentation will be stored locally and electronically for review. Representatives of CSD, DFFR, and RDA will review all sources' activities and expenditures on a quarterly basis in addition to participating in weekly meetings.

The Department understands the SAOs perspective on the requirement to verify expenditures reported by other state agencies. The Department will initiate discussions and seek guidance from the Office of Financial Management on establishing internal controls for this recommendation.

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) establishes the following applicable requirements:

> Section 200.303 Internal controls, states in part:
>
> 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 findings, 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.

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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.

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 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.

2017-022 The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors.

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
	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:	1701WATANF; 1601WATANF; G1701WACCDF; G1601WACCDF; G1501WACCDF	
Applicable Compliance Component:	Other-Fraud Reporting	
Known Questioned Cost Amount:	None	

Background

The Department of Social and Health Services (Department) administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. The Department of Early Learning administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for childcare. DEL is the lead agency for the CCDF program; however, the Department's Office of Fraud and Accountability conducts investigations related to allegations of fraud for both agencies. During the audit period, the Department forwarded 77 cases involving TANF and/or CCDF funds to a prosecutor's office

The state spent about $309 million in federal TANF grant funds and $248 million in federal CCDF grant funds in fiscal year 2017.

Federal regulations require states to report in writing to federal grantors when fraud occurred that affected federal awards.

Description of Condition

During the audit period, prosecutor offices finalized 42 fraud cases that were identified by the Department over multiple years. These cases involved federal TANF funds, CCDF funds, or a combination of both. Federal funds from the TANF grant totaled $290,265. Federal funds from the CCDF grant totaled $243,249.

In addition, the Department identified one employee fraud for the TANF grant for a total of $8,523.
These cases were not reported in writing to the respective federal grantors as required by federal regulations.

This condition was not reported in the prior audit.

Cause of Condition

The Department was not aware of the requirement to disclose, in writing, instances of fraud affecting federal awards to its grantors.

Effect of Condition

The Department's noncompliance with reporting fraud affecting federal awards diminishes the federal government's ability to monitor grant funds.

If the auditor identifies known or likely fraud affecting a federal award that was not already reported to a grantor by the agency, a federal regulation requires the auditor to report the condition as a finding.

Recommendations

We recommend the Department:

- Establish sufficient procedures to ensure it reports in writing, instances of fraud affecting grant awards, as required by federal regulations
- Provide training to staff to ensure they are educated about the federal reporting requirement
- Review guidance published by the U.S. Department of Health and Human Services on self-disclosing instances of fraud affecting federal awards[1]

Department's Response

The Department concurs with the audit finding and will take swift action to correct the issue.

As an immediate fix, the Department will report, in writing, the 43 confirmed instances of fraud to the respective federal grantors.

The Department will also:

- *Convene a workgroup that will review guidance published by the U.S. Department of Health and Human Services regarding self-disclosing instances of fraud affecting federal awards to develop:*
    - *Sufficient procedures to ensure the Department reports, in writing, instances of fraud affecting grant awards*
    - *Training for staff to ensure they are educated about the federal reporting requirement.*

The Department's Economic Services Administration, Office of the Assistant Secretary leadership will ensure the procedures and training are implemented effectively and in a timely manner.

[1] https://oig.hhs.gov/compliance/self-disclosure-info/index.asp

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) establishes the following applicable requirements:

> Section 200.113 – Mandatory disclosures, states in part:
>
> > The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.
>
> Section 200.516 Audit findings, states in part:
>
> > (a) *Audit findings reported*. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
> >
> > > (6) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's report under the direct reporting requirements of GAGAS.

2017-023 The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	93.563 Child Support Enforcement
Federal Award Number:	1604WACEST, 1604WACSES, 1704WACEST, 1704WACSES
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$29,194

Background

The Department of Social and Health Services, Division of Child Support, (Department) administers the Child Support Enforcement grant. The grant provides financial support to families by locating noncustodial parents, establishing and enforcing child support orders, establishing and enforcing medical insurance coverage, establishing paternity, and collecting and paying child and spousal support payments.

The Department operates under federal regulations as well as a state plan that is approved every year. The Department is allowed to spend federal grant money on administrative costs to run the program. Staff bill 100 percent of their time to the Child Support Enforcement grant, and the Department uses a monthly certification process to ensure time billed is accurate. For any employee who did not work 100 percent of their time on the grant, a timesheet must be submitted. At the end of each month, the Department creates journal vouchers (JVs) to allocate the payroll costs from the Child Support Enforcement grant to other activities associated with work by these employees.

In fiscal year 2017, the Department spent over $110 million in federal funds on the program; about $61 million of this amount was for salaries and benefits.

Description of Condition

We found the Department used an incorrect methodology when it allocated payroll costs from the Child Support Enforcement grant to other activities. The Department overcharged the Child Support Enforcement grant by $29,194.

This condition was not reported in the prior audit.

Cause of Condition

In May 2015, the grantor issued an audit report informing the Department it was improperly charging salaries and benefits to the grant. In response, the Department changed its process to ensure payroll costs were properly charged in the future. During our audit period, there was some confusion about the Department's process, and management directed staff to go back to the prior methodology.

Effect of Condition and Questioned Costs

We found $29,194 in direct payroll and benefits charged to the Child Support Enforcement grant that should have been allocated to other grants. By changing the allocation methodology during state fiscal year 2017 to include leave hours, the Department improperly charged the grant.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to supports its expenditures.

Recommendations

We recommend the Department:

- Ensure its allocation methodology is accurate and that it is properly charging the Child Support Enforcement grant
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department concurs with the finding.

The Child Support Enforcement Grant was not properly charged in SFY 2017 for specific payroll and benefits. Employees within DCS that do not spend 100% of their time on a specific grant must complete time sheets for cost allocating the payroll and benefits cost proportionately to the proper funding sources, i.e. federal and/or state. In SFY 2017, the Department changed the allocation methodology resulting in an incorrect methodology. Upon discovery, the Department immediately corrected the methodology and updated procedures. The Department will correct accounting records to reflect charging the appropriate costs to the Child Support Enforcement grant.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 sample 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 findings, 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.

Section 200.430 Compensation—personal services, states in part:

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation—fringe benefits. 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 to both Federal and non-Federal activities;

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

2017-024 **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:	G1701WACCDF; G1601WACCDF; G1501WACCDF	
Applicable Compliance Component:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$8,814	

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families2 pay for child care. The Department of Social and Health Services (DSHS) determines client eligibility and pays child care providers under an agreement with DEL. Providers are paid from both the CCDF grant and the Temporary Assistance for Needy Families grant, and a payment can include funding from both programs.

DEL is responsible for establishing policies and procedures to ensure payments are allowable. In fiscal year 2017, DEL made 659,003 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 almost $230 million in federal funds.

There are three child care provider types: licensed centers; licensed family homes; and family, friends and neighbor providers (FFN). Licensed centers typically operate as larger 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 annual monitoring visits.

FFN providers are exempt from many of the licensing requirements and are not subject to routine onsite monitoring visits. These providers are limited to receiving payment for a maximum of six children in their home at a time.

Authorizations for child care

To be authorized for child care services, parents must be determined to be eligible based on their income, residency and demonstrated need based on their work schedules. Once parents are determined to be eligible, DSHS authorizes 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 hours).

Attendance records

According to State rules, child care providers must maintain attendance records to support their billing. 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 required to submit attendance records and other supporting documentation, which are reconciled to paid invoices.

DEL subsidy auditors completed 2,928 reconciliations during the audit period and identified 1,820 instances (62 percent) of provider overpayments that totaled $1,116,891. The identified overpayments represented about 16 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

Prior audit results

In the prior audit, we reported DEL failed to establish adequate internal controls over and was not compliant with federal requirements to ensure payments to child care providers were allowable. We have been reporting on this condition since 2005. The most recent audit finding numbers were 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12 and 8-13.

Description of Condition

We found DEL took steps to address the previous findings but continues to lack adequate internal controls to effectively prevent and detect unallowable payments to child care providers.

We randomly selected and examined 133 payments for child care, totaling $50,154 in federal CCDF funds, to determine if they were allowable. We chose child care payments by totals from each of the three provider types: licensed centers, licensed family homes and FFN's. With assistance from DEL, we requested attendance records from providers that supported the payments. We reviewed each provider's records to determine if the payments were allowed by federal and state regulations, as well as by DEL's policies.

We found 34 payments were partially or fully unallowable. In total, we questioned $8,814 paid by federal CCDF funds.

The reasons we found overpayments occurred were:

- Attendance records were not submitted by providers in response to our request or were inadequate to support payments
- Providers overbilled for services not performed or supported by attendance records
- Providers billed for overtime, field trip fees and registration fees when they did not have a written policy in place to also charge these same fees to private paying parents

We also found 34 instances, including 13 of the 34 identified above when provider attendance records did not match billing records. These did not comply with the DEL's subsidy billing guidelines.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

Adequate 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, hours or services. The claim and payment system is not linked to authorizations or attendance. Child care providers must maintain attendance records and submit this supporting documentation only when it is requested.

DEL has said the identified internal control weaknesses are unlikely to be resolved without an electronic time and attendance reporting system. DEL has finalized the procurement of a system that will maintain electronic copies of attendance records and potentially reduce provider errors. This system is expected to begin operation in July 2018 and will enable DEL to perform data analysis and audit of all payments.

Effect of Condition and Questioned Costs

By not having adequate internal controls in place, DEL increases its risk of making improper payments for child care services.

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 improper payments with federal CCDF funds to be $43,670,241. Many of the improper payments were partially funded by state dollars. We found $3,036 of improper state payments, which projects to a likely improper payment amount of $15,042,101. 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 its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend DEL:

- Implement preventative internal controls over payments to providers to reduce the rate of unallowable payments
- Continue to pursue electronic systems to more efficiently prevent and detect improper payments
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department concurs with the finding, as to the Auditor's specific recommendations, DEL offers the following additional details:

- *Implement preventative internal controls over payments to providers to reduce the rate of unallowable payments*
- *Continue to pursue electronic systems to more efficiently prevent and detect improper payments*

Earlier this year, the Legislature directed the Department of Early Learning (DEL) to establish a progressive disqualification process for child care providers who intentionally violate Working Connections and Seasonal Child Care program rules repeatedly. DEL has adopted rules that outline the administrative process for determining program violations and potential fraud, as well as definitions associated with this process. This review process could result in program ineligibility for any provider who fails to comply with established provider requirements. DEL continues to explore ways to improve communication through a consultation process about attendance and billing practices. DEL has procured an electronic attendance system to be used by all child care providers who accept subsidy by July 1, 2018. This new system will track daily attendance, enable accurate, real-time recording of child care attendance and serve as data capture of subsidy child care usage.

On February 1, 2018, DEL launched the Electronic Attendance System for about 200 Early Adopters. This launch marks an on-time initial release of the system after months of development by DEL and software company Controltec. Based on feedback from the Early Adopters, DEL will refine the training materials and delivery methods prior to full rollout of the system in March of 2018. By July 1, 2018, all providers that accept subsidy must use the DEL electronic attendance system or another DEL-approved electronic attendance system.

The attendance data will allow DEL to develop algorithms to look at billing behaviors which are out of the norm, including over-billing or potential fraud. The electronic attendance system will allow us to automate major aspects of the quality assurance process, increase the number of audits, and also to focus on high-risk indicators afforded by the reporting mechanisms in the electronic attendance.

While the attendance system does not prevent the provider from over-billing, access to real-time data makes identification of trends related to billings easier. These trends will guide our quality assurance efforts resulting in consultation and progressive sanctions that will help to eliminate the frequent over-billing by providers To proactively address incorrect payments to providers, DEL will continue to explore options to increase the automation of this process which will include the procurement of a billing system that interacts with the attendance system and authorization system.

Justification for the proposed "billing system" will become more apparent once DEL is able to show *the true extent of provider overbilling with the reports that will be available from the electronic attendance system, rather than showing extrapolated data from sample audits.*

Effective July 1, 2018, DEL will take over the approval process for Family, Friend & Neighbor (FFN) providers, which had previously been conducted by DSHS. DEL will create the provider number and DSHS will create the authorizations. This separation of duties creates stronger internal controls and reduces the possibility of an ineligible provider receiving an authorization for payment.

- *Consult with the U.S. Department of Health and Human Services to discuss repaying the questioned costs, including interest*

DEL consults with the U.S. Department of Health and Human Services whenever the agency receives an audit finding from SAO. This includes conducting a case by case review and providing any additional documentation requested when the audit finding results in questioned costs of federal funds.

In addition to reviewing audit findings, DEL has worked collaboratively with the Office of Child Care (OCC) over the past year to review the child care rules and procedures to ensure we are supporting the expectations under the Child Care Development Fund (CCDF).

DEL rules related to WCCC are often more restrictive than the CCDF rules. This creates more internal control requirements, which can lead to increased errors identified by the SAO. To mitigate this issue, DEL has worked with federal partners to update our CCDF plan more frequently to reflect current practice.

DEL continues to work with Office of Child Care (OCC) to ensure grant spending in accordance with the CCDF federal guidelines related to removing barriers to families obtaining child care and providing continuity of care.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:

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 sample 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 findings, 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.

(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 <u>*Codification of Statements on Auditing Standards*</u>, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 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.

Washington Administrative Code 170-290-0271 Payment discrepancies—Consumer overpayments, states :

(1) DSHS establishes overpayments for past or current consumers when the consumer:
   (a) Received benefits when the consumer was not eligible;
   (b) Was determined eligible at application or reapplication based on the consumer's participation in an approved activity and used benefits while never participating in said activity;
   (c) Failed to report changes under the requirements of WAC 170-290-0031 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;
   (e) Received benefits for a child who was not eligible per WAC 170-290-0005, 170-290-0015 or 170-290-0020;
   (f) Failed to enter their approved activity at the end of the fourteen-day wait period;
   (g) Failed to have TANF approved and enter an approved WorkFirst activity; or
   (h) Failed to return, by the sixtieth day, the requested income verification of new employment as provided in WAC 170-290-0012.
(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 170-290-0030 through 170-290-0032 and the provider has billed correctly, the consumer is responsible for the entire overpayment, including any absent days.

Washington Administrative Code 170-290-0030 Consumers' responsibilities, states in part:

When a person applies for or receives WCCC benefits, the applicant or consumer must, as a condition of receiving those benefits:

(12) Document their child's attendance in child care by having the consumer or other person authorized by the consumer to take the child to or from the child care:
   (a) If the provider uses a paper attendance record, sign the child in on arrival and sign the child out at departure, using their full signature and writing the time of arrival and departure; or
   (b) Record the child's attendance using an electronic system if used by the provider;

Washington Administrative Code 170-290-0034 Providers' responsibilities, states in part:

Child care providers who accept child care subsidies must do the following:

(1) Comply with:

(a) All of the DEL child care licensing or certification requirements as provided in chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or
(b) All of the requirements in WAC 170-290-0130 through 170-290-0167, 170-290-0250, and 170-290-0268, for child care providers who provide in-home/relative care;

(2) Report pending charges or convictions to DSHS as provided in:
(a) Chapter 170-295, 170-296A, or 170-297 WAC, for child care providers who are licensed or certified; or
(b) WAC 170-290-0138 (2) and (3), for child care providers who provide in-home/relative care;

(3) Keep complete and accurate daily attendance records for children in their care, and allow access to DEL to inspect attendance records during all hours in which authorized child care is provided as follows:
(a) Current attendance records (including records from the previous twelve months) must be available immediately for review upon request by DEL.
(b) Attendance records older than twelve months to five years must be provided to DSHS or DEL within two weeks of the date of a written request from either department.
(c) Failure to make available attendance records as provided in this subsection may:
(i) Result in the immediate suspension of the provider's subsidy payments; and
(ii) Establish a provider overpayment as provided in WAC 170-290-0268;

(4) Keep receipts for billed field trip/quality enhancement fees as follows:
(a) Receipts from the previous twelve months must be available immediately for review upon request by DEL;
(b) Receipts from one to five years old must be provided to DSHS or DEL within two weeks of the date of a written request from either department;

(5) Allow consumers access to their child at all times while the child is in care;

(6) Collect copayments directly from the consumer or the consumer's third-party payor, and report to DSHS if the consumer has not paid a copayment to the provider within the previous sixty days;

(7) Follow billing procedures:
(a) As described in the most current version of "*Child Care Subsidies: A Guide for Licensed and Certified Family Home Child Care Providers*,"; or
(b) As described in the most current version of "*Child Care Subsidies: A Guide for Family, Friends and Neighbors Child Care Providers*"; or
(c) As described in the most current version of "*Child Care Subsidies: A Guide for Licensed and Certified Child Care Centers*."

(8) Not claim a payment in any month a child has not attended at least one day within the authorization period in that month.

(9) Invoice the state no later than one calendar year after the actual date of service;

(10) For both licensed and certified providers and in-home/relative providers, not charge subsidized families the difference between the provider's customary rate and the maximum allowed state rate; and

(11) For licensed and certified providers, not charge subsidized families for:
(a) Registration fees in excess of what is paid by subsidy program rules;

(b) Absent days on days in which the child is scheduled to attend and authorized for care;
(c) Handling fees to process consumer copayments, child care services payments, or paperwork;
(d) Fees for materials, supplies, or equipment required to meet licensing rules and regulations; or
(e) Child care or fees related to subsidy billing invoices that are in dispute between the provider and the state.

Washington Administrative Code 170-290-0138 In-home/relative providers—Responsibilities, states in part

An in-home/relative provider must:

(6) Bill only for actual hours of care provided. Those hours:
  (a) Must be authorized by DSHS;
  (b) Must be used by the consumer; and
  (c) Can be claimed whether or not the consumer is present during the hours of care.
(7) Bill for no more than six children at one time during the same hours of care;
(8) Track attendance documenting the days and hours of care provided and keep records for five years:
  (a) If paper attendance records are used, the provider must have the consumer sign and date the attendance records at least weekly, verifying the accuracy of the dates and times.
  (b) Providers may use an electronic attendance system as provided in WAC 170-290-0139 to record attendance in lieu of a paper sign-in record;
(9) Repay any overpayments under WAC 170-290-0268; and

Washington Administrative Code 170-290-0190 WCCC authorized and additional payments—Determining units of care, states:

(1) DSHS may authorize and pay for the following:
  (a) Full-day child care to licensed or certified facilities and DEL contracted seasonal day camps when a consumer's children need care between five and ten hours per day;
  (b) Half-day child care to licensed or certified facilities and DEL contracted seasonal day camps when a consumer's children need care for less than five hours per day;
  (c) Hourly child care for in-home/relative child care;
  (d) Full-time care when the consumer participates in one hundred ten hours or more of approved activities per calendar month based on the consumer's approved activity schedule. Full-time care means the following:
    (i) For licensed care or certified facilities, twenty-three full-day units if the child needs five or more hours of care per day, or thirty half-day units if the child needs fewer than five hours of care per day; and
    (ii) Two hundred thirty hours for in-home/relative child care;
  (e) A registration fee (under WAC 170-290-0245);
  (f) A field trip fee (under WAC 170-290-0247);

(g) Special needs care when the child has a documented need for a higher level of care (under WAC 170-290-0220, 170-290-0225, 170-290-0230, and 170-290-0235); and
(h) A nonstandard hours bonus under WAC 170-290-0249.

(2) Beginning September 1, 2016, and applicable to school-age children, DSHS will authorize and pay for child care as follows:
(a) DSHS will automatically increase half-day authorizations to full-day authorizations beginning the month of June when the child needs full-day care; and
(b) DSHS will automatically decrease full-day authorizations to half-day authorizations beginning the month of September unless the child continues to need full-day care during the school year until the following June. If the consumer's schedule has changed and more care is needed, the consumer must request an increase, and DSHS will verify the need for increased care. DSHS will send the consumer notification of the decrease as stated in WAC 170-290-0025;

(3) DSHS may authorize up to the provider's private pay rate if:
(a) The parent is a WorkFirst participant; and
(b) Appropriate child care, at the state rate, is not available within a reasonable distance from the approved activity site.
"Appropriate" means licensed or certified child care under WAC 170-290-0125, or an approved in-home/relative provider under WAC 170-290-0130.
"Reasonable distance" is determined by comparing what other local families must travel to access appropriate child care.

(4) DSHS authorizes overtime care if:
(a) More than ten hours of care is provided per day (up to a maximum of sixteen hours a day); and
(b) The provider's written policy is to charge all families for these hours of care in excess of ten hours per day.

(5) In-home/relative providers who are paid child care subsidies to care for children receiving WCCC benefits cannot receive those benefits for their own children during the hours in which they provide subsidized child care.

Washington Administrative Code 170-290-0245 Registration fees, states:

(1) DSHS may pay licensed or certified child care providers and DEL contracted seasonal day camps a registration fee when:
(a) A child is first enrolled by the consumer for child care with a provider;
(b) A consumer enrolls their child with a new child care provider during their eligibility period; or
(c) A child has more than a sixty-day break in child care services with the same provider, and it is the provider's policy to charge all parents this fee when there is a break in service.

(2) A registration fee will be paid only once per calendar year for children who are cared for by the same provider, even if the provider receives subsidy payments under different subsidy programs during this time period for the enrolled children, unless there is a break of sixty days or more as provided in subsection (1)(c) of this section.

Washington Administrative Code 170-290-0247 Field trip/quality enhancement fees, states:

(1) DSHS pays licensed or certified family home child care providers a monthly field trip/quality enhancement fee up to thirty dollars per child or the provider's actual cost for the field trip, whichever is less, only if the fee is required of all parents whose children are in the provider's care. DEL-licensed or certified child care centers and school-age centers are not eligible to receive the field trip/quality enhancement fee.
(2) The field trip/quality enhancement fee is to cover the provider's actual expenses for:
    (a) Admission;
    (b) Enrichment programs and/or ongoing lessons;
    (c) Public transportation or mileage reimbursement at the state office of financial management rate for the use of a private vehicle;
    (d) The cost of hiring a nonemployee to provide an activity at the child care site in-house field trip activity; and
    (e) The purchase or development of a prekindergarten curriculum.
(3) The field trip/quality enhancement fee shall not cover fees or admission costs for adults on field trips, or food purchased on field trips.

2017-025 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:	G1701WACCDF; G1601WACCDF; G1501WACCDF	
Applicable Compliance Component:	Special Tests and Provisions – Health and Safety Requirements	
Known Questioned Cost Amount:	$1,855	

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development Fund (CCDF) grant to assist eligible working families in paying for childcare. In fiscal year 2017, the Department paid about $190 million in federal funding to childcare providers. DEL is 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 health and safety standards are being met and requires providers to address any identified issues. Department licensors document inspections using a monitoring 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 health and safety 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 a corrective action plan or resolution activity to their licensor.

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 is not 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
- Providers missing training or certification requirements
- Health and safety hazards

When serious health and safety 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 also must ensure that Family, Friends & Neighbors (FFNs) providers, which are exempt from licensing requirements, passed background checks upon becoming providers, and at least every two years or when there is a 30-day break in service in providing care.

In June 2017, the Department replaced its current system with a new electronic system (WA Compass) to allow licensing staff to make more timely updates and streamline their process for performing monitoring visits.

In prior audits, 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 numbers 2016-022 and 2015-024.

Description of Condition

We found the Department did not have adequate internal controls to ensure providers met health and safety requirements.

In state fiscal year 2017, the Department regulated 4,771 licensed providers. Department staff informed us that 581 (12 percent) of all licensed providers were overdue on their yearly inspections (licensors had attempted visits at 156 of those providers).

We used a statistical sampling method and randomly selected and reviewed records for 59 licensed providers who received federal CCDF payments during state fiscal year 2017 to determine if inspections were conducted as required. We found:

- Three (5 percent) inspections were overdue and not conducted by June 30, 2017
- Nine (15 percent) inspections were performed late by up to 35 months

We reviewed the provider's prior visit history to determine if the licensor used the appropriate monitoring checklist. We found three instances (5 percent) when licensors did not use the full inspection checklist as required.

We examined the Department's response to serious violations documented during inspections and found in 20 instances (34 percent) there was not sufficient documentation to show follow-up was performed adequately or promptly for violations of health, safety or well-being of children. Some examples of these serious violations were:

- General health and safety hazards to the children
- Lack of background check documentation
- Inadequate supervision of children
- Exceeding the staff-to-child ratio

We also found circumstances that required a follow-up visit but for which licensors accepted and relied on provider attestations in their FLCA in place of the onsite inspections to resolve issues.

Additionally, during our testing of childcare subsidy payments to childcare providers, we randomly selected and examined 133 payments to determine if they were allowable. We reviewed attendance records to determine if they complied with health and safety requirements. We found:

- Thirty-six of 133 attendance records did not fully document absent days and parent/guardians' full signatures for sign in/out as applicable.
- Eighteen of 60 licensed homes' and FFN providers' attendance records (or lack thereof) did not support that the provider was at or under capacity (fewer than 12 children at one time for homes and six children for FFN's).

We used a statistical sampling method to randomly select 59 FFN providers to examine whether the Department performed background checks as required. We found two background checks were not performed before the provider became eligible and received payments.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

The Department said it was unable to complete all licensing visits promptly for the following reasons:

- Transition to a new licensing management system
- Turnover of licensing staff
- New policies and procedures for licensing have been written but not implemented. This has caused inconsistent application and enforcement of policies
- Some providers refused the licensor access

Management did not effectively monitor to ensure licensors completed required monitoring and follow-up visits promptly.

Effect of Condition and Questioned Costs

When inspections are not conducted, or are conducted late, health and safety violations are less likely to be detected by the Department promptly, if at all.

Further, we found that two inspection records (3 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 promptly, the Department cannot be sure these issues have been corrected. Health and safety, supervision, background check and over-capacity/over-ratio violations might put children in jeopardy for harm, neglect, and unhealthy emotional and cognitive development environments.

The two providers who were determined to be eligible and received payments before their background checks were approved received $1,855 in improper payments with federal funds. Because a statistical sampling method was used to select the providers examined, we estimate the amount of likely federal improper payments to be $256,349. Additionally, the providers were improperly paid $722 in state funds, and we estimate likely state funded improper payments of $99,691.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total questioned costs" as required by 2 CFR 200.516(3).

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to supports its expenditures.

Recommendations

We recommend the Department:

- Ensure management follows policy and procedures to ensure all visits are performed on time and in compliance with regulations
- Ensure required policy changes are implemented promptly and that staff follow them
- Ensure staff sufficiently document the results of follow-up visits when serious violations are identified
- Ensure providers are not approved to provide care until all required background checks have been completed
- Consult with the grantor to discuss whether the questioned costs identified in the audit should 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 year's audit, DEL continues to implement 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.*
- *DEL has been working on revising all of our licensing policies, procedures, and tasks to ensure that they align with current state and federal rules and regulations. These policies, procedures and tasks will temporarily take the place of our current policies and procedures as we transition into the alignment of the new rules. DEL continues to work on the 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.*
- *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 implemented plans for blended caseloads statewide. The purpose of establishing a blended caseload approach is to maintain equitable caseloads at the state, regional and unit levels in order to ensure full compliance with federal and state requirements for monitoring and other licensing activities of child care providers and facilities. Our transition to the blended caseload is based on two expectations:*
    - *All licensors will be trained to monitor and license three childcare settings – family home, center, and school age*
    - *All licensors will be able to monitor and license three childcare settings – family home, center, and school age*
    -

  Caseloads may be blended as well as specialized and consist of Family Home providers, Centers/School-age providers and Combination of all three. Caseloads must be assigned to ensure equity by considering:
    - *National Association for Regulatory Administration's (NARA) recommended licensor to childcare provider ratios*
    - *Provider's capacity*
    - *Provider's diversity*
    - *Complaints' activities*
    - *Administrative and legal activities*
    - *Outreach activities*
    - *Training activities*
    - *Catchment area geography*
    -

  Training activities have been completed statewide and have focused on the following areas:
    - *Unit caseload profile*
    - *Core health & safety for all settings*
    - *Monitoring protocols for all settings*
    - *Field practice - shadowing*
    - *File Reviews*
    - *New standards - justifications*
    - *Admin and legal actions*

- *In April 2017, DEL replaced the current paper driven monitoring system with a new electronic system (WA COMPASS, built on the Salesforce platform). Currently, licensing staff have been trained with the new system and are currently transiting to WA Compass. In order to provide a more consistent sequential support to the licensors in their transition to WA COMPASS and be transparent about DEL expectations we establish Operational Milestones based on the IT*

Functionality Milestones, and include operational expectations to the weekly WA COMPASS update and other WA COMPASS communication venues. This has allowed 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.*

As to the Auditor's specific recommendation regarding consulting with the U.S. Department of Health and Human Services:

- *DEL consults with the U.S. Department of Health and Human Services whenever the agency receives an audit finding from SAO. This includes conducting a case by case review and providing any additional documentation requested when the audit finding results in questioned costs of federal funds.*
- *In addition to reviewing audit findings, DEL has worked collaboratively with the Office of Child Care (OCC) over the past year to review the child care rules and procedures to ensure we are supporting the expectations under the Child Care Development Fund (CCDF).*

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:

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 sample 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 findings, 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.

(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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 Code of Federal Regulation 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 Code of Federal Regulation 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.

Washington Administrative Code 170-290-0143 In-home/relative providers—Background checks—Required persons, states:

(1) A background check must be completed for:
(a) All in-home/relative providers who apply to care for a WCCC consumer's child; and
(b) Any individual sixteen years of age or older who is residing with a provider when the provider cares for the child in the provider's own home where the child does not reside.
(2) A background check must be completed for individuals listed in subsection (1)(a) and (b) of this section at least every two years.
(3) Additional background checks must be completed for individuals listed in subsection (1)(a) and (b) of this section when:
(a) Any individual sixteen years of age or older is newly residing with a provider when the provider cares for the child in the provider's own home where the child does not reside;
(b) DSHS has a valid reason to check more frequently;
(c) An in-home/relative provider applies to provide care for a family, such as when:
(i) A thirty day break in service occurs to the current consumer;
(ii) There is a thirty day break in consumer eligibility; or
(iii) A provider is currently providing care and there are no prior background results for this provider.
(4) DSHS does not need to request a new background check for an individual in subsection (1)(a) or (b) if:
(a) DSHS has results that were received no more than ninety days prior to the current requested start date of care; and
(b) The results indicate there is no record.

Washington Administrative Code 170-295-0030 Eligibility to receive state child care subsidies, states:

> To be eligible to receive state child care subsidies for children in their care, individuals, entities and agencies must:
> (1) Be licensed or certified;
> (2) Be a seasonal camp that has a contract with DEL and is certified by the American Camping Association;
> (3) Follow billing policies and procedure in *Child Care Subsidies: A Booklet for Licensed and Certified Child Care Providers*, revised 2012;
> (4) Bill at the individual's, entity's, or agency's customary rate or the state rate, whichever is less; and
> (5) Keep attendance records as described in WAC 170-295-7030 and invoices for state-paid children on-site for at least five years as provided in WAC 170-295-7031.

Washington Administrative Code 170-295-7030 Attendance records, states:

> Licensees must keep daily attendance records.
> - (1) The parent or other person authorized by the parent to take the child to or from the center must:
>   - (a) Sign in the child on arrival and sign out the child at departure, using their full signature and writing the time of arrival and departure; or
>   - (b) Record the child's attendance using an electronic system if used by the licensee under WAC 170-295-7032;
> - (2) When the child leaves the center to attend school or participate in offsite activities as authorized by the parent, the licensee or staff must sign out the child, and sign in the child on return to the center; and
> - (3) Paper and electronic attendance records and invoices for state subsidized children must be kept on the premises for at least five years after the child leaves the licensee's care as provided in WAC 170-295-7031.

Washington Administrative Code 170-296A-1050 The licensee, states in part:

> (1) The licensee is the individual or individuals:
> - (c) Licensed by the department to provide child care and early learning services for not more than twelve children in the licensee's home in the family living quarters;

Washington Administrative Code 170-296A-1075 Child care subsidy, states:

> A licensee who receives child care subsidy payments must follow the requirements of the applicable subsidy program. A licensee who receives subsidy payments under the working connections child care or seasonal child care programs must follow the requirements of chapter 170-290 WAC.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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, 10.1.8 Monitoring Visits Procedure, states in part:

2. A full checklist (10.9.3.5 Family Home Checklist, 10.9.4.6 Child Care Center Checklist, or 10.9.4.11 SA Checklist) must be used at least once every 3 years effective January 1, 2016. When the file is up for the three year review this must be verified and/or completed.
5. Monitoring visits must be unannounced, unless approved by a supervisor. If children are not in care, the monitoring visit can be conducted with the expectation that the licensor will return within 30 days to observe the program with children present. If children are not in care during the follow-up visit, the licensor must consult with their supervisor for a decision on conducting further visits.
6. If the licensee is temporarily closed a visit must not be conducted. This visit must be documented as "Attempted" in the provider notes.
7. Attempted visits must be followed up and conducted within 30 calendar days. If a follow-up visit cannot be conducted, the licensor must consult with their supervisor for a decision on conducting any further visits.
8. A family home child care, child care center and school age program monitor visit must occur every 12 months – within 90 days prior to the yearly due date. The Monitoring Visit is considered late if it occurs after the yearly due dates. For example, if the last visit occurred on January 1, 2008, the next monitoring visit must occur within 90 days of January 1, 2009.
11. The licensor and licensee or child care staff will complete a compliance agreement to address any violation of WAC or RCW. See "10.1.3 Compliance Agreement" procedure.

The Department of Early Learning Child Care Licensing Policies and Procedures, 10.1.3 Compliance Agreement Procedure, states in part:

Completing the Facility Licensing Compliance Agreement

1. The licensor must use 10.9.1.1 Compliance Agreement form 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.
8. If there is an immediate health and safety issue, the noncompliance issue will be corrected immediately or as soon as possible. Verification of compliance should be completed within 10 business days and follow the process under Compliance Agreement Follow-up section below.

Compliance Agreement Follow-up

1. The licensor must monitor the completion of the compliance agreement.
2. The licensor must verify within 10 business days the correction of licensing noncompliance issues that could impact the health, safety and well-being of children in care. The verification must be documented in FamLink using the health and safety recheck code. Allowable verification is as follows:
   a. Health and Safety recheck – An on-site visit is required if the noncompliance issue is a serious health and safety violation which may include but is not limited to:
      i. Health and safety hazards
      ii. Behavior management
      iii. Supervision
      iv. Staff/child interaction
      v. Group size/capacity
      vi. Medication management
      vii. Safe Sleep
      viii. Window blind cords that form a loop
   b. Acceptable use of photographic or email verification may include but is not limited to:
      i. Environmental changes
      ii. Indoor/outdoor equipment
3. The licensor must request supervisor approval if they are unable to meet the 10 business day requirement. The supervisor must approve or deny the request and document the decision in FamLink provider notes.
4. 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 correction of noncompliance. 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. Attendance logs
   g. Health Care Plan
   h. Fire Drill record

2017-026 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:	G1701WACCDF; G1601WACCDF; G1501WACCDF	
Applicable Compliance Component:	Eligibility	
Known Questioned Cost Amount:	$7,386	

Background

The Department of Early Learning (DEL) administers the federal Child Care and Development grant (CCDF) to assist eligible working families in paying for childcare. The Department of Social and Health Services (DSHS) determines client eligibility and pays childcare providers under an agreement with DEL. In fiscal year 2017, the Departments paid childcare providers about $190 million in federal grant funds.

For a family to be eligible for childcare assistance, state and federal rules require that children:

- Be younger than 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 need to be receiving protective services.

State rules also describe the information that clients must provide to DSHS to verify their eligibility. DSHS must complete client eligibility determinations within 30 days or the application process must start over. The information must be accurate, complete, consistent and from a reliable source. This information includes, but is not limited to, employer and hourly wage information, wage data and family household size and composition.

Once determined to be eligible for the program, a client is eligible for one year unless a change in income causes the client to exceed 85 percent of the state's median income. The Department requires that clients self-report such income changes. If the client's new income exceeds this cutoff level, DSHS must determine if the client exceeded the threshold only temporarily or should be denied services.

DSHS has direct access to systems that contain wage and household benefit and composition data for some, but not all, childcare recipients. DSHS uses this information in part to determine program eligibility, benefit level including client copayment and the amount of child care the family is eligible to receive. If an ineligible client receives assistance, the payment made to the childcare provider is not allowable by federal regulations.

In the past five annual single audits for Washington, we reported in findings that DSHS did not establish adequate internal controls over the eligibility process for childcare subsidy recipients. The two most recent also reported they were materially non-compliant with federal requirements. These were reported as finding numbers 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.

Description of Condition

DSHS did not establish adequate internal controls to ensure it correctly determined and documented that clients were eligible before paying childcare providers.

Improper eligibility determinations

During the audit period, 39,161 clients younger than 13 were determined to be eligible for childcare. We used a statistical sampling method to randomly select and examine 59 of these determinations. In 17 instances, we found DSHS made eligibility determinations improperly, did not obtain required documentation or did not verify information before authorizing services.

Specifically, we found:

- 12 cases (20 percent) where benefit levels were improperly calculated
- Two cases (3 percent) that did not meet initial eligibility requirements, including age, citizenship, employment and income
- Three cases (5 percent) that did not meet initial eligibility requirements and benefits were improperly calculated

Inadequate supervisory reviews

In most of the cases, a DSHS caseworker processes client eligibility information and authorizes services without a secondary review or approval. 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. We found one authorization that was reviewed by a supervisor, but the total benefit level was approved for more than the maximum allowable daily amount.

Verification of state median income level

The Department did not monitor to identify if a family exceeded 85 percent of the state's median income level during its year of eligibility. DSHS instead relied solely on clients to self-report if their income exceeded the maximum allowable amount. Because DSHS did not monitor this requirement, it did not collect any wage information from any clients during the twelve-month eligibility period beyond what was collected at initial application.

To determine if any clients exceeded the limit, we reviewed wage information DSHS had access to. For seven of the 59 clients (12 percent), data was not available for us to make this determination. The other clients appeared to have stayed under the maximum income limit. However, because the data we reviewed was not comprehensive, we cannot ensure no client exceeded the limit.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

DSHS staff made eligibility determinations without requiring sufficient supporting documentation to ensure the client was eligible, such as three months of wage information. While DSHS had policies and procedures, they are not detailed enough to ensure staff document in a consistent manner. Additionally, management did not ensure staff consistently followed the procedures that were in place.

Further, DSHS's eligibility system alerts staff when an issue is outstanding and needs to be addressed, but the alerts can be dismissed without confirming the issues were addressed.

In addition, DSHS' review of eligibility determinations was not effective to prevent clients from being improperly approved.

Effect of Condition and Questioned Costs

Because it does not have adequate internal controls in place, DSHS is at a higher risk of paying providers for childcare services when clients are ineligible.

The 17 client eligibility determinations with errors resulted in $7,386 of federal overpayments to providers. Of this amount, $1,697 was paid to clients who had an inaccurate co-pay assessed, $590 was paid for a client who was authorized for more than the daily amount, and the remaining $5,099 was paid to clients from whom DSHS did not collect the required documentation to determine their eligibility. We used a statistical sampling method to randomly select the payments examined in the audit. We estimate the amount of likely federal improper payments to be $4,902,586.

Further, many of the improper payments were partially funded by state dollars. Specifically, we found $2,544 of improper state payments, which projects to a likely improper payment amount of $1,688,675. 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 supports its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures were in compliance with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded 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).

Recommendations

We recommend DSHS improve its internal controls over determining eligibility to ensure:

- Authorizations for childcare are adequately supported with verified documentation
- Eligibility determinations are reviewed sufficiently to detect improper eligibility determinations
- Employees review client eligibility documents and compare those documents with source data available to DSHS staff

We also recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

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 government accountable for the use of public resources.

The Department partially concurs with the overall finding of the State Auditor's Office.

In response to DSHS 2016-028 CCDF Eligibility Finding, the Department enacted or is in the process of enacting major changes to improve our internal controls over determining eligibility. However, as noted in our response to the 2016 finding, because we were already three quarters of the way through SFY17 when we received the finding, we acknowledged that we were likely to see similar (repeat) findings in this audit period. We likely won't see the full benefit of our corrective actions until the SFY18 audit (which will span the period of July 1, 2017 – June 30, 2018).

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.

***SAO Description of Weakness: Improper Eligibility Determinations** – DSHS made improper eligibility determinations, did not obtain required documentation or did not verify information before authorizing services.*

Of the 17 exceptions cited, the Department concurs that we did not fully comply with eligibility requirements. Within these 17 exceptions, our further review indicates:

- *Eight exceptions were the result of minor procedural errors that had no effect on the eligibility of the cases and the associated payments.*

- *Seven exceptions were the result of benefit calculation errors that had no effect on eligibility – ,either the copayment or the amount of care authorized was incorrect, resulting in a partial payment error.*
- *Two exceptions were the result of clients fraudulently (inaccurately) reporting household composition at the time of application. DSHS appropriately requested that fraud investigators verify household composition. Investigators determined the client reported their household composition fraudulently – stating the father was NOT in the home when he actually was. The Department closed the cases and established overpayments.*

For the nine exceptions (seven due to benefit calculation errors, two due to clients fraudulently reporting their household composition) that we agree resulted in a payment error, we will establish the overpayment where appropriate and refer it to the Office of Financial Recovery for collection.

The Department is collaborating with the Department of Early Learning (DEL) to update policies and procedures, and make system enhancements to correct weaknesses in the following areas, which account for 15 of the 17 exceptions cited:

Wage Verification
In ten cases, the SAO found that DSHS staff made eligibility determinations without requiring sufficient supporting documentation to ensure the client was eligible - specifically, requiring the client to provide three months of wage information.

Jointly, DEL and DSHS analyzed the CCDF state plan and program rules to ensure they were aligned with federal guidance, and made changes where needed. Effective December 12, 2017, DSHS and DEL revised the associated WAC 170-290-0012, 170-290-0050, 170-290-0065 to allow more flexibility when calculating and verifying household income by removing the requirement that clients provide three months of wage information.

WAC 170-290-0190 was also revised to 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.

Single Parent Household Composition Verification
In five cases, the SAO found the client's household composition questionable, which possibly resulted in incorrect eligibility determinations, and in some instances, client overpayments.

As part of the Fiscal Year 2016 Statewide Single Audit Corrective Action Plan, DSHS made IT changes that allow eligibility staff to identify discrepancies between the household composition a family reports when applying for CCSP and the household composition they report to other programs within DSHS.

Effective March 1, 2018, new rules will require a consumer to attest under penalty of perjury their single parent status. Additionally, as a condition of eligibility, clients will be required to supply third party verification when household composition cannot be verified by reviewing DSHS records and systems.

SAO Description of Weakness: Verification of State Median Income (SMI) Level *- The Department did not monitor to identify if a family exceeded 85 percent of the state's median income level during its year of eligibility.*

The Department does not concur with this finding. DEL is planning to adopt rules regarding temporary increases that will be in alignment with Federal rule. Federal rule regarding irregular fluctuations in earnings (see page 10-11 of 45 CFR Part 98, RIN 0970-AC6 Child Care and Development Fund), states that temporary increases in income should not affect eligibility or family co-payments, including monthly income fluctuations that show temporary increases, which if considered in isolation, may incorrectly indicate that a family is above the federal threshold of 85 percent of SMI, when in actuality their annual income remains at or below 85 percent of SMI. To account for irregular fluctuations in earnings, monitoring activities would need to be a look-back at a full year of client income data. However, federal rule discourages this. Page 129 of 45 CFR Part 98 reads in part:

"Some Lead Agencies currently use "look back" and recoupment policies as part of eligibility re-determinations. These review a family's eligibility for the prior eligibility period to see if the family was ineligible during any portion of that time and recoup benefits for any period where the family had been ineligible. However, there is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud. We strongly discourage such policies as they may impose a financial burden on low-income families that is counter to CCDF's long-term goal of promoting family economic stability. The Act affirmatively states an eligible child will be considered to meet all eligibility requirements for a minimum of 12 months regardless of increases in income (as long as income remains at or below 85 percent of SMI) or temporary changes in parental employment or participation in education and training. Therefore, there are very limited circumstances in which a child would not be considered eligible after an initial eligibility determination. We encourage Lead Agencies instead to focus program integrity efforts on the largest areas of risk to the program, which tend to be intentional violations and fraud involving multiple parties."

SAO Description of Weakness: Inadequate Supervisory Review *– In most cases, a DSHS caseworker processes client eligibility information and authorizes services without secondary review or approval. 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 approves the request. We found one authorization that was reviewed but approved for more than the allowable daily amount.*

The Department partially concurs with this finding. 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 internal 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 the Social Service Payment System (SSPS) or denies the payment if the consumer is not eligible. In July 2017, DSHS added a monthly report to check for any situations where it appeared that an authorization may have been approved without the required approval; while this report has been helpful in quality management efforts it has* *confirmed that most cases are being handled appropriately. Additionally, CSD auditing staff audit the exceptional payments approved by supervisors to ensure proper payment.*

- *For authorizations for high cost special needs rates, a panel of DSHS and DEL staff review the request and supporting documentation, in addition to supervisory review before payment is made.*
- *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.*

In response to the DSHS 2016-028 CCDF Eligibility finding, the Department:

- *Has implemented actions to ensure authorizations for child care are adequately supported with verified documentation based on DEL policy and procedures and the CCDF State Plan.*
- *Has delivered systems navigation training for child care staff on the use of ACES, SEMS, and eJAS to confirm household composition and other eligibility criteria.*
- *Will implement, in spring of 2018, a lead (and where appropriate, supervisory) review of eligibility decisions and authorizations made from cases that were not randomly assigned.*
- *Will implement, in February 2018, a child care process review panel (PRP), based on the highly-successful and established model that produces an average 99% federal SNAP accuracy rate, that will introduce the same rigor and attention to eligibility determinations for child care subsidies. The Division of Program Integrity child care quality team will review cases selected based on statistically valid methodology, verify case circumstances and arrive at quality control determinations about whether each sampled case has been correctly determined in accordance with state policy and procedure. The results of this case-error review system will be used to inform programmatic, process, systems and policy-level continuous improvement prioritization and implementation. It will also clarify where there are types of cases where the risk of error is high and inform decisions about pre-authorization reviews.*

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 majority of the finding and committed to enacting major changes over internal controls.

We would, however, like to address two areas of concern within the Department's response. The first is related to wage verification. The Department stated "*In ten cases, the SAO found that DSHS staff made eligibility determinations without requiring sufficient supporting documentation to ensure the client was eligible - specifically, requiring the client to provide three months of wage information."* One of the Department's proposed actions was to remove the requirement for workers to obtain three months wage information from the client. In this finding, we did not question any costs solely because the Department did not collect enough support for the wage verifications. We only questioned costs if the Department determined a client eligible for an improper amount because the information they gathered was insufficient and incorrect when compared to actual wage data. Of the ten cases cited, six led to improper payments totaling $5,117 in federal dollars, which projects to $3.4 million. By reducing the need for documented support when determining eligibility, the Department may decrease the likelihood it will detect improper payments.

Our second concern is regarding the Department not monitoring to identify if a family exceeded 85 percent of the State's median income level during its year of eligibility. The Department asserts this is not required and cites federal regulations as support. We conveyed to the Department that we agree detecting irregular fluctuations in earnings is not the requirement. It is, however, required that they have internal controls to detect more permanent changes in income level. Within the quote of federal regulation the Department included in its response, the federal grantor specifically references this requirement. "*The Act affirmatively states an eligible child will be considered to meet all eligibility requirements for a minimum of 12 months regardless of increases in income* ***(as long as income remains at or below 85 percent of SMI)*** *or temporary changes in parental employment or participation in education and training."* The Department has not implemented sufficient internal controls over, and did not monitor compliance for, this requirement. We reaffirm our finding.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 Internal controls, states in part:

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 sample 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 findings, 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.

(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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 Code of Federal Regulation 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.

(e) The Lead Agency shall specify in the Plan any requirements for parents to notify the Lead Agency of changes in circumstances during the minimum 12-month eligibility period, and describe efforts to ensure such requirements do not place an undue burden on eligible families that could impact continued eligibility between redeterminations.
 (1) The Lead Agency must require families to report a change at any point during the minimum 12-month period, limited to:
  (i) If the family's income exceeds 85% of SMI, taking into account irregular income fluctuations; or
  (ii) At the option of the Lead Agency, the family has experienced a non-temporary cessation of work, training, or education.
 (2) Any additional requirements the Lead Agency chooses, at its option, to impose on parents to provide notification of changes in circumstances to the Lead Agency or entities designated to perform eligibility functions shall not constitute an undue burden on families. Any such requirements shall:
  (i) Limit notification requirements to items that impact a family's eligibility (e.g., only if income exceeds 85 percent of SMI, or there is a non-temporary change in the status of the child's parent as working or attending a job training or educational

program) or those that enable the Lead Agency to contact the family or pay providers;

(ii) Not require an office visit in order to fulfill notification requirements; and

(iii) Offer a range of notification options (e.g., phone, email, online forms, extended submission hours) to accommodate the needs of parents;

(3) During a period of graduated phase-out, the Lead Agency may require additional reporting on changes in family income in order to gradually adjust family co-payments, if desired, as described in paragraph (b)(3) of this section.

(4) Lead Agencies must allow families the option to voluntarily report changes on an ongoing basis.

(i) Lead Agencies are required to act on this information provided by the family if it would reduce the family's co-payment or increase the family's subsidy.

(ii) Lead Agencies are prohibited from acting on information that would reduce the family's subsidy unless the information provided indicates the family's income exceeds 85 percent of SMI for a family of the same size, taking into account irregular income fluctuations, or, at the option of the Lead Agency, the family has experienced a non-temporary change in the work, training, or educational status.

Washington Administrative Code 170-290-0005 Eligibility, states:

(1) At application and reapplication, to be eligible for WCCC, the applicant or reapplicant 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 eighty-five percent of the state median income or if resources exceed one million dollars;

(g) Complete the WCCC application and DSHS verification process regardless of other program benefits or services received; and
(h) 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 thirteen years of age; or
(ii) Less than nineteen years of age, and:
(A) Have a verified special need, according WAC 170-290-0220; or
(B) Be under court supervision.

Washington Administrative Code 170-290-0012 Verifying consumers' information, states in part:

(1) A consumer must provide all required information to DSHS to determine eligibility when the consumer initially applies or reapplies for benefits.
(2) 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.
(3) 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).
(4) The verification that the consumer gives to DSHS includes, but is not limited to, the following:
(a) A current WorkFirst individual responsibility plan (IRP) for consumers receiving TANF;
(b) Employer name, address, and phone number;
(c) State business registration and license, if self- employed;
(d) Hourly wage or salary;
(e) Either the:
(i) Gross income for the last three months;
(ii) Self-attestation of anticipated wages for new employment and third-party verification of the wages within sixty days of the date DSHS approved the consumer's application or reapplication for WCCC benefits;
(iii) Federal income tax return for the preceding calendar year; or
(iv) DSHS employment verification form;

(f) Monthly unearned income the household receives, such as supplemental security income (SSI) benefits or child support. Child support payment amounts are verified as follows:
   (i) For applicants or consumers who are not receiving DSHS division of child support services, the amount as shown on a current court or administrative order;
   (ii) For applicants or consumers who are receiving DSHS division of child support services, the amount as verified by the DSHS division of child support;
   (iii) For applicants or consumers who have an informal verbal or written child support agreement, the amount as verified by the written agreement signed by the noncustodial parent (NCP);
   (iv) For applicants or consumers who cannot provide a written agreement signed by the NCP, the amount received for child support verified by a written statement from the consumer that documents why they cannot provide the statement from the NCP.
(g) If the other parent is in the household, the same information for them;
(h) 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.

(5) If DSHS requires verification from a consumer that costs money, DSHS must pay for the consumer's reasonable costs.
(6) DSHS does not pay for a self-employed consumer's state business registration or license, which is a cost of doing business.
(7) If a consumer does not provide all of the verification requested within thirty days from the application date, DSHS will determine if a consumer is eligible based on the information already available to DSHS.

2017-027 The Department of Social and Health Services did not have adequate internal controls over and was not compliant 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:	G1701WACCDF; G1601WACDF; G1501WACCDF	
Applicable Compliance Component:	Special Tests and Provisions – Fraud Detection and Repayment	
Known Questioned Cost Amount:	None	

Background

The federal Child Care and Development Fund (CCDF) grant helps eligible working families pay for child care. In fiscal year 2017, Washington child care providers were paid about $190 million in federal grant funds. Although the Department of Early Learning (DEL) is the lead agency for the CCDF program, 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. State law requires DEL to refer suspected incidents of child care subsidy fraud to OFA for appropriate investigation and action.

Both DEL and DSHS accept reports of suspected fraud online, or by mail, phone or fax. Staff from either agency can report suspected fraud through internal systems or to a hotline.

When DSHS receives a report of suspected fraud in a program it oversees, it runs the report through an automated process in its Barcode system to assess the level of potential fraud risk. he process considers which social service programs the client is receiving benefits from, the total benefits (dollars) being received by the client, whether the client has come up on prior reports and the client's overpayment history. The report is rated from 1 to 5, with 1 being the highest risk level. Once the report is rated, it is received by OFA, where it may be assigned to an investigator for review.

OFA supervisors attempt to assign reports rated as 1 or 2 then work their way down to lower rated reports. OFA management explained that some reports are not assigned to investigators because of workload capacity. No matter what priority level is assessed, if a report is not assigned to an investigator within the first 90 days, it is "aged out" and sent back to DSHS program staff. Program staff review the original reported information and decide whether to send the case back through the automated process to be reassessed, or dismiss the fraud report. In fiscal year 2017, OFA received 3,522 child care fraud reports. Of those, 1,542 reports (44 percent) aged out of the system.

If an OFA investigation concludes that potential fraud occurred, the results are sent to a local prosecuting attorney's office or United States attorney's office. If a court responds with the legal determination of fraud, the case is forwarded to the Office of Financial Recovery at DSHS, so that an overpayment can be recovered from the client.

During the previous two audits, we reported that DEL and DSHS lacked adequate internal controls over the identification and detection of child care fraud. The prior finding numbers were 2016-020 and 2015-025.

Description of Condition

We found the automated process used by DSHS to prioritize fraud reports was not effectively designed. While the process incorporates the dollar value of some other program benefits, it does not include child care benefits that clients receive. The consideration of this dollar amount could increase the assigned risk level of fraud reports for the CCDF program.

We also found OFA did not review all of the highest risk fraud reports it received in state fiscal year 2017. Of the 3,522 reports received, 529 were rated as a 1 and 603 were rated as a 2. We found seven rated as a 1 (1 percent) and 31 rated as a 2 (5 percent) were not assigned to an investigator and aged out of the system after 90 days.

We consider these internal control weaknesses to constitute a material weakness.

Cause of Condition

The automated process used to prioritize reports does not include the monetary value of child care benefits being received. The Department also does not have written policies or procedures specifying which priority levels of reports are required to be assigned to an investigator.

OFA staff said that the 1,542 fraud reports, including some that were rated at the highest levels of risk for fraud, were not reviewed because of insufficient staffing. Staff were reassigned to a special project in an attempt to catch up on overpayments, including for child care.

Effect of Condition

By not considering the amount of child care dollars at risk in its automated assessment process, the Department becomes less likely to give higher priority to reports involving CCDF funds.

By not reviewing all of the highest rated fraud referrals related to the CCDF program, the Department is at risk of not detecting fraudulent billing activities and not complying with the grant requirement to correctly identify and report fraud. Non-compliance with grant requirements could potentially disqualify the state from receiving future federal funding.

Recommendations

We recommend the Department:

- Include the child care dollars at risk as a factor when determining the priority of investigating a fraud referral
- Establish a written policy that describes which priority levels must be assigned to investigators. This policy should include all reports assessed at the highest risk of fraud (1 and 2).

Agency's Response

The Department concurs with the audit finding.

The Department's Office of Fraud and Accountability agrees the fraud priority system does not include the cost of child care benefits and a written policy did not exist outlining how to use the priority scoring system. We also agree a few of the highest risk of fraud cases involving childcare did not get worked during SFY17. We would like to note though, many of these cases were worked after the state fiscal year ended.

The fraud scoring system was first instituted in 2012 using lean techniques. The scoring system has been reviewed over the years and was examined by an SAO performance audit, Prioritizing Fraud Investigations at the Department of Social and Health Services' Office of Fraud and Accountability, during June 2015. None of these reviews revealed the current issue surrounding child care cases. The SAO performance audit stated the tool was working as designed, in 2015, to prioritize a workload that was not capable of being worked as a whole, due to lack of sufficient staffing.

The Department is currently working on incorporating the current SAO recommendation to include child care dollars as a risk factor in determining the priority of fraud referral investigations.

The Department has had a long standing practice of managers assigning cases based off the priority level, starting with the highest priority cases. The Department maintains a goal of completing as many of the highest risk of fraud cases as staffing and workload allows. The Office of Fraud and Accountability reports out on this performance measurement monthly and it is reviewed monthly with management. A written policy has been provided to management staff to memorialize existing processes.

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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

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 200.516 Audit findings, 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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 Code of Federal Regulation, 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.

Revised Code of Washington 43.215.562 Child care subsidy fraud – Referral – Collection of overpayment, states in part:

(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.

2017-028 The Department of Social and Health Services improperly charged $1,544 to the federal foster care grant.

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:	G-1601WAFOST; G-1701WAFOST
Applicable Compliance Component:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$1,544

Background

The federal Title IV-E Foster Care program helps states provide safe and stable out-of-home care for children under the jurisdiction of the State's child welfare agency until the children are returned home safely, placed with adoptive families or placed in other planned, permanent arrangements. The program provides funds to reduce the costs of foster care for eligible children, reduce administrative costs to manage the program, and provide training for adults in the Foster Care program, including state agency staff, foster parents and certain private agency staff. In Washington, the Department of Social and Health Services Children's Administration (Department) is responsible for overseeing and administering the Foster Care program.

The Department is responsible for ensuring grant money is used only for costs allowable under the grant and that payments are adequately supported. During fiscal year 2017, the Department spent about $119 million in federal grant funds, with more than $37 million paid to children in the program and their guardians.

Description of Condition

We used a statistical sampling method, randomly selecting for examination 60 social service payments of a total population of 32,440.

Twenty payments were to purchase goods and services for clients, and we identified no exceptions with these payments.

Forty payments were made to vendors for visitation services provided to multiple children, each of whom is listed separately on the support for the payment. These 40 payments covered services for up to 60 children each. We randomly sampled payments for 112 children from those invoices and examined the respective charges to determine if the Department had authorized them. We found six children for whom the Department could not provide evidence that they had authorized the services. This resulted in known questioned cost of $1,544.

This condition was not reported in the prior audit.

Cause of Condition

The Department did not review to ensure payments for visitation services provided to multiple children were authorized prior to making the payment. The Department did not have any policies or procedures in place to ensure a review was performed.

Effect of Condition and Questioned Costs

A statistical sampling method was used to randomly select the payments examined in the audit. We estimate the amount of likely improper federal payments to be $214,819. The payments were partially funded with state dollars and we found $1,544 of improper state payments, which we estimate to be $214,819. 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 its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend the Department:

- Ensure charges have been authorized before paying
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department concurs with the finding.

The Department will work with field staff and fiduciaries to ensure proper documentation exists when making invoice payments to vendors.

The administration will work with the grantor to discuss any necessary repayment of the known questioned costs.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 sample 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 findings, 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.

2017-029 The Department of Social and Health Services did not have adequate internal controls over and did not comply with 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:	G-1601WAFOST; G-1701WAFOST
Applicable Compliance Component:	Special Tests and Provisions – Payment Rate Setting and Application
Known Questioned Cost Amount:	$293

Background

The federal Title IV-E Foster Care program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state's child welfare agency until the children are returned home safely, placed with adoptive families or placed in other planned, permanent arrangements. The program provides funds to assist with the costs of foster care for eligible children, administrative costs to manage the program, and training for adults in the Foster Care system, including state agency staff, foster parents and certain private agency staff. In Washington, the Department of Social and Health Services Children's Administration (Department) is responsible for the oversight and administration of the Foster Care program.

As the state Foster Care agency, the Department establishes basic rates for maintenance payments to foster parents or childcare institutions, or directly to children. The Department must submit a Title IV-E plan to the grantor that includes a periodic review of the payment rates at reasonable, specific and time-limited periods. The Department also must review 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 Foster Care program's proper and efficient administration.

During fiscal year 2017, the Department spent about $119 million in federal grant funds, with more than $37 million paid to eligible foster care recipients and their guardians.

For the previous three audits, we reported the Department did not have adequate internal controls to ensure it reviewed basic maintenance payment rates for their continued appropriateness in reasonable, specific, time-limited periods, as federal regulations require. The Department did not comply with foster care payment rate setting and application requirements for the Foster Care program. The prior finding numbers were 2016-024, 2015-028 and 2014-027.

Description of Condition

During the audit, we tested to determine if the Department reviewed its basic maintenance rates for their continued appropriateness and if it conducted the review in accordance with its Title IV-E approved state plan. We found the Department's Title IV-E plan did not specifically address the methodology and frequency of the Department's periodic reviews of payment rates.

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 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 court settlement with the Foster Parents' Association of Washington State.

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 in state law or in Department rule that clarify how or when the reviews must be performed, and the Department did not include any such provisions in its current Title IV-E state plan.

We also examined payments made to 45 foster care recipients and found one instance when the payments exceeded the allowable monthly foster care rate by $585.

We consider these internal control weaknesses to be a material weakness.

Cause of Condition

The grantor approved the Department's most recent Title IV-E state plan 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.

During the audit period, the Department created a draft policy that would address this issue, but the policy was not implemented and has not been added to the Title IV-E state plan.

Effect of Condition

Because its Title IV-E plan does not specify the methodology and frequency of its 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 that failure to comply may result in the loss of federal funds and may be considered grounds for suspension or termination of the grant.

The instance when the Department's payments exceeded the allowable monthly foster care rate by $585 included $293 in federal expenditures.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to supports its expenditures.

Recommendations

We recommend the Department:

- Revise its policies and procedures to specify the methodology and frequency of its reviews of basic maintenance payment rates for their continued appropriateness and include this process in its Title IV-E plan
- Ensure rates paid to foster care recipients comply with state and federal law
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Department concurs with the finding.

The Department updated its policy regarding the methodology and frequency of its reviews of the basic maintenance payment rates. The reviews will occur every four years beginning in 2019. In addition, the Department amended the Title IV-E Plan and forwarded it to the Administration of Children and Families.

The Department will ensure when a child is placed with a family residing and licensed in another state, the payment rate from that state will be what the Department pays.

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 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 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.

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 requir4ements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Grant Awards; 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 Code of Federal Regulation 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:

- The amount of the payments made for foster care maintenance and adoption assistance to assure their continued appropriateness.

42 U.S. Code 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;

2017-030 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:	G-1601WAADPT; G-1701WAADPT
Applicable Compliance Component:	Level of Effort
Known Questioned Cost Amount:	None

Background

The Department of Social and Health Services' (Department) Children's Administration operates 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 the 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 $49 million on Adoption Assistance in fiscal year 2017, with more than $40 million paid to the adoptive parents of eligible children for adoption services.

Since federal fiscal year 2010, federal regulations have required states to apply less restrictive program eligibility requirements to children who meet specified criteria. This can result in an additional federal funding, and therefore a reduction in State costs. Federal regulations require the Department to calculate the amount saved, if any, and spend an equal amount on certain program services. Maintaining this state spending at the appropriate level is referred to as maintenance of effort (MOE). 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 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.

In the previous audit, we reported the Department did not have adequate internal controls over and did not comply with federal MOE requirements for the Adoption Assistance program. The prior finding number was 2016-026.

Description of Condition

The Department did not have adequate internal controls in place to ensure it complied with the MOE requirements. The Department did not have a policy or procedure to establish a method for identifying the eligible expenditures to be reported.

The required MOE for the audit period was $780,280. The Department reported it spent $263,310, which was not supported by adequate documentation to determine if it was accurately calculated and used only for allowable purposes.

We consider these internal control weaknesses to constitute a material weakness.

Cause of Condition

During the audit period, the Department had no means of identifying expenditures related to adoption savings in its accounting system. Although the Department was made aware of this deficiency by our finding from the previous year, the Department stated it did not have adequate time to make the required changes to its accounting system before the current audit period closed.

Effect of Condition

Without a system to accurately account and record expenditures related to adoption savings, the Department could not demonstrate it spent the amount reported.

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 concurs with the finding.

Children's Administration concurs internal controls; written policies and procedures; and supporting documentation were lacking for the annual Adoption Savings report.

The Department has:

- *Implemented internal controls to include establishing AFRS coding to track state-funded spending.*
- *Developed written procedures in the preparation of the annual Adoption Savings report.*

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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

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 200.516 Audit findings, 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.

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> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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.
> >
> > **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 requir4ements 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 ⅔ 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.

2017-031 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 Medical Assistance Program (Medicaid; Title
	93.778	XIX)
Federal Award Number:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	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 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 $12.3 billion in federal and State funds during fiscal year 2017.

It is common for Medicaid beneficiaries to have one or more additional sources of coverage for healthcare 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 "payer 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 (Act) requires health insurers to give states 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 Revised Code of Washington 74.09A in 2007, which 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 must 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 at least twice a year. The Authority must focus its implementation of the law on those health insurers with the highest probability of joint beneficiaries.

The U.S. Government Accountability Office (GAO) published an audit report in January 2015, report number GAO-15-208 titled *Additional Federal Action Needed to Further 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.

Since 2008, we have reported findings regarding lack of internal controls over and noncompliance with State law. Prior audit finding numbers were 2016-028, 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 State law requires. The Centers for Medicare and Medicaid Services developed the Payer Initiated Eligibility/Benefits (PIE) Transaction, the format recommended by the federal government for data sharing. The Authority implemented this transaction format in July 2013. In October 2013, the Authority sent letters to 10 major insurance carriers with the most Medicaid clients, inviting them to begin data sharing. Two carriers have chosen to work with the Authority to implement the PIE Transaction and share data.

During fiscal year 2017, the Authority refined the logic for uploading PIE data files into its Medicaid Management Information System, ProviderOne, to ensure accurate automated loading of data. The two health insurance carriers submitted monthly PIE data files to the Authority. However, the Authority was unable to upload the PIE data files. The Authority continues to work on refining the data to ensure “Good Cause” clients, 18 years of age and younger who depend on their parents’ medical insurance or Domestic violence victims, seeking confidential services are excluded. The Authority is working with its ProviderOne vendor to complete this enhancement.

Also, Revised Code of Washington 74.09A.020(1) 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 because this identification is not being done by the insurers. In practice, the data exchange is initiated by payers (insurers) and then the Authority attempts to identify joint beneficiaries.

Cause of Condition

The Authority asserts it has no legal influence to enforce or compel private insurance carriers to participate in the data exchange.

The Authority was unable to upload all client files because of system upload issues.

Effect of Condition

Without performing the data exchange and cross-matching insurance claims, the Authority is not able to promptly identify Medicaid clients who have third-party coverage. This increases the Authority’s risk of paying claims that are not allowable.

Additionally, the Authority is not compliant with State law (Revised Code of Washington 74.09A.020), requiring the Authority and insurance carrier perform a data exchange. Because this finding reports non-compliance with State law, the Office of Financial Management is required by Revised Code of Washington 43.09.312 (1) to submit the agency's response and plan for remediation to the Governor, the Joint Legislative Audit and Review Committee and the relevant fiscal and policy committees of the Senate and House of Representatives.

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

Agency's Response

The SAO is correct in stating that not all health insurers participate in the specific semi-annual data sharing process with the Health Care Authority (HCA) as described in state law (RCW 74.09A.020(5)). The SAO is not correct in concluding that, because of this, HCA is not able to promptly identify Medicaid clients with third party insurance coverage.

Insurers do share data, and HCA has robust and effective processes for identifying and collecting from third parties, much of which happens on an on-going basis and in real time. These activities include data exchanges with insurers; data matching using information obtained from other governmental agencies; cross-matching of insurance claims; and regularly exchanging data with our Medicaid Managed Care Organizations (MCOs). Acting on behalf of HCA, MCOs perform data matches with insurance carriers in the State of Washington that includes the utilization of large national databases to identify third party coverage.

HCA has found these activities to be very effective in the timely identification of third party insurers. On average, HCA staff update over 7,000 third party liability records each month. During this audit period, cost recovery/cost avoidance activities resulted in savings of more than $72 million in federal funds. SAO has neither reviewed these cost recovery activities nor acknowledged the resulting significant savings.

SAO's finding is based on a specific data exchange method which most carriers have chosen not to participate in and which HCA has no legal authority to enforce. SAO management stated it believes HCA should seek and obtain that legal authority through legislation, and continues this audit finding in support of that opinion. The Office of the Insurance Commissioner is responsible for regulating insurers, not HCA. HCA does not intend to ask Legislature for such authority.

HCA will continue to engage in a variety of effective third party liability identification activities, including encouraging insurance carriers to share data, as we have been doing for many years.

Auditor's Concluding Remarks

Our finding is based on the fact that the Authority is not materially compliant with the specific requirements of a State law (Revised Code of Washington 74.09A). This law requires the Authority to use a specific method of data exchange to accomplish third-party payment verification. While the Authority does engage in other methods of third-party payment verification, it isn't required by State law.

The Authority will continue to be bound by the State law that requires this specific method of data exchange, and therefore will continue to risk a finding of non-compliance. That is why our Office suggested the Authority work with the Legislature.

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) establishes 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, 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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, 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 607(1) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1167(1)]), 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 Findings, 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, states:

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.

2017-032 The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$3,909,517	

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 $12.3 billion in federal and state funds during fiscal year 2017.

Tribal health care facilities that deliver health care services to Medicaid-eligible clients can bill the Health Care Authority (Authority) for delivering those services. The Authority submits an annual state plan describing coverage benefits, prior authorization requirements, and reimbursement requirements and limitations, to the Centers for Medicare and Medicaid Services for approval. Chemical dependency treatment is a service covered by Medicaid. State billing policies require providers to retain supporting documentation as evidence of what, when and by whom services were provided.

As part of the state plan, tribal health care facilities are authorized to bill for services at an encounter rate. An encounter is a face-to-face contact between a health care professional and a Medicaid client for the provision of all services that are provided to that client within a 24-hour period, as documented in the client's records. To be eligible to bill at the encounter rate, the services must be provided by specific credentialed health care professionals. In calendar year 2016, the Medicaid encounter reimbursement rates were $368 for tribal clients and $184 for non-tribal clients.

In August 2017, our Office published a whistleblower investigation (report number 1019566) that reported the Authority overpaid a tribe almost $6 million for chemical dependency treatments.

Description of Condition

The Stillaguamish Tribe (Tribe) operates a chemical dependency facility that provides services to tribal and non-tribal clients. From January 2016 through December 2016, the Tribe was paid about $32 million for chemical dependency treatments billed at the encounter rate.

To determine if the Tribe was reimbursed properly, we reconciled almost $7 million in claims to supporting documentation obtained from the Tribe. We found more than $6 million was paid improperly because the service provider was ineligible to claim at the encounter rate because he or she was not a specifically credentialed health care professional as named in the state plan.

Cause of Condition

The Authority had no systematic edit in its Medicaid Management Information System (Provider One) to detect and prevent when the Tribe improperly billed at an encounter rate when a client received services from a non-qualified provider.

Without a systematic edit, the Authority relied on post-payment review, which did not occur for these claims until after we conducted the whistleblower investigation.

Effect of Condition and Questioned Costs

The scope of the whistleblower investigation covered payments made from January 1, 2016, to December 31, 2016. For the purposes of this finding, we are questioning $3,909,517, which is the federal share of the overpayments made during state fiscal year 2017 (from July 1, 2016 to December 31, 2016).

We also identified the Authority made overpayments totaling $2,115,465 in fiscal year 2016 (from January 1, 2016 to June 30, 2016). These payments occurred outside the audit period, but this additional information is included to provide proper perspective for judging the prevalence and consequences of the finding.

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

Consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid

Agency's Response

On September 12, 2017, the Authority requested guidance from the Centers for Medicare and Medicaid Services (CMS) within the U.S. Department of Health and Human Services on whether the payments described in SAO Whistleblower report number 1019566 are in fact overpayments. The language in the State Plan is not conclusive, and more than one tribe has challenged the State Auditor's Office's *conclusions in its report. On January 29, 2018, CMS directed the Authority to Section 4320 of the State Medicaid Manual issued by the Health Care Financing Administration (predecessor agency to CMS). In particular, CMS directed the Authority to paragraph C: "If a State elects to cover clinic services, it may choose the type of clinics or clinic services that are covered, provided that the services constitute medical or remedial care." In light of this CMS guidance, the authority is conducting a policy review to determine how to proceed in regard to appropriate reimbursement policy.*

Auditor's Concluding Remarks

The Authority should consult with the U.S. Department of Health and Human Services to determine what, if any, of the questioned costs should be repaid.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 sample 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 findings, 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.

42 United State Code 1396a - State plans for medical assistance; states in part:

(a) Contents

A State plan for medical assistance must—

    (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

Washington State Plan under TITLE XIX of the Social Security Act

Reimbursement for Indian Health Service and Tribal Health Facilities

Payment for Services

Services provided by facilities of the Indian Health Service (IHS) which includes, at the option of the tribe, facilities operated by a tribe or tribal organization, and funded by Title I or III of the Indian Self Determination and Education Assistance Act (Public Law

93-638), are paid at the rates negotiated between the Health Care Financing Administration (HCFA) and the IHS and which are published in the Federal Register or Federal Register Notices.

The outpatient per visit rate is also known as the, IHS encounter rate. The definition of an encounter is, "A face-to-face contact between a health care professional and a Medicaid beneficiary, for the provision of Title XIX defined services through an IHS or Tribal 638 facility within a 24-hour period ending at midnight, as documented in the patient's record."

The services of the following providers are included in the encounter rate:

- Physicians
- Physician Assistants
- Nurse Midwives
- Advanced Nurse Practitioners
- Speech-Language Pathologists
- Audiologists
- Physical Therapists
- Occupational Therapists
- Podiatrists
- Optometrists

2017-033 The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met.

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Provider Eligibility-Provider Revalidation	
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 $12.3 billion in federal and state funds during fiscal year 2017. The state Medicaid agency for Washington is the Health Care Authority (Authority).

Provider enrollment

In March 2011, a new federal regulation required state Medicaid agencies to revalidate the enrollment of all Medicaid providers at least every five years. The Centers for Medicare and Medicaid Services (CMS) notified states through an informational bulletin that the revalidation of all providers, enrolled on or before March 25, 2011, must be completed by March 24, 2016.

In January 2016, CMS issued updated guidance to states that extended the deadline for provider revalidation to September 25, 2016. This new deadline applied to all providers enrolled on or before September 25, 2011. After this deadline, all providers must be revalidated every five years from their initial enrollment date. 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.

In revalidating a provider's enrollment, the state Medicaid agency must conduct a Fingerprint Based Criminal Background Check (FCBC) when the agency has designated a provider as high risk. On June 1, 2016, CMS required state Medicaid agencies to implement the FCBC process by December 31, 2016. On August 1, 2017, CMS extended the deadline to July 1, 2018.

Provider screening levels

The first step in revalidating a provider is to determine the provider's screening risk level. A provider can be designated as one of three risk levels: limited, moderate or high. Each risk level requires progressively greater scrutiny of the provider before it can be revalidated. CMS issued initial guidance on screening levels for specific provider types. For providers enrolled with both Medicare and Medicaid, state Medicaid agencies must assign providers to the same or higher risk category applicable under Medicare. In addition, certain provider behaviors require a provider to be moved to a higher screening risk level.

The following are the required screening procedures for each of the risk levels:

Limited risk

- Verify that provider meets applicable federal regulations or state requirements for provider type before making an enrollment determination
- Conduct license verifications, including for licenses in states other than where the provider is enrolling
- Conduct database checks to ensure providers continue to meet the enrollment criteria for their provider type

Moderate categorical risk

- Perform the "limited" screening requirements
- Conduct onsite visits

High risk

- Perform the "limited" and "moderate" screening requirements
- Conduct a Fingerprint Based Criminal Background Check

According to federal regulation, state Medicaid agencies must adjust the categorical risk level of a particular provider from "limited" or "moderate" to "high" when any of the following situations occur:

- A Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse. The provider's risk remains "high" for 10 years beyond the date of the payment suspension.
- A provider that, upon applying for enrollment or revalidation, is found to have an existing state Medicaid Plan overpayment.
- The provider has been excluded by the Office of Inspector General or another state's Medicaid Program within the previous 10 years.
- A Medicaid agency or CMS, in the previous six months, lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within six months from the date the moratorium was lifted.

Over 98,000 Medicaid providers were active in Washington during fiscal year 2017. The Authority paid about $2.24 billion for fee-for-service claims billed by medical providers. In the prior audit, we reported the Authority did not notify all required Medicaid providers of the revalidation requirements by March 24, 2016. The prior finding number was 2016-035.

Description of Condition

The Authority did not have adequate internal controls to ensure it complied with federal requirements related to Medicaid medical provider enrollment and screening.

Provider enrollment

Despite multiple extensions and notifications issued to states by CMS that began in January 2016, the Authority did not revalidate all medical providers as required by federal regulations. The Authority has established a process to revalidate medical providers, but that process was not designed effectively to ensure all medical providers were revalidated timely.

Provider screening levels

During the audit period, the Authority revalidated 4,513 providers. We found the Authority did not establish a process to adjust provider screening risk levels.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

The Authority said medical providers were not revalidated by their five-year deadline because of limited staff resources. The Authority's policies and procedures do not instruct staff on how to adjust a medical provider's risk-level in accordance with federal regulation.

The Authority decided not to adjust the risk-level of medical providers it revalidated during the audit period until the FCBC requirement goes into effect in July 2018.

Effect of Condition

The Authority did not revalidate 41,594 out of 54,144 medical providers required to be revalidated as of July 31, 2017, resulting in a noncompliance rate of almost 77 percent.

By not complying with federal provider revalidation and screening requirements, the Authority is at a higher risk of not detecting when medical providers are ineligible to provide services, or be paid with Medicaid funds.

Recommendation

We recommend the Authority:

- Implement internal controls designed to bring the Authority into material compliance with provider revalidation requirements
- Establish a written process that describes how staff are to adjust providers' screening risk levels

Agency's Response

The Health Care Authority is aware that provider revalidations have not been done timely, and has been closely monitoring the situation. In fact, the information SAO uses in this finding was obtained from the Authority's routine monitoring reports.

The revalidation process currently consists of manual searches of state and national databases to verify the existence, qualifications, and licensing of a provider. The requirement to revalidate providers every five years, rather than just at the time of application, greatly increased the revalidation workload. HCA's long-term solution for compliance with the revalidation requirement is to develop an automated process to conduct all the necessary data matches. When fully implemented, manual work will consist only of reviewing those providers that do not pass the automated screening, which will be significantly more efficient than the current one-at-a-time manual review. In the meantime, the Authority mitigates the risk of paying ineligible providers by:

- *Utilization of the Lexis Nexis Provider Scan product that conducts the required federal and state database searches for all HCA enrolled providers at a single point in time, allowing the agency to focus staff revalidation resources on providers that do not pass the database checks. This was conducted in April of 2017, and is planned to be run again in March of 2018.*
- *HCA ProviderOne has an interface with the Department of Health licensure database that automatically updates HCA provider licensure records based on changes to the licensure database. In addition, HCA has an automated process which checks for any providers without an active licensure in the ProviderOne, these providers are automatically placed in a nonpayable status until reviewed by state staff.*
- *HCA staff monitor Department of Health for provider sanction information and take action on a provider's enrollment status as needed.*

As described above, federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. SAO is correct in stating that the Authority has not formally changed the risk level of the approximately two dozen providers, out of 98,000, that meet the criteria. The significant result of re-classification to a high-risk category is that these providers must submit to a fingerprint based background check. However, the fingerprint requirement does not take effect until July 2018. When the requirement takes effect, HCA will formally change the risk level of those two dozen providers to high and require them to submit to a fingerprint based background check. Processes will be documented at that time.

SAO has not provided specific information about what internal controls are missing or lacking. Given the lack of specific recommendations about internal controls, the Authority will continue with the planned course of action of risk mitigation activities and pursuing the long-term solution of automating the revalidation process.

Auditor's Concluding Remarks

Although the fingerprint based background check requirement for high risk providers does not take effect until July 2018, the requirement for a provider to have an on-site monitoring visit is required for any provider's risk level that changes from low to high. Because the Authority is not reclassifying a provider from one risk level to another, they are not performing site visits as required.

Authority management is responsible for establishing and maintaining internal controls designed to ensure the agency materially complies with federal requirements. As stated in the Cause section of the finding, the Authority made decisions related to the number of staff assigned to provider revalidations and the timing of reclassifying providers based on risk, with the understanding that it would not result in material compliance with program requirements. We confirmed this result in our audit and finding.

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) establishes 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 200.516 Audit findings, 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 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.

Section 455.434 Criminal background checks

The State Medicaid agency -

(a) As a condition of enrollment, must require providers to consent to criminal background checks including fingerprinting when required to do so under State law or by the level of screening based on risk of fraud, waste or abuse as determined for that category of provider.

(b) Must establish categorical risk levels for providers and provider categories who pose an increased financial risk of fraud, waste or abuse to the Medicaid program.

(1) Upon the State Medicaid agency determining that a provider, or a person with a 5 percent or more direct or indirect ownership interest in the provider, meets the State Medicaid agency's criteria hereunder for criminal background checks as a "high" risk to the Medicaid program, the State Medicaid agency will require that each such provider or person submit fingerprints.

(2) The State Medicaid agency must require a provider, or any person with a 5 percent or more direct or indirect ownership interest in the provider, to submit a set of fingerprints, in a form and manner to be determined by the State Medicaid agency, within 30 days upon request from CMS or the State Medicaid agency.

Section 455.450 Screening levels for Medicaid providers.

A State Medicaid agency must screen all initial applications, including applications for a new practice location, and any applications received in response to a re-enrollment or revalidation of enrollment request based on a categorical risk level of "limited," "moderate," or "high." If a provider could fit within more than one risk level described in this section, the highest level of screening is applicable.

(a) Screening for providers designated as limited categorical risk. When the State Medicaid agency designates a provider as a limited categorical risk, the State Medicaid agency must do all of the following:

(1) Verify that a provider meets any applicable Federal regulations, or State requirements for the provider type prior to making an enrollment determination.

(2) Conduct license verifications, including State licensure verifications in States other than where the provider is enrolling, in accordance with § 455.412.

(3) Conduct database checks on a pre- and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

(b) Screening for providers designated as moderate categorical risk. When the State Medicaid agency designates a provider as a "moderate" categorical risk, a State Medicaid agency must do both of the following:

(1) Perform the "limited" screening requirements described in paragraph (a) of this section.

(2) Conduct on-site visits in accordance with § 455.432.

(c) Screening for providers designated as high categorical risk. When the State Medicaid agency designates a provider as a "high" categorical risk, a State Medicaid agency must do both of the following:

(1) Perform the "limited" and "moderate" screening requirements described in paragraphs (a) and (b) of this section.

(2) (i)Conduct a criminal background check; and (ii) Require the submission of a set of fingerprints in accordance with § 455.434.

(d) Denial or termination of enrollment. A provider, or any person with 5 percent or greater direct or indirect ownership in the provider, who is required by the State Medicaid agency or CMS to submit a set of fingerprints and fails to do so may have its -

(1) Application denied under § 455.434; or

(2) Enrollment terminated under § 455.416.

(e) Adjustment of risk level. The State agency must adjust the categorical risk level from "limited" or "moderate" to "high" when any of the following occurs:

(1) The State Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse, the provider has an existing Medicaid overpayment, or the provider has been excluded by the OIG or another State's Medicaid program within the previous 10 years.

(2) The State Medicaid agency or CMS in the previous 6 months lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within 6 months from the date the moratorium was lifted.

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.

Centers 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.

…

(3) 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.

2017-034 The Health Care Authority did not have adequate internal controls over 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Special Tests and Provisions – Utilization Control and Program Integrity	
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 $12.3 billion in federal and state funds during fiscal year 2017.

For states, such as Washington, that use an automated claims processing system (ProviderOne), federal regulations require a specific method be in place to verify with Medicaid clients that 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 payment, to all or a sample group of Medicaid clients whose claims were processed through ProviderOne. Medical, nursing home and social service claims are subject to the Medicaid service verification process. The only allowable exclusion is claims for confidential services. In fiscal year 2017, the state Medicaid program paid about $5 billion for medical, nursing home and social service claims.

The Health Care Authority (Authority) processes medical claims, and the Department of Social and Health Services (Department) processes social service and nursing home claims. The Authority is ultimately responsible to ensure all eligible claims are included in the Medicaid service verification survey process.

In state fiscal year 2017 (from July 1, 2016 to June 30, 2017), the Authority mailed Medicaid medical service verification surveys to randomly selected clients every month and social service verification surveys to randomly selected clients in May and June 2017. Clients who receive the survey are selected based on payments made through ProviderOne.

If the Authority identifies a credible suspicion of fraud or abuse, it must forward the information to the Attorney General's Office, Medicaid Fraud Control Unit, for investigation.

In prior audits, we reported the Authority did not ensure all eligible claims were included in the Medicaid service verification process. The prior finding numbers were 2016-029, 2015-032, 2014-039, 13-031, 12-54and 11-39
.

Description of Condition

We found the Authority's internal controls were not effectively designed to ensure material compliance with Medicaid service verification requirements.

Exclusion of nursing home and social service claims

Although the Authority established an adequate process to select medical claims processed through ProviderOne, it did not include nursing home claims in any monthly random sample or social service claims for 10 of the 12 months during the fiscal year.

Nursing home and social service claims account for about 50 percent of total fee for service claims paid through ProviderOne.

Follow-up on returned social service surveys

For the social service claim verifications sent in May and June 2017, the Authority did not have a policy to ensure returned social service surveys were reviewed and followed up if questions about the legitimacy of payments existed.

We consider these internal control deficiencies to be a material weakness.

Cause of Condition

Exclusion of nursing home and social service claims

The Authority excluded nursing home claims because these facilities are paid a fixed monthly rate and the return on investment was low. It believed identifying potential fraud for this population could be accomplished through other means and by excluding this population, it could select higher risk providers to include in this process.

The Authority excluded social services claims from its monthly random sample survey process because it believed the Department was surveying the claims.

Follow-up on returned social service surveys

Because the Department authorized the services, Authority staff said it did not have the expertise to follow up on returned social service surveys.

The Authority and the Department had no written agreement that described each agency's responsibilities to ensure the State complied with federal regulations related to Medicaid service verifications.

Effect of Condition

By not effectively designing its service verification process, the Authority is at an increased risk of not detecting potential Medicaid fraud.

Recommendations

We recommend the Authority:

- Establish a written policy that requires all ProviderOne claims subject to the service verification requirements be included in the sample population
- Design its service verification survey process effectively by sampling from all ProviderOne claims subject to the service verification requirements
- Establish a written agreement with the Department describing each agency's roles and responsibilities for the survey follow-up that the Authority would like the Department to complete

Agency's Response

As noted in the finding, the Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims in May of 2017. A Service Level Agreement detailing the roles and responsibilities of the Authority and the Department for processing and investigating any leads from MSVs was signed later that year.

The exclusion of nursing homes from MSVs was deliberate and is not indicative of poor internal controls. From a compliance standpoint, we believe it is more effective to conduct targeted, risk-based verifications with high return rates and believe federal regulation allows for this flexibility. We will work with our grantor to clarify and, until then, will include nursing homes in the MSV population.

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) establishes 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).

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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 an event occurring 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.

Title 42, U.S. Code of Federal Regulations, Chapter IV, Subpart C—Mechanized Claims Processing and Information Retrieval Systems, section 433.110 Basis, purpose and applicability, states in part:

(a) This subpart implements the following sections of the Act:
  (1) Section 1903(a)(3) of the Act, which provides for FFP in State expenditures for the design, development, or installation of mechanized claims processing and information retrieval systems and for the operation of certain systems. Additional HHS regulations and CMS procedures for implementing these regulations are in 45 CFR part 75, 45 CFR part 95, subpart F, and part 11, State Medicaid Manual; and
  (2) Section 1903(r) of the Act, which imposes certain standards and conditions on mechanized claims processing and information retrieval systems (including eligibility determination systems) in order for these systems to be eligible for Federal funding under section 1903(a) of the Act.

Title 42, U.S. Code of Federal Regulations, Section 433.116 FFP for operation of mechanized claims processing and information retrieval systems, states in part:

(a) Subject to paragraph (j) of this section, FFP is available at 75 percent of expenditures for operation of a mechanized claims processing and information retrieval system approved by CMS, from the first day of the calendar quarter after the date the system met the conditions of initial approval, as established by CMS (including a retroactive adjustment of FFP if necessary to provide the 75 percent rate beginning on the first day of that calendar quarter).

Subject to 45 CFR 95.611(a), the State shall obtain prior written approval from CMS when it plans to acquire ADP equipment or services, when it anticipates the total acquisition costs will exceed thresholds, and meets other conditions of the subpart.

(b) CMS will approve enhanced FFP for system operations if the conditions specified in paragraphs (c) through (i) of this section are met.
(c) The conditions of §433.112(b)(1) through (22) must be met at the time of approval.
(d) The system must have been operating continuously during the period for which FFP is claimed.
(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.)

Title 42, U.S. 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, U.S. 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, U.S. 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).

Health Care Authority, Office of Program Integrity (OPI) Procedure No. 2.1.1 states:

Medical Service Verification (MSV) Procedure

Procedure:

I. Each month, using an automated process, ProviderOne will issue at least 400 MSV forms to randomly selected Medicaid beneficiaries.

   MSV mailings:

   A. Will include a self-addressed stamped envelope
   B. Will exclude beneficiaries receiving confidential services
   C. Will identify the specific service recipient

II. Each returned MSV will be stamped with date received and submitted to the Intake Coordinator.

   The Intake Coordinator will:

   A. Log all returned MSVs, whether services are designated as received or not, capturing:
      1. Dates of MSV issuance and return
      2. Name of beneficiary
      3. Services identified
      4. Service Provider
      5. Amounts Paid
      6. Date of Service
      7. Whether the service was received or not
      8. Co-pay amount
      9. Amount of services designated as “not received”
      10. Beneficiary notes/comments
      11. Flag for follow-up
      12. OPI Staff notes/comments
   B. Refer all leads from MSVs with potential fraud, waste or abuse to the Case Management Team for additional research and analysis.

      The Case Management Team will:

      1. Review the work of the Intake Coordinator and determine if a full investigation is warranted.
      2. Refer lead back to Intake Coordinator to close the MSV without action if a full investigation is not required.
      3. Open a case and transfer the preliminary investigation of the lead into case tracking if credible for potential fraud, waste or abuse.
      4. Communicate the case identification number of the opened case to the Intake Coordinator so the outcome can be logged into the Intake an Triage Log.

III. For Quality control, the supervisor of the Intake Coordinator will review MSV outcomes logged into the Intake and Triage Log at least once per month; the OPI Section Manager will review them at least once per year.

2017-035 The Health Care Authority did not have adequate internal controls over 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles
Known Questioned Cost Amount:	$23,955,658

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 $12.3 billion in federal and State funds during fiscal year 2017.

The Medicaid drug program began in 1991 and is described in Title 42 United States Code §1396r-8. For federal payments to be available for covered outpatient prescription drugs provided under Medicaid, drug manufacturers must 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; 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 2017, the Authority invoiced drug manufacturers for drug rebates totaling more than $644 million, of which $496 million was for managed care claims and $148 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. Managed care Medicaid drug rebate claims were addressed in prior finding number 2016-032.

Description of Condition

We found the Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for managed care and fee-for-service eligible 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 and fee-for-service claims. The Authority's drug rebate invoicing system automatically identifies rebate eligible prescription drug claims based on its system configuration. However, specific codes such as eligibility groups and managed care plan codes are added to the system periodically. Some functions of these processes are manual, which allowed some errors to be entered in necessary system updates. As a result, the drug rebate system did not 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 the correct number of units, which was needed to calculate the rebates.

We consider this control deficiency to be a material weakness.

Cause of Condition

The Authority did not have adequate oversight of its processes for determining rebate eligibility for claims. For example, the Authority did not identify the correct number of units because of the complexity of drug unit conversions for rebate. The rebate system automatically converts outpatient drug unit for rebate. However, some conversions were complex enough that the system could not accurately calculate the units for rebate.

The Authority did not identify rebate eligible claims because some procedure codes associated with rebate eligible drugs were not adequately configured into the rebate system. Eligibility for

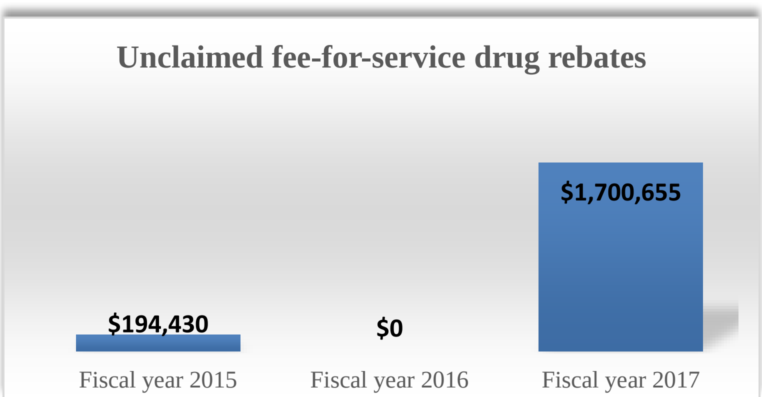
undocumented alien clients who received Medicaid emergency related services were also not properly identified in the rebate system.
The Authority said that more than 85,000 claims, out of 105,806, were retroactively invoiced as prior period adjustments after the managed care plan code and eligibility group code errors were corrected. Those adjusted claims were reported to the manufacturers as a part of the invoicing process. However, the rebate amounts for those claims were not actually included in the invoice total to be collected.

The U.S. Department of Health and Human Services, Office of Inspector General, published an audit report[2] in September 2017 that also found the Authority did not bill drug manufacturers for more than $16.9 million in rebates related to claims paid to managed-care organizations for April 2010 through December 2013. The Authority concurred with the recommendations made in the report and said it would address the issue.

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 increases its risk of not collecting all valid rebates.

Using a statistical sampling method, we randomly selected 56 fee-for-service drug rebate invoices from a population of 556 fee-for-service drug rebate invoices and a sample of 84 managed care drug rebate invoices from a population of 1,061 managed care drug rebate invoices, which were processed in fiscal year 2017, to determine if they were accurately prepared. In addition, we judgmentally selected four fee-for-service invoices with the highest rebate amounts, totaling $84,485,118. The total rebate amount for the selected invoices was nearly $113 million for fee-for-service and $279 million for managed care drug rebates.



Fee-for-service

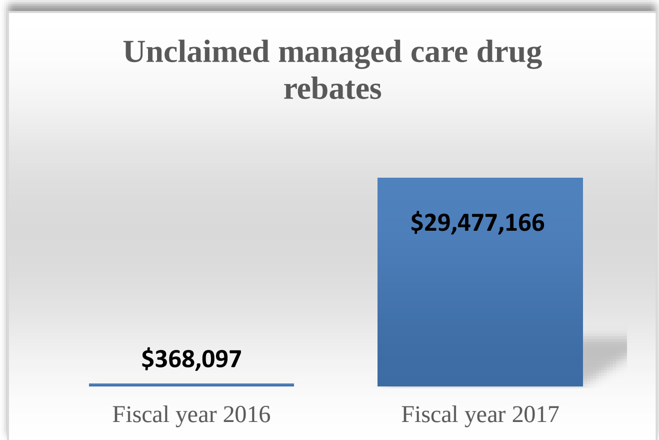
For fee-for-service drug rebates, we identified 3,811 claims, totaling $1,700,655, that were eligible for a drug rebate but not included in 27 of the 60 fee-for-service rebate invoices tested.

[2] https://oig.hhs.gov/oas/reports/region9/91602028.pdf

Managed care

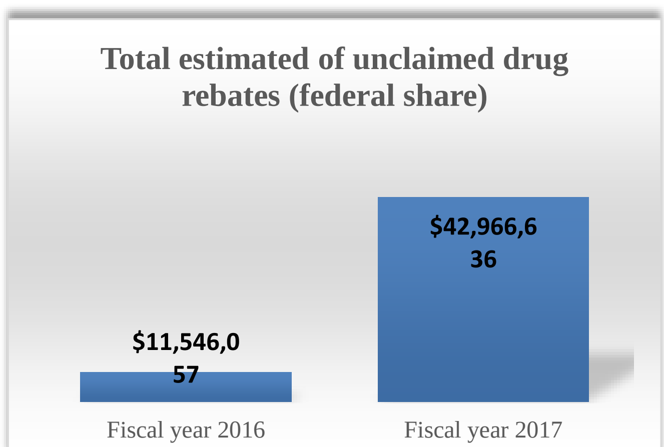
For managed care drug rebates, we identified 105,806 claims, totaling $29,477,166, that were eligible for a drug rebate but not included in 78 of the 84 managed care rebate invoices tested.

The following table summarizes the results of our review:



Rebate claim type	Known questioned costs – state and federal	Known questioned costs – federal share	Estimated missed rebates – state and federal	Estimated missed rebates – federal share
Fee-for-service	$1,700,655	$1,215,359	$2,590,568	$1,698,961
Managed care	$29,477,166	$22,740,299	$53,198,828	$41,267,675
Total	**$31,177,821**	**$23,955,658**	**$55,789,396**	**$42,966,636**

As a result, the Authority failed to claim $31,177,821in owed rebates. We are questioning the federal share of $23,955,658. When we project the results to the entire population of managed care and fee-for-service invoices, we estimate the Authority failed to collect $55,789,396 in fee-for-service and managed care drug rebates. The federal share of the estimated unclaimed rebates, or likely questioned costs, is $42,966,636.



We question costs when we find an agency has not complied with grant regulations or when it does not adequately offset Medicaid assistance expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

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 the correct number of units, which is information 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 to determine if the questioned costs identified by the audit should be repaid

Agency's Response

The Authority does not agree with the SAO's Description of Condition, Cause of Condition, or Effect of Condition on Questioned Costs. The Authority has engaged in considerable discussion with the SAO regarding the drug rebate program, but HCA remains concerned that the SAO may not fully appreciate certain crucial facts regarding the program, which then seems to have led to erroneous audit conclusions. Explanations of the Authority's positions follow.

Description of Condition:
Although it is correct that eligibility groups and managed care plan codes are periodically added to the system, this condition was from a prior audit and was not present in any of the findings for this audit. As described in the corrective action plan from the 2016 audit, the Authority made all of the corrections, invoiced for the missed rebates in the first quarter of 2017, and set up a process to configure future managed care plan changes into the drug rebate subsystem. This information was provided to the SAO.

The Authority agrees with the condition that it was not able to process rebates for some outpatient drugs due to unit conversion issues. This was a finding from the 2016 audit, which the Authority has addressed and is releasing into ProviderOne production in April 2018. This information was shared with the SAO at the beginning of the audit.

Cause of Condition:
As stated above, the corrective action plan from the prior year's finding pertaining to unit conversions will move into production in April 2018.

The Authority agrees with the identified condition pertaining to improper exclusion of undocumented clients from the rebate process. However, because this condition impacts a very small, distinct client population - 119 clients in total – extrapolating the exceptions to the entire population is not an appropriate application of sampling methods and overstates the likely questioned costs.

Out of the 105,806 managed care encounters the SAO identified above, the Authority verified that 92,506 were either invoiced or excluded appropriately. It appears to the Authority that the SAO's conclusions stem from a misunderstanding of the prior period correction ("PPC") process.

The Authority believes that an understanding of the PPC process is a crucial part of adherence to auditing standards. It is unclear whether the SAO understood the Authority's explanations of, and evidence related to, the PPC process.

In sum, any PPC that is included in an invoice is deemed to be invoiced and payable. In the Authority's experience, the drug manufacturers are aware of this fact. The invoicing format that the Authority uses is mandated by CMS and is used by states nationwide. Under this format, the invoices are sent with a monetary total for the utilization of drugs in the current quarter. The PPCs are listed separately so that it is easier for the manufacturers to reconcile any additional amounts or credits that may be due. The first page of every invoice explains this process. The Authority is puzzled that, despite these facts, the SAO seems to maintain that the Authority did not properly invoice certain PPCs.

The Authority provided the SAO with copies of two of the invoices that the SAO had questioned. The Authority performed a full reconciliation of one of the invoices which verified that the entire invoice had been paid, both for the current quarter and for the PPC utilizations. The SAO's findings do not appear to take this reconciliation into account.

In addition, the SAO repeatedly references the OIG audit, but the Authority believes it would be more complete and accurate to also note that the Authority already has (1) addressed and resolved the OIG's audit finding; (2) invoiced the rebates in question; and (3) taken corrective actions. The Authority is concerned that the SAO may not have fully appreciated the degree to which the issues identified by the OIG have been addressed. The Authority is further concerned that the SAO may have gained an insufficient understanding of how drug manufacturers are invoiced.

Effect of Condition and Questioned Costs
As stated, the SAO's statement regarding the managed care plan codes was not present in the conditions in this finding; instead, it was from a 2016 finding that the Authority already has corrected. As noted, the Authority is implementing an enhancement to the ProviderOne system in April 2018 to address the unit conversion issues identified during the audit last year.

The figure of $1.7M includes PPC claims that the Authority already has invoiced. If, as appropriate, claims that have already been invoiced are removed, the amount remaining to be invoiced is $334,152 total computable.

The total exceptions identified for managed care is in error, as well. The SAO identified $29M that it believes had not been invoiced at the time of audit; however, the correct figure is $9,244,663 total computable. The Authority has already invoiced this balance.

Although a lack of understanding may have led the SAO to incorrect conclusions, the Authority believes much of the misunderstanding could have been resolved given a reasonable time frame. The SAO was operating on a compressed schedule, which prevented the Authority from being able to review and respond to the detailed exceptions prior to receiving the audit finding.

The following are the exceptions that the Authority agrees with:

Emergency medical eligibility – This issue was limited to medical claims and affected 119 specific clients in the ProviderOne system. A report exists that will allow staff to preemptively identify these specific scenarios and make eligibility updates as appropriate. This will occur on a weekly basis, which also allows the Authority to reprocess any affected claims prior to invoicing.

Procedure code configuration – ProviderOne allows numerically sequential procedure codes with like requirements to be configured in ranges or 'groups.' However, during the process of uploading new and changed codes, unintended gaps were created in certain ranges. This caused the NDC requirements on certain codes to be temporarily bypassed. The Authority intends to remove the grouping configuration, review the current list of codes, and maintain them individually going forward.

HCPCS to NDC conversion errors – This was a condition known to the Authority as a result of previous audits. A ProviderOne change request is being implemented that adds configurable fields to facilitate unit conversions on the more complex physician-administered drug claims. This change is currently in testing, and scheduled to be implemented in April 2018.

The Authority will consult with CMS to fully explain the actual audit results and will work to invoice and repay the amounts that are truly outstanding.

Auditor's Concluding Remarks

The audit objective was to determine whether the Authority properly sought drug rebate claims on a quarterly basis. The audit scope included drug rebates invoiced in fiscal year 2017, which covered four invoicing quarters: the second, third and fourth quarters of 2016 and the first quarter of 2017. The Authority said at the start of the audit that the eligibility groups and managed care plan code issues identified in the previous audit were not completely resolved during the audit period. For three out of four of the invoicing quarters, these coding issues remained in the rebate system and more than 85,000 rebate eligible claims were missed during the quarterly rebate process.

We used a stratified random sampling method to select the rebates examined in the audit. We found no evidence to support that the cause of the exceptions were limited to a distinct client population.

The audit report that was published by the U.S. Department of Health and Human Services, Office of Inspector General was published after this audit period ended. The audit was referenced to add context that the federal government had recently reported similar issues to those noted in this finding.

We reaffirm our finding, but we are committed to working through the disagreement with the Authority.

During our next audit we will:

- Follow-up to assess whether the Authority's corrective action plans have resolved these matters
- Determine whether the invoicing process, described by the Authority in its response, is mandated by CMS
- Work with the Authority to provide it more time to review preliminary audit results

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.

(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, Compliance Audits, as follows:

> .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …
>
> **Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
>
> **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 an event occurring 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.
> >
> > **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–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.

2017-036 The Health Care Authority overpaid Medicaid hospitals for outpatient 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$118,679	

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 $12.3 billion in federal and state funds during fiscal year 2017.

The Health Care Authority pays for outpatient hospital services using several payment methods, including Enhanced Ambulatory Patient Group (EAPG), maximum allowable fee schedule and ratio of costs-to-charges (RCC). The Authority uses EAPG as its primary reimbursement method for outpatient hospital services.

The Authority pays outpatient hospitals using the following methods in the following order:

- EAPG to pay for covered services by EAPG weight established by 3M Health Information Systems
- The maximum allowable fee schedule to pay for covered services for which there is no established EAPG weight and for services exempted from EAPG payment
- The hospital's outpatient RCC to pay for the covered services for which the agency has not established a maximum allowable fee

EAPG payment is calculated by applying the EAPG weight to a hospital's specific outpatient rate or conversion factor. The payments are automatically calculated in ProviderOne, the state's Medicaid Management Information System.

In fiscal year 2017, the state Medicaid program paid about $42.3 million to hospitals for outpatient services.

Description of Condition

We found the Authority had adequate internal controls to materially ensure hospitals are paid correctly for outpatient services.

However, we found the Authority used an incorrect EAPG weight factor and made improper payments to hospitals for outpatient services from May 17, 2016, to July 6, 2016. The Authority identified and corrected this EAPG error in July 2016. The Authority also corrected more than 26,000 outpatient claims paid improperly during fiscal year 2017.

During the initial claim adjustment process, however, not all claims were captured. As a result, approximately 3,800 claims were missed from the adjustment process and the Authority overpaid hospitals for outpatient services by $203,122 during the audit period.

The Authority completed its adjustments in January 2018 after we brought this issue to its attention during the audit.

This condition was not reported in the prior audit.

Cause of Condition

The incorrect EAPG weights were loaded into the ProviderOne system in error. When the claim adjustments were processed, additional claims with incorrect payments had been missed in the adjustment.

Effect of Condition and Questioned Costs

The Authority made improper payments to hospitals for outpatient services totaling $203,122. The Authority said it refunded the federal portion of the unallowable costs to the U.S. Department of Health and Human Services, through its adjustments completed in January 2018. We are questioning the overpaid federal share amount of $118,679 because the Authority completed its adjustments in January 2018 after we brought this issue to the attention of the Authority.

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:

- Ensure questioned costs were repaid to the federal grantor
- Ensure correct outpatient EAPG weights are loaded into ProviderOne in the future

Agency's Response

The Authority agrees that there were claims that were missed in the original mass adjustment to correct for the error of incorrect EAPG weight assignment. Those missing claims were identified and adjusted in November of 2017. A very small percentage of those missing claims had not yet fully processed in November, so approximately two percent of the claims did not adjust until January of 2018. All corrections were completed at that time and there are no outstanding questioned costs. We understand and appreciate that the SAO is compelled to report the questioned costs because those corrections occurred after the end of the audit period (June 30, 2017).

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 sample 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 findings, states in part:

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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.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to

recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Washington Administrative Code 182-550-7000, Outpatient prospective payment system (OPPS)—General, states:

(1) The Medicaid agency pays for outpatient services using an outpatient prospective payment system (OPPS) for all hospitals that do not qualify as in-state critical access hospitals per WAC 182-550-2598.

(2) The agency uses the enhanced ambulatory payment group (EAPG) software provided by 3MTM Health Information Systems to group OPPS claims based on services performed and resource intensity.

(3) The agency uses the group established in subsection (2) of this section to determine payment for OPPS claims. Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Washington Administrative Code 182-550-7400, OPPS EAPG relative weights, states:

(1) The Medicaid agency uses national relative weights established by 3MTM as part of its enhanced ambulatory patient group (EAPG) payment system.

(2) The agency may update the relative weights used for calculating OPPS payments on July 1st of each year, beginning on July 1, 2015.

(3) The agency may update relative weights more frequently for newly added EAPGs in order to maintain current EAPG grouper system functionality.
(4) The agency will post all relative weights used on the agency's web site.

2017-037 The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Suspension and debarment	
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 $12.3 billion in federal and state funds during fiscal year 2017.

Federal regulations prohibit recipients of federal awards from contracting with vendors suspended or debarred from doing business with the federal government. Grantees are required to verify vendors receiving $25,000 or more in federal funds are not suspended or debarred or otherwise excluded from participating in federal programs.

Grantees can meet this requirement by:

- Checking the federal Excluded Parties List System (EPLS)
- Collecting a written certification
- Adding a clause or condition to the contract

The Medicaid program has additional requirements to ensure Medicaid providers are not suspended or debarred. Federal regulations require the state Medicaid agency to determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of the List of Excluded Individuals/Entities (LEIE) and the Excluded Parties List System (EPLS).

The regulation requires the state Medicaid agency to perform LEIE and EPLS checks upon enrollment and reenrollment of providers. For all enrolled providers, owners and managing employees, LEIE and EPLS checks must be completed at least monthly.

Over 98,000 Medicaid medical fee-for-service providers were active in Washington during fiscal year 2017. Over 44,000 owners or managing employees were associated with the active 98,000 providers. The Authority paid about $2.24 billion for fee-for-service claims billed by medical providers.

Description of Condition

We found the Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.

The Authority performs LEIE and EPLS database checks upon enrollment and reenrollment of medical fee-for-service providers. However, we found the Authority does not complete the required monthly LEIE and EPLS database checks. The Authority did not perform EPLS checks for any months during our audit period. The Authority completed LEIE database checks on a quarterly basis until it started a monthly check in December of 2016; although the Authority did not complete an LEIE check for June 2017.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

Cause of Condition

In November 2012, the EPLS system was replaced by SAM (System Award Management). The SAM database only has the ability to look up a single individual or an entity; therefore the Authority said it is unable to complete data matches of all 98,000 providers on a monthly basis. The Authority is currently working with the federal government to resolve this issue.

The Authority believed performing a quarterly LEIE check would be sufficient to identify suspended or debarred providers.

Effect of Condition

We tested all providers and determined that the Authority did not make payment to any debarred or suspended provider during the audit period. However, not conducting required monthly database checks timely increases the risk that the Authority would not detect and prevent suspended or debarred providers from receiving federal Medicaid funds. Payments to providers who are suspended or debarred would be unallowable and the Authority may have to repay the grantor.

Recommendation

We recommend the Authority implement adequate internal controls to ensure it completes required EPLS and LEIE checks no less frequently than monthly.

Agency's Response

As noted by the State Auditor's Office, the Authority began monthly LEIE database checks in December 2016. LEIE and EPLS database checks are completed during the provider enrollment process for new enrollees and during re-validation.

The EPLS database checks are currently not conducted on monthly basis as there is a price associated with the SAM/EPLS database checks for an upload of more than one individual provider at a time. The Authority does not have adequate staffing nor the budget to pay to have these checks conducted on a monthly basis due to the volume of its providers.

The Authority was recently approved as a pilot state to utilize the U.S. Department of Treasury's Do Not Pay database system and will be able to upload the volume of providers into SAM/EPLS and conduct the required checks on a monthly basis.

Although there is a current gap in conducting the SAM/EPLS database checks, there were no improper payments identified.

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) establishes the following applicable requirements.

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 200.516 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 internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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 Regulation, part 180, states in part:

Subpart B – Covered Transactions

A covered transactions is a nonprocurement or procurement transactions that is subject to the prohibitions of this part. It may be a transaction at –

(a) The primary tier, between a Federal agency and a person (see appendix to this part); or
(b) A lower tier, between a participant in a covered transaction and another person.

Subpart C–Responsibilities of Participants Regarding Transactions Doing Business With Other Persons

§180.300 What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking SAM Exclusions; or
(b) Collecting a certification from that person; or
(c) Adding a clause or condition to the covered transaction with that person.

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 455.436 Federal database checks

The State Medicaid agency must do all of the following:

(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee
(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded parties List System (EPLS) and any such other databases as the Secretary may prescribe.
(c) (1) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and
    (2) Check the LEIE and EPLS no less frequently than monthly.

2017-038 The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children's Health Insurance Program funds.

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$1,945	

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 $12.3 billion in federal and state funds during fiscal year 2017.

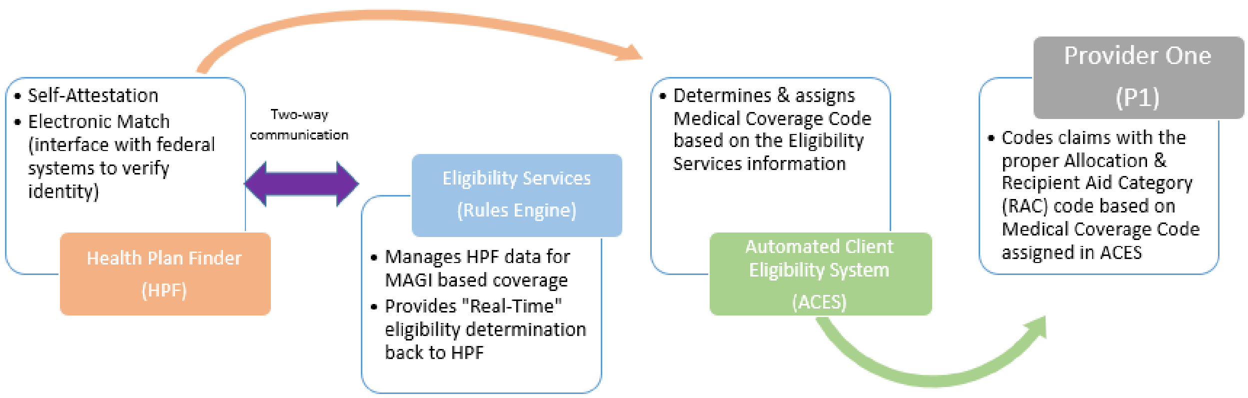
In fiscal year 2017, the State's Medicaid program paid about $131.8 million in additional Children's Health Insurance Program (CHIP) federal funds based on the eligibility of the children in the Medicaid program.

In Washington, Medicaid and the CHIP program provide medical and behavioral health assistance for children up to 19 years old who reside in low-income households. Both the Medicaid and CHIP programs are jointly funded by State and federal money. Federal funds reimburse the State for about 88 percent of CHIP expenditures and 50 percent of Medicaid expenditures for both the Health Care Authority (Authority) and the Department of Social and Health Services (Department). In prior audits, the Authority claimed over 90 percent of the additional CHIP funding, so Department expenditures were not examined in our audits.

The State may claim additional CHIP funding when two conditions are met: The child's family income equals or exceeds 133 percent of the federal poverty level but does not exceed the Medicaid applicable income level (which is 210 percent of the federal poverty level). 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 following describes the process the Authority uses to identify Medicaid expenditures that are allowable for the additional CHIP funds:

- Medicaid eligibility is determined in the Eligibility Services system based on income information submitted by applicants through Health Plan Finder, the online application system (see diagram below).
- ProviderOne, the Authority's Medicaid Management Information system, then automatically assigns a Recipient Aid Category (RAC) code to the children who are eligible for additional CHIP funds based on income information in the Automated Client Eligibility System (Eligibility System), Washington's social service program client eligibility system.
- The Authority creates a report showing all payments that ProviderOne assigns both a RAC code of 1204 and an allocation code of 3MXA; payments that are assigned both those codes are identified as allowable for additional CHIP funding.



While both the Authority and the Department use ProviderOne to identify Medicaid expenditures, each agency prepares its own journal vouchers based on the RAC and allocation codes to identify allowable Medicaid expenditures.

In prior audits, we reported the Authority did not have adequate internal controls to ensure additional CHIP funds were properly claimed for allowable Medicaid expenditures. The prior finding numbers were 2016-034, 2015-039, and 2014-037. Prior findings reported inadequate internal controls over additional CHIP funds for the Authority's fee-for service and managed care claims. Claims for the Department were not included in prior audits, so the inadequate internal controls reported as a condition in any of the previously stated findings were not for the Department.

Description of Condition

We found the Authority did not have adequate internal controls to ensure additional CHIP federal funds were claimed only for allowable Medicaid expenditures.

The Authority performs a post-eligibility review to ensure Medicaid eligibility is properly determined. However, it performs the review only when household income 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. When a client's verified income is below 133 percent, the Authority does not conduct a post-eligibility review.

Because the Authority did not perform post-eligibility reviews for clients whose income was below 133 percent, it did not detect when RAC codes were incorrectly assigned to clients. This resulted in the Authority and Department improperly claiming additional CHIP funds.

We consider this internal control deficiency to be a material weakness.

This same condition was identified and reported in the prior year audit for the Authority claims only.

Cause of Condition

The Authority uses specific client eligibility criteria to determine claims that are allowable for additional CHIP federal funding. Clients 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 help identify within ProviderOne if the claim is allowable for additional CHIP federal funds. However, the Eligibility System does not re-determine eligibility of the client if changes to the household income are subsequently entered.

The Eligibility System is configured to accept changes to self-attested household income in Health Plan Finder during the certification period, but it 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 those claims unallowable for the additional CHIP funds.

Effect of Condition and Questioned Costs

Authority Claims

We used a statistical sampling method to randomly select and examine 86 clients out of a total population of 166,547 who had a RAC code of 1204 and had paid fee-for-service and managed care claims with an allocation code of 3MXA during the period the claim was made for. In addition, we judgmentally selected four clients with paid amounts above $100,000. We reviewed claims to determine if the Authority properly coded the clients and the claims as allowable for additional CHIP federal funds. We found that for 6 clients, claims of $1,783 in additional CHIP federal funds were unallowable. When we project the results to the entire population of Authority claims, we estimate the total improper payments to be $1,952,670.

Department Claims

We used a statistical sampling method to randomly select and examine 86 clients out of a total population of 180,922 with a RAC code of 1204 and had paid fee-for-service and managed care claims with an allocation code of 3MXA during the period the claim was made for. In addition, we judgmentally selected three clients with paid amounts above $15,000. We reviewed claims to determine if the Department properly coded the clients and the claims as allowable for additional CHIP federal funds. We found that for 4 clients, claims of $162 in additional CHIP federal funds were unallowable. When we project the results to the entire population of Department claims, we estimate the total improper payments to be $365,080.

	Known questioned costs – federal share*	**Estimated improper payments – federal share***
Authority claims	$1,783	$1,952,670
Department claims	$162	$365,080
Total expenditures	**$1,945**	**$2,317,750**

*Note: CHIP claims do not have a State match

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend the Authority implement procedures to ensure additional CHIP funds are only claimed for eligible expenditures.

Because some of the claims we questioned were recorded in the Department's accounting records, we recommend the Authority work with the Department when it consults with the U.S. Department of Health and Human Services to discuss whether the questioned costs and improper payments identified in the audit should be repaid.

Agency's Response

The Authority does not agree with the SAO's Description of Condition, Cause of Condition, Effect of Condition, or the estimated amount of improper payments. The Authority agrees with the actual questioned cost amount of $1,945.

The questioned costs were due to a system issue identified during the 2016 audit. Certain RAC codes were not updating in ProviderOne when specific elements were missing during the annual renewal process. This RAC assignment issue was corrected in July of 2017. We appreciate that the SAO is required to question the costs identified since the correction occurred after the end of the audit period (June 30, 2017).

The Authority is concerned that the SAO may not have an understanding of the program sufficient to accurately assess the control structure. While the Authority agrees there were some ineligible costs, the cause of those instances was not due to PERs not being conducted as required and approved by CMS.

The Authority will consult with its grantor to resolve the $1,945 in unallowable charges.

Auditor's Concluding Remarks

During our fieldwork, we asked the Authority if it had a monitoring or review process to ensure it only claimed CHIP funds for allowable Medicaid payments made for eligible children. The Authority said the post-eligibility review (PER) was its only monitoring tool. As stated in the finding, the PER is not an adequate monitoring tool for claiming additional CHIP funds because the PER is only performed when a client's income is above the 210 percent federal poverty line (FPL) and not for client's income that falls below the 133 percent FPL causing transactions that are not allowable for the additional CHIP funds to be claimed.

Because we used a statistical sampling method to randomly select our testing samples, we project the results of identified unallowable expenditures to the entire population.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.

(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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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.

2017-039 The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.

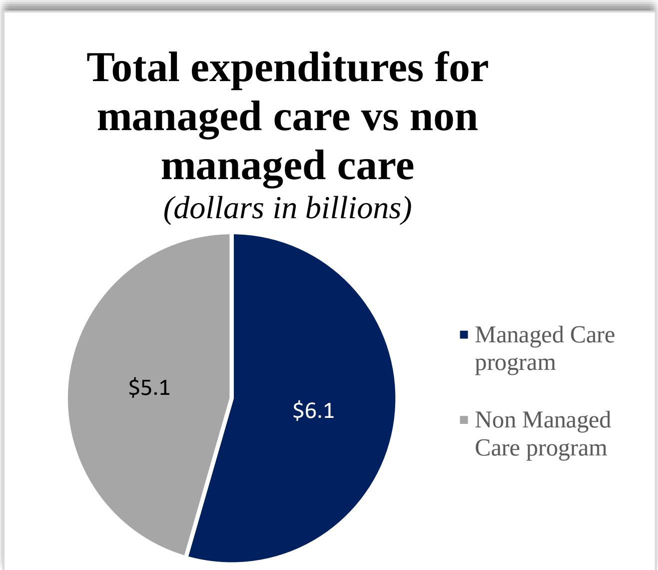
Federal Awarding Agency:	U.S. Department of Health and Human Services	
Pass-Through Entity:	None	
CFDA Number and Title:	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)
Federal Award Number:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed or Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$4,268,059	

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 $12.3 billion in federal and state funds during fiscal year 2017.

The Health Care Authority (Authority), the state's Medicaid agency, administers Washington's managed-care program. 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 to cover the costs of Medicaid client claims.

The Authority pays managed-care organizations a uniform, pre-determined per-enrollee monthly premium to cover medical costs for Medicaid eligible clients. In Washington, certain client groups are excluded from managed care, including clients who are eligible to receive Medicare. According to Washington's Medicaid state plan, Medicare recipients should not be enrolled in managed care, and any monthly premium payments made for Medicare recipients are unallowable.



In fiscal year 2017, the State's Medicaid program paid about $6.1 billion in managed care premiums on behalf of more than 1.9 million Medicaid clients.

Description of Condition

We found the Authority had adequate internal controls to materially ensure clients with Medicare coverage did not receive Medicaid managed care premium payments.

We obtained Medicare coverage information from the Authority for all Medicaid-eligible clients. Using computer assisted auditing techniques, we tested to determine if the Authority made monthly managed care premium payments for clients during the same time period when Medicare coverage was effective.

We found 9,979 improper premium payments made on behalf of 4,065 clients who had Medicare coverage during the same month as their monthly, managed care premium payment. The Authority paid $6,591,143 to the managed-care organizations serving these clients.

Cause of Condition

The Authority had automated processes in place in ProviderOne, the state's Medicaid Management Information System, designed to materially detect clients with Medicare coverage to prevent payments to managed-care organizations for those clients. However, the system edits did not prevent or detect all unallowable premium payments.

The Authority began performing post-payment reviews in March 2016 to detect improper managed-care premiums paid to Medicare recipients during the audit period. The Authority's most recent review began in November 2017. However, the review is ongoing and has not addressed all managed care premiums paid during the audit period.

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. As seen in the following table, the federal share of the improper premium payments totaled $4,268,059.

Client group	Number of clients	Number of premiums paid	Known questioned costs	Federal share of known questioned costs
Clients with Medicare Part A (hospital) and Part B (physician) coverage	4,064	9,964	$6,585,363	$4,265,169
Clients with Medicare Part C coverage	1	15	$5,779	$2,890
Total	**4,065**	**9,979**	**$6,591,143**	**$4,268,059**

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 overpayments made to managed-care organizations identified in the audit
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

As noted by the State Auditor's Office, the Authority is currently identifying any duplicate per member per month (PMPM) premium payments for clients enrolled in Medicare. The Authority developed an algorithm to identify duplicate PMPM premium payments in March 2016. The Authority will continue to run the algorithm to identify and recoup duplicate PMPM premium payments, as appropriate, until enhancements are made to the MMIS/ProviderOne to automate recoup of PMPM premiums for clients who are retro-enrolled in Medicare. This anticipated upgrade will begin in April 2018.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 sample 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 findings, 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.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance, states in part:

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Title 42 U.S. Code of Federal Regulations Chapter 7, Social Security, Subchapter XIX – Grants To States For Medical Assistance Programs, § 1396u-2 – Provisions relating to managed care, states in part:

(a) State Option to Use Managed Care

(2) Special Rules

(B) Exemption of medicare beneficiaries.

A state may not require under paragraph (1) the enrollment in a managed care entity of an individual who is a qualified medicare beneficiary (as defined in section 1396d(p)(1) of this title) or an individual otherwise eligible for benefits under subchapter XVIII.

The Health Care Authority, Apple Health Managed Care Contract, Section 4.3 – "Eligible Client Groups" states in part:

> Clients in the following eligibility groups at the time of enrollment are eligible for enrollment under this Contract.
>
> 4.3.6 Categorically Needy – Blind and Disabled Children and Adults who are not eligible for Medicare.

The Health Care Authority, Apple Health Managed Care Contract, Section 4.11 – "Termination of Enrollment" states in part:

> 4.11.5 Involuntary Enrollment Termination Initiated by the Health Care Authority for Comparable Coverage or Duplicate Coverage:
>
> 4.11.5.1 The Contractor shall submit to HCA a monthly report of enrollees with any other health care insurance coverage with any carrier, including the contractor. The Contractor is not responsible for the determination of comparable coverage as defined in this subsection.
>
> 4.11.5.2 The Health Care Authority will involuntarily terminate the enrollment of any enrollee with duplicate coverage or comparable coverage as follows:
>
> 4.11.5.2.1 When the enrollee has duplicate coverage that has been verified by HCA, HCA shall terminate enrollment retroactively to the beginning of the month of duplicate coverage and recoup premiums as described in the Recoupments provisions of the Payment and Sanctions Section of this Contract.
>
> 4.11.5.2.2 When the enrollee has comparable coverage which has been verified by HCA, HCA shall terminate enrollment prospectively.

Medicaid State Plan, Scope of Care and Types of Services, Attachment 3.1 F Part 2, Apple Health Managed Care, E. Populations and Geographic Area, states in part:

> IV. Included Populations. Please check which eligibility populations are included, if they are enrolled on a mandatory (M) or voluntary (V) basis, and the geographic scope of enrollment. Under the geography column, please indicate whether the nature of the population's enrollment is on a statewide basis, or if on less than a statewide basis, please list the applicable counties/regions.

Population	M	Geographic Area	V	Geographic Area	**Excluded**
Recipients Eligible for Medicare					**X**

2017-040 The Health Care Authority made improper Medicaid pharmacy fee-for-service payments for clients enrolled in managed care.

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed or Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$111,756	

Background

Medicaid is a jointly funded state and federal partnership providing coverage for approximately 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 $12.3 billion in federal and state funds during fiscal year 2017.

The Health Care Authority (Authority), the State's Medicaid agency, administers Washington's managed-care program. 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, to cover the costs of Medicaid client claims.

In Washington, five managed care organizations operate with managed care contracts. The Authority pays the managed-care organizations a uniform, pre-determined, per-enrollee monthly premium to cover medical costs for Medicaid-eligible clients.

The Authority's contracts with managed-care organizations specify the types of services covered and not covered for Medicaid clients enrolled in the managed-care program. Any services not covered by the managed-care organization's contract are billed directly to the Authority and paid as a fee-for-service claim.

During fiscal year 2017, the Authority paid about $5.6 billion in managed care payments on behalf of more than 1.9 million Medicaid clients. The Authority paid more than $2.2 billion in fee-for-service claims.

Description of Condition

We found the Authority had adequate internal controls to materially prevent providers from being improperly paid for claims billed as fee-for-service that should have been covered by the client's managed care plan.

Using computer assisted auditing techniques, we tested to determine if the Authority made additional fee-for-service payments on behalf of clients for services that should have been covered by the client's monthly managed care premium.

We found the Authority made 3,515 improper fee-for-service payments to providers for prescription services, totaling $147,666.

This condition was not reported in the prior audit.

Cause of Condition

The improper payments were made for pharmacy claims for clients who were retroactively enrolled in the managed-care program. At the time the pharmacy services were provided, the clients were covered by the Medicaid fee-for-service program. The clients were later enrolled in managed care, and their enrollment was applied retroactively to the beginning of the service month. This created an overlap between the dates for which the pharmacy claims were paid as fee-for-service and when the client's managed care coverage was effective. The Authority did not recover the paid fee-for-service claims for the month.

The Authority said it would not recover the fee-for-service pharmacy payments made for the clients who were retroactively enrolled in managed care because the Centers for Medicare and Medicaid Services approved this practice. Specifically, Washington's Medicaid state plan allows retroactive payment of managed-care premiums to the first of the retroactively enrolled month. However, the plan does not explicitly allow for the fee-for-service duplicate payments for the month to be eligible for federal reimbursement. Therefore, we concluded the duplicate fee-for-service claims for the retroactively enrolled month were improper.

Effect of Condition and Questioned Costs

When providers submit fee-for-service claims for services that are covered under managed care, and the Authority authorizes payment of these claims, the Medicaid program incurs duplicate costs.

Each client's monthly managed care premium is intended to cover all medical care expenses for the client, for services specified in the State's Apple Health Managed Care contract. As such, any payments of fee-for-service claims that the Authority made for services required to be provided under the managed-care contract are unallowable and cannot be claimed for federal reimbursement.

We are questioning the federal share of the improper fee-for-service pharmacy claims, which total $111,756.

We question costs when we find an agency has not followed grant regulations or when it does not have adequate documentation to support its expenditures.

Recommendation

We recommend the Authority consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Authority disagrees with the finding that pharmacy claims paid fee-for-service for clients retroactively enrolled in managed care are unallowable. Payments made for pharmacy services are made in real time, based on the client's eligibility and enrollment at the time of service. The pharmacy claims selected under this review were appropriately paid with the client being covered under the fee-for-service program at the time of claim submission and payment. The Authority does not recoup pharmacy payments for appropriately billed and paid services when the client's enrollment retroactively changes. The Authority determined that the cost of doing so, both quantitatively and qualitatively, outweighs the benefit and could result in a loss of access to pharmacy services, particularly in rural areas. The Authority received informal guidance from CMS stating that this cost/benefit approach is appropriate. This position was further supported when CMS did not identify the practice as unallowable when asked by the SAO. The Authority is requesting official guidance from CMS.

Auditor's Concluding Remarks

Our finding is based on the fact that the Authority made duplicate payments for fee-for-services covered by the managed care program. The Medicaid program incurs a duplicate payment when providers submit fee-for-service claims for services that are covered under managed care, and the Authority makes payment of these services when a monthly premium was already paid for the client to the managed care organization.

In addition, Center for Medicare and Medicaid Services (CMS) has not formally concluded that the duplicate fee-for-service payments are allowable based on the Authority's cost/benefit approach.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 sample 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.

Include if finding has question 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 findings, 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.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

The Health Care Authority, Apple Health Managed Care Contract, Section 16.8 – "General Description of Contracted Services" states in part:

16.8.17 Pharmaceutical Products:

16.8.17.1 Covered drug products shall include:

16.8.17.1.1 Prescription and over-the-counter drug products according to the HCA approved formulary. The Contractor's formulary shall include:

16.8.17.1.1.1 All therapeutic classes covered by the HCA's fee-for-service Prescription Drug Program, and a sufficient variety of drugs in each therapeutic class to meet enrollees' medically necessary health care needs;

16.8.17.1.1.2 Only those over-the-counter products covered under HCA's FFS. The Contractor's formulary must include all products or therapeutic classes of products covered under FFS and may not include any additional OTCs beyond those determined by HCA to be medically necessary alternatives to prescription medications. HCA will provide the Contractor a list of covered OTC medications for the purpose of formulary development.

16.8.17.1.2 Antigens and allergens;

16.8.17.1.3 Therapeutic vitamins and iron prescribed for prenatal and postnatal care;

16.8.17.1.4 Insulin Pens without requiring authorization and approval for:

16.8.17.1.4.1 Pregnant women; and

16.8.17.1.4.2 Children under age 21.

16.8.17.1.5 Psychotropic medications according to the contractor's approved formulary when prescribed by a medical or mental health professional, when he or she is prescribing medications within his or her scope of practice with appropriate.

16.8.17.1.6 Hemophiliac Blood Product – Blood factors VII, VIII and IX and the anti-inhibitor provided to enrollees with a diagnosis of hemophilia or von Willebrand disease when the enrollee is receiving services in an inpatient setting.

16.8.17.1.7 All Food and Drug Administration (FDA) approved contraceptive drugs, devices, and supplies, including emergency contraception, all long acting reversible contraceptives, all over-the-counter (OTC) contraceptives and contraceptive methods which require administration or insertion by a health care professional in a medical setting. Coverage of contraceptive drugs, devices and supplies must include:

16.8.17.1.7.1 All OTC contraceptives without a prescription. This includes but is not limited to condoms, spermicides, sponges and any emergency contraceptive drug that is FDA-approved to be dispensed over the counter. There are no limits to these OTC contraceptives. OTC contraceptives must be covered without authorization or quantity limits.

16.8.17.1.7.2 Coverage when dispensed by either a pharmacy or a Family Planning Clinic at the time of a family planning visit. Contraceptives dispensed by a Family Planning Clinic must be covered under the medical benefit.

16.8.17.1.7.3 Dispensing of 12 months of contraceptives at one time without authorization requirements related to quantity or days supplied. Duration of any authorization for contraceptives for other reasons must be no less than 12 months.

16.8.17.1.7.4 Contraceptive dispensing in twelve (12) month supplies unless otherwise prescribed by the clinician or the enrollee requests a smaller supply.

16.8.17.1.7.5 Encourage prescribers to write contraception prescriptions for dispensing in twelve (12) month supplies and pharmacists to dispense in twelve (12)month supplies.

16.8.17.1.7.6 Appropriate prescribing and dispensing practices in accord with clinical guidelines to ensure the health of the enrollee while maximizing access to effective birth control methods or contraceptive drugs.

16.8.17.1.8 All drugs FDA labeled or prescribed as Medication Assisted Treatment (MAT) or maintenance therapy for substance use disorders, with the exception of methadone dispensed directly by opiate substitution treatment programs. The Contractor will cover all MAT according to guidelines and requirements determined by HCA.

The Health Care Authority, Apple Health Managed Care Contract, Section 16.10 – "Exclusions" states in part:

> The following services and supplies are excluded from coverage under this Contract.
>
> 16.10.1 Unless otherwise required by this Contract, ancillary services resulting solely from or ordered in the course of non-contracted services are also non-contracted services.
>
> 16.10.2 The Contractor shall not provide or pay for services that violate the Assisted Suicide Funding Restriction Act of 1997 (SSA § 1903(i)(16)).
>
> 16.10.3 Early, elective inductions (before 39 weeks) that do not meet medically necessary indicators set by the Joint Commission. Because the Joint Commission's criteria do not capture all situations in which an early delivery is medically indicated, the Contractor shall provide a process for facilities to request a review of cases that do not meet that criteria, but which the hospital and delivering provider believe were medically necessary.
>
> 16.10.4 The following covered services are provided by HCA and are not contracted services. The Contractor is responsible for coordinating and referring enrollees to these services through all means possible, e.g., action letter notices, call center communication or Contractor publications.
>
> 16.10.4.1 Inpatient Hospital charges at Certified Public Expenditure (CPE) hospitals for Categorically Needy – Blind and Disabled identified by HCA;
>
> 16.10.4.2 School-based Health Care Services for Children in Special Education with an Individualized Education Plan or Individualized Family Service Plan

who have a disability, developmental delay or are diagnosed with a physical or mental condition;

16.10.4.3 Eyeglass frames, lenses, and fabrication services covered under HCA's selective contract for these services for children under age twenty-one (21), and associated fitting and dispensing services. The Contractor is encouraged to inform eye practitioners of the availability of Airway Heights Correctional Center to access glasses for adult clients age twenty-one (21) and over if not offered by the Contractor as a value added benefit;

16.10.4.4 Voluntary Termination of Pregnancy;

16.10.4.5 Court-ordered transportation services, including ambulance services;

16.10.4.6 Transportation Services other than ambulance, including but not limited to: taxi, ambulance, voluntary transportation, public transportation and common carriers;

16.10.4.7 Air ambulance services. The Contractor remains responsible for all ground ambulance transportation services as described in this Contract;

16.10.4.8 Services provided by dentists and oral surgeons for dental diagnoses; anesthesia for dental care;

16.10.4.9 Orthodontics;

16.10.4.10 HCA First Steps Program - Maternity Support Services (MSS), consistent with the Marketing and Information, Subcontracts, and Care Coordination provisions of this Contract;

16.10.4.11 Sterilizations for enrollees under age twenty-one (21), or those that do not meet other federal requirements (42 C.F.R. § 441 Subpart F);

16.10.4.12 Health care services provided by a neurodevelopmental center recognized by the Department of Health;

16.10.4.13 Services provided by a health department when a client self-refers for care if the health department is not contracted with the Contractor;

16.10.4.14 Inpatient psychiatric services, including psychiatric consultations when the inpatient admission is approved by a Behavioral Health Organization;

16.10.4.15 Long-term private duty nursing for enrollees 18 and over. These services are covered by DSHS, Aging and Long-Term Services Administration;

16.10.4.16 Prenatal Genetic Counseling;

16.10.4.17 Substance use treatment services covered through the DSHS, Behavioral Health and Service Integration Administration (BHSIA). Drugs prescribed as Medication Assisted Treatment or maintenance therapy for substance use disorders are a separate course of treatment, not ancillary to other treatment services and are a contracted service under the Pharmaceutical Products provisions of this Contract;

16.10.4.18 Community-based services (e.g., COPES and Personal Care Services) covered through the Aging and Long Term Services Administration (ALTSA);

16.10.4.19 Nursing facility stays that do not meet rehabilitative or skilled criteria;

16.10.4.20 Mental health services separately purchased for all Medicaid clients by the DSHS, BHSIA;

16.10.4.21 Health care services covered through the DSHS, Developmental Disabilities Administration (DDA) for institutionalized clients;

16.10.4.22 Infant formula for oral feeding provided by the Women, Infants and Children (WIC) program in the Department of Health;

16.10.4.23 Any service provided to an enrollee while incarcerated with the Washington State Department of Corrections (DOC);

16.10.4.24 Hemophiliac Blood Product – Blood factors VII, VIII and IX and the anti-inhibitor indicated for use in treatment for hemophilia and von Willebrand disease distributed for administration in the enrollee's home or other outpatient setting; and.

16.10.4.25 Immune modulators and anti-viral medications to treat Hepatitis C. This exclusion does not apply to any other contracted service related to the diagnosis or treatment of Hepatitis C.

16.10.4.26 Sexual reassignment surgery as described in WAC 182-5311675(6)(d) and (e) as well as hospitalizations, physician, and ancillary services required to treat postoperative complications of these procedures.

16.10.4.27 Chemical-Using Pregnant (CUP) Women program as described in WAC 182-533-0730 when provided by an HCA-approved CUP provider.

2017-041 **The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers.**

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$29,518	

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 $12.3 billion in federal and state funds during fiscal year 2017.

Federally Qualified Health Centers (FQHC) 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. FQHCs are certified by Centers for Medicare and Medicaid Services and designed to provide medical help for people in medically challenged areas. FQHCs offer 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 interpretation.

With few exceptions, FQHCs are paid based on client encounters. An encounter is defined as a face-to-face visit between a client and a qualified FQHC 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. 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 a day for each client, 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 because of unrelated diagnoses.

In fiscal year 2017, the state Medicaid program paid about $257 million to FQHCs.

In prior audits, we found that the Authority made improper payments to FQHCs. The prior finding numbers for FQHCs are 2016-030, 2015-033, 2014-036 and 2013-026.

Description of Condition

We found the Authority had adequate internal controls to materially ensure FQHC providers were properly paid for Medicaid services.

Using computer assisted auditing techniques, we examined all $257 million in payments by performing tests to determine if fee-for-service claims were paid in addition to encounter payments, if encounter payments were made when services did not qualify for them, and if multiple encounters were paid for the same client. In total, we found the Authority made improper payments to FQHC providers totaling $41,676.

The following table summarizes the results:

Description	Total unallowable payments	Federal portion of unallowable payments
Fee-for-service claims were paid in addition to encounter payments	$12,495	$9,833
Encounter payments were made when services did not qualify as an encounter	$26,512	$17,920
More than one encounter payment was made for the same client	$2,669	$1,765
Total	**$41,676**	**$29,518**

Cause of Condition

The Medicaid claim adjudication and payment process is highly automated. The Authority relies mostly on the internal controls of ProviderOne, Washington's Medicaid Management Information System, to identify and deny charges that are unallowable or billed improperly.

In response to our prior findings, the Authority 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 $41,676. We are questioning $29,518, which is the federal portion of the unallowable 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 Authority:

- Recoup the overpayments made to FQHCs
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs and improper payments identified in the audit should be repaid

Agency's Response

The Authority agrees with the audit finding. We will consult with our federal grantor regarding the resolution of question 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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 sample 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 findings, 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.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -
   (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
   (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or
   (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
(d) *Overpayments resulting from fraud.*
   (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
   (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
   (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a

provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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.

2017-042 **The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.**

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
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 $12.3 billion in federal and state funds during fiscal year 2017.

Residential Care Services, under the Department of Social and Health Services, Aging and Long-Term Support Administration, is the State's Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) survey agency. An ICF/IID is an institution with the primary purpose of providing health or rehabilitation services to people with intellectual disabilities or related conditions that receive care and services under Medicaid.

In fiscal year 2017, the state Medicaid program spent about $16.5 million to survey and certify healthcare providers. The Department of Social and Health Services spent about $7.8 million certifying ICF/IID facilities during fiscal year 2017. The State had 12 ICF/IID facilities that were Medicare and/or Medicaid certified.

The Department is required to perform an annual certification survey of each ICF/IID. The certification survey is a resident-centered inspection that gathers information about the quality of service provided in a facility to determine compliance with the participation requirements. The survey focuses on the facility's administration and patient services, as well as the outcome of the facility's implementation of ICF/IID active treatment services. The survey also assesses compliance with federal health, safety and quality standards designed to ensure patients receive safe and quality care services.

The State must complete a standard survey for each ICF/IID facility within 15.9 months after the previous survey, and the statewide average for all ICF/IID facilities must not exceed 12.9 months for all ICF/IID facilities, as required by Centers for Medicare and Medicaid Services (CMS). If a survey uncovers deficiencies, the Department must mail a Statement of Deficiency to the facility within 10 working days of the survey date. The facility must submit a Plan of Correction that the Department determines is acceptable within 60 calendar days of receipt or risk forfeiting its Medicaid certification. In addition to federal requirements, the Department has established its own policies and procedures requiring that it review a submitted Plan of Correction within five working days after receiving it. The Department initially created these policies and procedures for nursing home surveys; however, the Department extends the application of these policies and procedures to ICF/IID facilities.

In prior audits, we reported the Department did not have adequate internal controls to ensure timely conducting of surveys and follow up on deficiencies. The prior finding numbers were 2016-037, 2015-045 and 2014-046.

Description of Condition

The Department did not establish adequate internal controls to ensure compliance with federal requirements for completing recertification surveys of ICF/IID facilities. The Residential Care Services Unit did not have policies and procedures for reviewing Plans of Correction submitted by ICF/IID facilities. The Department requested staff to follow the same procedures outlined under Residential Care Services policy for nursing homes.

We examined all 12 certification surveys completed during the audit period and found three instances (25 percent) where the Department did not review the submitted Plan of Correction for acceptability within five working days.

We also found one facility (8 percent) did not submit an acceptable Plan of Correction to the Department. The Department cited the facility for multiple deficiencies, and the facility did not achieve the required compliance within 60 days of receiving the Statement of Deficiencies. Further, the Department did not recommend CMS terminate the facility's Medicaid status, as required.

We consider this internal control deficiency to be a material weakness.

Cause of Condition

The Department follows Nursing Home procedures for ICF/IID to ensure that standard surveys are completed in a timely manner, Statements of Deficiencies are mailed and Plans of Corrections are received according to federal standards in the State Operations Manual. The ICF/IID field unit did not follow these procedures requiring reviews of Plans of Correction within five working days of receiving the Plan. Management also failed to ensure the reviews were completed within five working days.

The facility that failed to submit a Plan of Correction had violated the conditions of participation, and the Department believed that a Plan of Correction was not required if these conditions had not been met. Instead, the Department advised the facility in writing to voluntarily submit a Plan of Correction.

Effect of Condition

When the Department does not follow up on deficiencies promptly, the State pays the facilities for services provided to Medicaid clients without assurance the facilities are complying with federal and state health standards and regulations. Clients residing in facilities that do not meet federal health and safety requirements for participating in the Medicaid program could be at increased risk of abuse, mistreatment, neglect or substandard care.

Recommendations

We recommend the Department:

- Establish policies and procedures unique to ICF/IID facility certification surveys
- Ensure submitted Plans of Correction are reviewed for acceptability no later than five working days after they are received by the Department
- Follow up with facilities found to have deficiencies to ensure the facilities are in compliance with federal health and safety standards no later than 60 days after the facility receives the Statement of Deficiency
- Refer to CMS the facility that did not submit an acceptable Plan of Correction to determine if the facility's Medicaid certification must be revoked

Agency's Response

The Department concurs with the finding.

The Department has an established internal mechanism to track acceptability of Plans of Correction however, the tracking log indicates a ten-day review instead of five-day review. The Department's failure to review the Plans of Correction as required occurred due to a lack of policy and procedure. The Department developed a policy and procedure to ensure POCs are reviewed within five days and will submit it for review and approval.

The Department agrees a facility that was non-compliant with a condition of participation did not submit a plan of correction. The unit's initial correspondence to the facility requested a credible allegation of compliance for the condition of participation and made a plan of correction optional. The department has changed the contents of letters to the facilities to be very clear a plan of correction is required. The department will develop a standard operating procedure to ensure plans of correction are required from facilities whenever a facility is non-compliant with condition of participation in addition to the credible allegation of compliance. The department has since scheduled a revisit survey to determine whether the facility is in compliance with condition of participation.

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) establishes the following requirements:

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, 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.

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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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 42 U.S. Code of Federal Regulations, Part 488, *Survey, Certification, and Enforcement Procedures*, states in part:

Section 488.28 – Providers or suppliers, other than Skilled Nursing Facilities (SNFs), Nursing Facilities (NFs), and Home Health Agencies (HHAs) with deficiencies

(a) If a provider or supplier is found to be deficient in one or more of the standards in the conditions of participation, conditions for coverage, or conditions for certification or requirements, it may participate in, or be covered under, the Medicare program only if the provider or supplier has submitted an acceptable plan of correction for achieving compliance within a reasonable period of time acceptable to CMS. In the case of an immediate jeopardy situation, CMS may require a shorter time period for achieving compliance.

(b) The existing deficiencies noted either individually or in combination neither jeopardize the health and safety of patients nor are of such character as to seriously limit the provider's capacity to render adequate care.

(c) (1) If it is determined during a survey that a provider or supplier is not in compliance with one or more of the standards, it is granted a reasonable time to achieve compliance.

(2) The amount of time depends upon the -

(i) Nature of the deficiency; and

(ii) State survey agency's judgment as to the capabilities of the facility to provide adequate and safe care.

(d) Ordinarily a provider or supplier is expected to take the steps needed to achieve compliance within 60 days of being notified of the deficiencies but the State survey agency may recommend that additional time be granted by the Secretary in individual situations, if in its judgment, it is not reasonable to expect compliance within 60 days, for example, a facility must obtain the approval of its governing body, or engage in competitive bidding.

Section 42 CFR 488.456 - Termination of provider agreement, states in part:

(b) Basis for termination.

1. CMS and the State may terminate a facility’s provider agreement if a facility –

(i) Is not in substantial compliance with the requirements of participation, regardless of whether or not immediate jeopardy is present; or

(ii) Fails to submit an acceptable plan of correction within the timeframe specified by CMS or the State.

Title 42, U.S. 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.

Title 42 U.S. Code of Federal Regulations, Part 489, *Provider Agreements and Supplier Approval*, states in part:

> Section 489.53 Termination by CMS.
>
> (a) Basis for termination of agreement. CMS may terminate the agreement with any provider if CMS finds that any of the following failings is attributable to that provider, and may, in addition to the requirements in this chapter governing the termination of agreements with suppliers, terminate the agreement with any supplier to which the failings in paragraphs (a)(2), (13) and (18) of this section are attributable:
>
> (3) It no longer meets the appropriate conditions of participation or requirements (for SNFs and NFs) set forth elsewhere in this chapter.

Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 2 – The Certification Process, states in part:

> 2728 – Statement of Deficiencies and Plan of Correction, Form CMS-2567
>
> The SA mails the provider/supplier a copy of Form CMS-2567 within 10 working days after the survey. If there are deficiencies, the SA allows the provider/supplier 10 calendar days to complete and return the PoC.
>
> 2728B – PoC
>
> Failure to submit a PoC could result in termination of the provider agreement as authorized by 42 CFR 488.28(a), 488.456(b)(1)(ii), and 489.53(a)(1). After a PoC is submitted, the surveying entity makes the determination of the appropriateness of the PoC. (See §7500 for SNFs/NFs.)
>
> This "reasonable period of time" (to achieve compliance) is generally no longer than 60 calendar days…
>
> The provider/supplier cited with deficiencies has the following three options:
>
> - Accept the deficiencies stated on Form CMS-2567 and submit a PoC;
> - Record objections to the cited deficiencies on Form CMS-2567 **and** submit a PoC; or
> - Record objections to cited deficiencies on Form CMS-2567, do not submit a PoC, and provide convincing arguments and documented evidence that the deficiencies are invalid.
>
> As indicated above, the provider/supplier may attempt to refute the deficiency(ies) on Form CMS-2567. If so, the SA tries to resolve the disagreement and document the resolution. If the provider/supplier has attempted to refute a deficiency or deficiencies without submitting a PoC, but has not provided the SA with **documented evidence** that successfully refutes the validity of the deficiency, the SA notifies the provider/supplier in writing that its arguments are rejected and the reasons for the rejection. The SA advises the provider/supplier that

failure to submit an acceptable PoC may result in recommendations to terminate its participation. If the provider then refuses to submit an acceptable PoC, the SA recommends termination to the RO (or the SMA for Title XIX only providers) via a Form CMS-1539. The SA includes in the termination packet all pertinent documentation and correspondence related to the survey in question.

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:

7304.4 - Acceptable Plan of Correction –

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.

The Department of Social and Health Services, Residential Care Services Division *Operational Principles and Procedures for Nursing Homes – Enforcement Process – Plan of Correction (POC)* states in part:

III. Operational Principles
  B. The NH must submit an acceptable, written plan of correction (POC) in response to deficiency citations on the Statement of Deficiencies (SOD) report (this does not apply in revocations or suspensions).
  H. Within five (5) working days of receipt, the department will review the POC and verify that it meets all elements for an acceptable POC.

IV. Procedures
  B. The Surveyor will:
    1. Review the POC within five working days of receipt. Confirm that the POC for each deficiency includes:
      a. How the home will correct the deficiency for each numbered resident;
      b. How the home will protect residents in similar situations
      c. Measures the home will take or the systems it will change to ensure that the problem does not recur;
      d. How the home plans to monitor its ongoing performance to sustain compliance;
      e. Dates corrective action will be completed; and
      f. Title of person responsible for correction.

2017-043 The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
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 $12.3 billion in federal and state funds during fiscal year 2017.

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 2017, the state Medicaid program spent about $16.5 million to survey and certify health care providers. The Department of Social and Health Services spent about $6.8 million certifying nursing homes during fiscal year 2017. The State had 221 nursing facilities 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.

The State must complete a standard survey within 15.9 months after the previous survey, and the statewide average must not exceed 12.9 months for nursing homes, as required by Centers for Medicare and Medicaid Services' (CMS), Mission and Priority Statement. If surveys uncover deficiencies, the Department must mail a Statement of Deficiency to the facility within 10 working days of the survey date. The facility must submit a Plan of Correction that the Department determines is acceptable within 60 calendar days of receipt or risk forfeiting its Medicaid certification.

In addition to federal requirements, the Department has established its own policies and procedures requiring that it review a submitted Plan of Correction within five working days after receiving it.

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 2016-036, 2015-044, and 2014-046.

Description of Condition

The Department did meet federal regulations, which require the Department to survey nursing homes every 15.9 months and meet a statewide average of 12.9 months. However, the Department did not establish adequate internal controls to ensure all Statement of Deficiencies were submitted to nursing facilities timely or review all submitted Plans of Correction within five working days for acceptability.

We used a statistical sampling method and randomly sampled 30 out of 207 nursing home surveys completed during the audit period. We examined the 30 nursing home surveys to determine if the Department mailed Statements of Deficiencies within 10 working days as required. We found three (10 percent) exceeded the required timeframe.

In addition, we were not able to test this requirement for one survey due to lack of documentation to verify the date on which the Statement of Deficiencies was mailed.

We examined the same nursing home surveys and found six instances (20 percent) where the Department did not review the submitted Plan of Correction for acceptability within five working days.

We consider these internal control deficiencies 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 the 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.

In April 2017, the Department implemented an automated electronic Plan of Correction (ePOC) system to electronically distribute Statements of Deficiencies, and receive Plans of Correction from nursing home facilities. This system upgrade reduced the number of Statements of Deficiencies issued late.

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 pays facilities for services provided to Medicaid clients without assurance they are complying with federal and state health standards and regulations. Clients residing in facilities that do not meet federal health and safety requirements for participating in the Medicaid program could be at increased risk of abuse, mistreatment, neglect or substandard care.

Recommendations

We recommend the Department strengthen internal controls to ensure:

- Statements of Deficiencies are submitted within 10 working days after completing the initial survey
- Submitted Plans of Correction are reviewed for acceptability no later than five working days after they are received by the Department

Agency's Response

The Department concurs with the finding.

The Department recognizes mailing of Statements of Deficiencies (SODs) by certified mail were not completed within 10 working days for three nursing homes and the SAO was not able to test one survey due to lack of documentation to verify the date the department mailed the SOD. We also agree review of the Plans of Correction (POCs) within 5 days upon receipt was not met for six nursing homes per the SAO's testing methodology.

In April 2017, the Department enhanced its ability to electronically track the mailing of SODs and review of POC upon receipt with the use of CMS' electronic tracking application called ASPEN Electronic Plan of Correction (ePOC). The ePOC system time stamps distribution of SODs, provider submission of POCs, and state agency POC approvals. This will ensure nursing homes receive their SOD within 10 working days by eliminating the mailing process through certified mail, which was the cause of the exceptions.

In comparison to other years, the Department now has the ability to electronically monitor compliance versus manually monitoring compliance.

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) establishes 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, 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.

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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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 42, U.S. 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.

Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 2 – The Certification Process, states in part:

2728 – Statement of Deficiencies and Plan of Correction, Form CMS-2567

The SA mails the provider/supplier a copy of Form CMS-2567 within 10 working days after the survey. If there are deficiencies, the SA allows the provider/supplier 10 calendar days to complete and return the PoC.

Washington Administrative Code 388-97-4400 "Acceptable and unacceptable plans of correction." states in part:

(2) The department will review the nursing home's plan of correction to determine whether it is acceptable.

The Department of Social and Health Services, Residential Care Services Division *Operational Principles and Procedures for Nursing Homes – Enforcement Process – Plan of Correction (POC)* states in part:

III. Operational Principles

B. The NH must submit an acceptable, written plan of correction (POC) in response to deficiency citations on the Statement of Deficiencies (SOD) report (this does not apply in revocations or suspensions).

H. Within five (5) working days of receipt, the department will review the POC and verify that it meets all elements for an acceptable POC.

IV. Procedures

B. The Surveyor will:

1. Review the POC within five working days of receipt. Confirm that the POC for each deficiency includes:

a. How the home will correct the deficiency for each numbered resident;

b. How the home will protect residents in similar situations
c. Measures the home will take or the systems it will change to ensure that the problem does not recur;
d. How the home plans to monitor its ongoing performance to sustain compliance;
e. Dates corrective action will be completed; and
f. Title of person responsible for correction.

2017-044 The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed / Unallowed Cost Principles	
Known Questioned Cost Amount:	$2,922,088	

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 and social service support. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about $12.3 billion in federal and state funds during fiscal year 2017.

The Department of Social and Health Services' (Department) Developmental Disabilities Administration administers the Home and Community Based Services (HCBS) program for people with developmental disabilities. HCBS is a waiver program that permits states to provide an array of community-based services to help Medicaid clients live in the community and avoid institutionalization. States have broad discretion to design waiver programs, but those programs must be approved by the Centers for Medicare and Medicaid Services (CMS).

Supported living is a core service of the HCBS program. Supported living services support Medicaid clients to live in their own homes with one to three other people and receive instruction and support delivered by contracted service agencies (providers). Supported living clients pay their own rent, food and other personal expenses.

In fiscal year 2017, the state Medicaid program paid about $422 million in federal and state funds to providers who supported about 4,200 clients.

Client assessments

The Department uses an assessment to evaluate client support needs and to calculate the number of support hours a client needs to live in the community. The assessment predicts a level of support as if the client lives alone. However, because some support hours can be shared with roommates, the Department looks for such shared-hour opportunities to help providers support 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. State rule requires providers to obtain Department approval of schedules to provide 24-hour support when household configurations change or when additional staffing is requested or needed by a client. Once determined, 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.

Cost Reports

Providers must prepare and submit a cost report at the end of each calendar year. The Department uses cost report information to:

- Provide program cost data to regional managers and residential providers;
- Provide information to establish rates or allocate appropriated funds;
- Determine settlements with supported living providers;
- Provide information to the Legislature and the Department for budget development and policy decisions; and
- Provide accountability and transparency for the use of public funds.

Cost reports consist of 16 different schedules of provider information. The Department has established a template, accompanied by detailed instructions that all providers must use when preparing cost reports. Providers must attest to the accuracy of the reported information.

In its approved Core waiver, the Department states that cost reports are desk audited to determine accuracy and the reasonableness of reported costs. The Department has also established a policy that states it will analyze the cost reports and financial statements of each provider to determine if the submitted information is correct and complete, and that it conforms with generally accepted accounting principles and applicable policies rules and regulations.

Provider documentation requirements

According to Department policy, providers must maintain detailed payroll records, by employee, of the hours and costs reported on their cost reports. The Department may request job descriptions for employees to verify the duties of positions. Paid hours and payroll costs for direct hours to clients must be verifiable in provider records. This includes employee timesheets and schedules for actual hours worked. In its cost report instructions, the Department states the detailed payroll information does not need to be submitted with cost reports. The Department has established a template that providers can use to organize the information, but providers are allowed to use their own payroll records.

When a provider uses its own payroll records, the Department requires in its instructions that the information clearly show the distinction between direct and non-direct hours and wages for the provider's employees and that each employee be assigned to one of seven different job classification categories. The instructions further state that the detailed payroll records must be made available if requested by the Department for auditing purposes.

Settlements

After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year (Settlement A) or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year (Settlement B). Settlements are based on a provider's attestation of total hours provided or the total direct support dollars reimbursed, during the year. The Department's policy requires that providers refund the greater amount of Settlement A or B.

Once settlements are assessed, they are forwarded to the Department's collection arm, the Office of Financial Recovery (OFR), which records an overpayment and seeks repayment from providers.

Cost of Care Adjustments

When a client is temporarily out of the home and the economy of scale is altered, providers can request a Cost of Care Adjustment to cover the administrative and staff support costs necessary to maintain the client's residence and affairs while the client is away. 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, or the rate for existing clients is revised. In fiscal year 2017, the Department paid over $1.3 million to supported living providers for Cost of Care Adjustments.

Prior audit findings

In prior audits, we reported the Department did not have adequate internal controls over and was not compliant with requirements to ensure payments to supported living providers were allowable. The prior finding numbers were 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038 and 12-39. Inadequate internal controls over cost reports was not reported as a condition in any of the previously stated findings.

Description of Condition

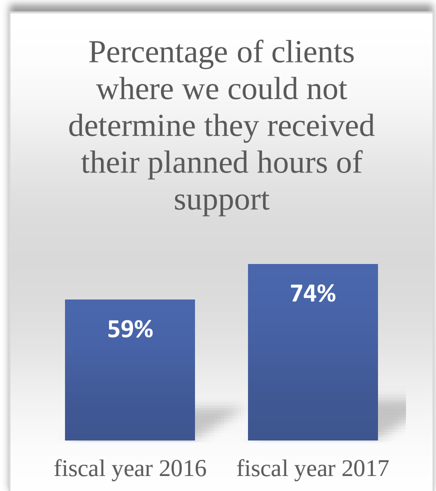
We found the Department did not have adequate internal controls over and was not compliant with federal regulations to ensure payments to supported living providers were allowable.

Cost reports and provider documentation

After obtaining cost reports from providers for the 2016 calendar year, the Department did not establish procedures to verify if the direct hours reported as worked, or the cost to provide those hours, were accurate and conformed with generally accepted accounting principles.

We obtained copies of the cost reports submitted by 124 providers to the Department for the 2016 calendar year. We then independently requested payroll records from the providers to perform our own reconciliation. All but one provider responded to our request for records. This provider's payments were suspended because the Washington Attorney General's Office, Medicaid Fraud Control Unit, filed a lawsuit in King County Superior Court and the provider did not respond to requests for information from the Department. In 34 instances (27 percent), the payroll records submitted by providers did not fully support the number of direct service hours that were reported on their cost reports. Additionally, in 75 instances (60 percent), providers did not properly categorize their employees as required by the Department's instructions.

The Department pays providers for a client's assessed level of support hours. We used a statistical sampling method to randomly select and examine 86 monthly payments from a population of 48,232 monthly payments made for client support hours. We requested employee timesheets and work schedules from providers for the selected months and reconciled employee direct support hours provided to clients to the hours the providers said they planned to provide to clients during the month. In 64 instances (74 percent), we were unable to determine that providers delivered a client's planned level of hourly support. During fiscal year 2016, we identified 51 instances (59 percent) where we were unable to determine that clients received their planned level of support hours.



Specifically, we identified 96,554 support hours that providers reported to the Department they planned to provide to clients based on their residential staffing plans. Of those hours, we verified providers delivered 86,284 support hours. For 10,270 hours (11 percent), we could not determine if the hours were provided because employees were not scheduled to work or supporting documentation was lacking.

For four of the households in our sample, totaling 3,625 planned hours of support, providers responded to our request for timesheets, but because of poor record keeping we were unable to determine if any hours of support were delivered to sampled clients.

Settlements

In 48 instances (39 percent), providers were paid for more direct service hours than they reported on their cost reports. Before making this conclusion, we reviewed and considered the information the Department forwarded to OFR to be collected.

We consider these control deficiencies to be a material weakness.

Cost of Care Adjustments

We found the Department had adequate internal controls to materially ensure Cost of Care Adjustment payments were adequately supported.

We used a statistical sampling method to randomly select and examine 84 monthly payments from a population of 927 payments for Cost of Care Adjustments. We requested the forms used by the Department to review and approve provider requests for payment and found all forms were approved. In 15 instances (18 percent), we found the approved forms contained inaccurate rate or payment information, a duplicate payment was made, or the justification for the payment did not meet Department policy.

Duplicate payments

We conducted a test to determine if the Department made duplicate payments to providers. We found 59 duplicate payments totaling $21,169 were made to providers.

Cause of Condition

Cost reports and provider documentation

The Department said it did not dedicate resources to verify the accuracy of the information submitted by providers. The Department said it has never implemented a consistent process where detailed payroll records from providers are requested for reconciling to cost records. The Department also said it performed no monitoring to confirm if providers comply with cost-report instructions.

The Department does not perform procedures to determine if a client received their assessed level of support hours, or reconcile the payments to provider timesheets. Rather, it relies on the cost settlement process to determine if a provider delivered the total number of contracted hours to all clients in their agency during the calendar year.

A provider that provides services at multiple locations said they did not keep detailed timesheet records by employee because of changes in administrative personnel or they were lost. Another provider said it was too much of an administrative burden because they were providing support to multiple clients.

Settlements

During the audit period, the Department issued guidance to providers to request an exception to credit the cost of overtime on their cost reports when calculating Settlement A (hours paid minus hours provided). This practice was not described in its Core waiver with CMS or Department policy.

Cost of Care Adjustments

Requests are reviewed and approved by regional staff, making continuity and oversight challenging. The process used to request, review, approve, and authorize payment is manual, which increases the likelihood of error and carries greater risk.

Duplicate payments

We found duplicate payments were made to providers because an edit in the Department's payment system had not been activated to prevent claims on the same date of service for differing amounts.

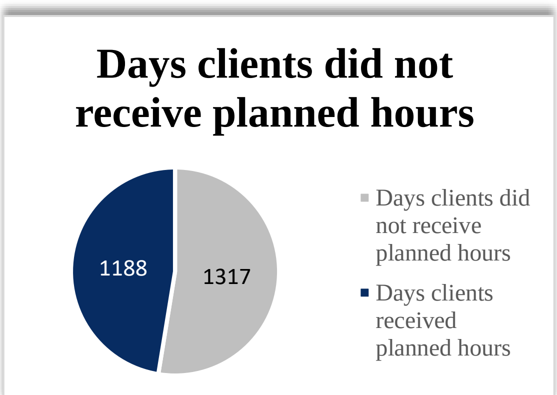
Effect of Condition and Questioned Costs

Cost Reports and provider documentation

For the provider that did not submit its detailed payroll records, we are questioning all $804,741 that the Department paid for calendar year 2016 because of a lack of supporting documentation. The Department also requested detailed records from the provider, who did not respond to the request. The federal share of these costs is $402,370. We are also questioning $2,906,998 that was paid to the 34 providers when their detailed payroll records did not support the hours reported on their cost reports. The federal share of these questioned costs is $1,453,499.

For payments to providers where we were unable to determine if clients received their assessed support hours, we are questioning $112,969 because the payments lacked adequate supporting documentation. The federal share of these questioned costs is $56,484.

Because a statistical sampling method was used to select the payments, we estimate the total improper payments to be $63,357,084. The federal share of the estimated improper payments totals $31,678,542.



When reconciling household schedules to employee timesheets, we identified 1,317 days out of a total of 2,505 days when clients did not receive the number of hours providers reported to the Department they planned to provide to clients. We also identified 198 days out of a total of 2,505 days when employee timesheets did not show that households assessed to receive 24 hours of support were provided 24 hours of support.

Settlements

We are questioning $1,985,809 for the 48 providers who were paid for more direct service hours than they reported on their cost reports. The federal share of these questioned costs is $992,905. These amounts include the Department's exception for overtime consideration.

Cost of Care Adjustments

We used a statistical sampling method to randomly select and examine 84 monthly cost of care payments totaling $242,474 from a population of 927 monthly payments totaling $1.3 million. We requested the forms that the Department used to review and approve provider requests for payment and found all forms were approved. In 15 instances (18 percent), we found the approved forms contained inaccurate rate or payment information, a duplicate payment was made or the justification for the payment did not meet Department policy. We identified $12,491 in known questioned costs. We are questioning the federal share of the unallowable payments of $6,246.

Because a statistical sampling method was used to select the payments, we estimate the total improper payments to be $137,851. The federal share of the estimated improper payments totals $68,925.

We found the Department improved its training and review of Cost of Care Adjustments since the previous audit. We found field staff and providers were more aware of Department policy and more requests for payment from providers were adequately documented.

Duplicate payments

We found the Department made duplicate payments to providers totaling $21,169 because an edit in the payment system had not been activated. We are questioning $10,584, which is the federal share of the unallowable payments.

Summary of questioned costs

In total, we identified $5,844,177 in known questioned costs. The federal share of these known questioned costs is $2,922,088.

Because a statistical sampling method was used to select the payments for two of the areas we examined, we estimate the total improper payments to be $63,494,935. The federal share of the estimated improper payments totals $31,747,467.

The table below summarizes, by audit area, the known questioned costs and likely improper payments:

Audit area	Known questioned costs – state and federal	Known questioned costs – federal share	Likely improper payments – state and federal (estimate)	Likely improper payments – federal share (estimate)
Cost reports	$5,697,548	$2,848,774		
Timesheets	$112,969	$56,484	$63,357,084	$31,678,542
Cost of care	$12,491	$6,246	$137,851	$68,925
Duplicate payments	$21,169	$10,584		
Totals	**$5,844,177**	**$2,922,088**	**$63,494,935**	**$31,747,467**

We question costs when we find a provider has not complied with grant regulations or does not have adequate documentation to support its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions 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 a high level of assurance with a 95 percent confidence of whether exceptions were above our materiality threshold. This conclusion is reflected in our audit report and finding. However, the estimated improper payments 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.

Recommendations

We recommend the Department:

- Implement procedures to verify if information submitted by providers is accurate and conforms with generally accepted accounting principles
- Establish consistent activities for monitoring providers to ensure they comply with cost report instructions
- Discontinue the practice of crediting providers for the cost of overtime when calculating Settlement A
- Establish policy and monitoring activities to ensure individual clients receive their assessed hours of support
- Ensure reviewers of Cost of Care Adjustment forms are trained in Department policy for these requests and forms are reviewed for accuracy
- Activate the system edit that prevents duplicate payments to supported living providers
- Seek recovery of overpayments made to providers identified by the audit
- Consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid

Agency's Response

The Department does not concur with the finding.

As stated in previous findings, RCW 71A.12.060 provides the Secretary the authority to authorize payments for individuals in community residential programs. The authorized system requires payment for the total annual contracted Instruction and Support Services (ISS) hours to be reconciled to the actual hours provided. The 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.

The system is designed to allow for resource flexibility by the Supporting Living (SL) provider throughout the year to enable the provider to meet the changing needs of the individual clients. The Department requires that over the course of a year clients receive all authorized ISS hours. Providers are expected to provide hours in a flexible way within a calendar year, in order to address clients' individualized instruction and support needs.

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.

Cost Reports

The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rates are established through a rate assessment process which includes a method to adjust for the sharing of service hours within households or clusters. The assessment also includes a method to account for needed supports that occur on an infrequent basis over time, such as weekly, monthly or annual events. All of these items are factored into calculating a daily rate for the individual client. Funding is appropriated by the legislature.

In regards to the one provider who did not respond to the request for records; this provider did not have a contract for FY17. The cost report for the supported living providers are for the calendar year, not the fiscal year. The service provider passed away and did not submit a cost report for the 2016 calendar year. The Department completed an ISS hour review during May 2016 to evaluate the ISS reimbursement. The settlement notice was sent to the provider by the Office of Financial Recovery.

During the cost settlement process the Department works in tandem with the provider to document and adequately verify that the records, such as payroll records, are correct. The analysts often request additional details in the process of cost settlement. We do not believe the State Auditor's Office (SAO) requested this additional information as the Department would have.

In relation to provider employees not being properly categorized, Department policy 6.04 states that for staff who perform both administrative functions and ISS, the service provider may include that portion of the employee's hours that are dedicated to ISS function. In order to have accurately reviewed the job classifications, the auditors would have had to review every job description. The Department believes this in-depth review was not completed during the audit. In determining which payments were not allowed, it appears that SAO relied upon the job title rather than the job functions of a position. However, as per the excerpt above from policy 6.04, it is necessary to consider the actual job task performed by an employee when determining whether that employee's time should be reimbursed as ISS hours. As an example, a valid claim for reimbursement of ISS hours could be made under the job class of Custodian or Handyman, if the Custodian or Handyman worked side-by-side with the client, providing individual support and services to fix a household item. In a case such as this the employee provided habilitation services to the client. In regard to service providers listing ISS staff correctly, some of the discrepancies were possibly due to a lack of understanding of the auditor's request, rather than the lack of understanding of the cost reporting process.

Documents provided by SAO show some of the providers' record keeping does not adequately support the hours. Training to the providers will be offered and will focus on having adequate back up information to support the ISS hours. The Developmental Disabilities Administration's (DDA) Rate Unit will continue to review a targeted sample of provider records to evaluate whether supporting documentation is adequate.

The DDA Rate Analyst team will continue to complete desk audits. When payment discrepancies are identified, Department staff work with the provider to address the payment discrepancies. This ensures the adequate rates are being paid and many of the over/under payments are addressed prior to receiving the cost reports.

The Department will continue to use its sampling method procedures to verify that information submitted by providers is accurate, and will continue to request additional supporting documents.

Consistent activities for monitoring providers will be emphasized in cost report training.

<u>Settlements</u>

The Department has the authority to reimburse the service provider for services delivered. The Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased. Overtime costs are necessary to adequately support clients when the following conditions apply:

- *The ISS cost exceeds the reimbursed rate;*
- *A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage;*
- *Surveys show that turnover rate in the supported living industry is approximately 50%. Due to the high staff turnover and vacancy rates, overtime is necessary.*

All ISS hours are documented initially in the cost report as delivered at the benchmark. As part of settlement, the provider is given a credit to account for the hours delivered at the overtime rate of time and a half. Overtime hours are calculated using 1.5 times the average benchmark when determining Settlement A. The consideration of the overtime credit is intended to credit the provider for the additional ½ the average benchmark for the overtime hours provided in settlement A. See the example below:

Contracted Hours for the Agency	*Regular Hours Delivered*	*Overtime Hours Delivered*	*Total Hours Delivered*	*Hours Not Delivered*
1000 (i.e. $10/hour)	*900*	*50*	*950*	*50*
Amount to be Paid per Contract	*Amount to be Paid for Hours Delivered*	*Amount to be Paid For Overtime Hours Delivered*	*Total Amount to be Paid*	*Settlement*
Department: $10,000	*$9,000*	*750 ($10 x 1.5)*	*$9,750*	*-$250*
Auditors: $10,000	*$9,000*	*$500*	*$9,500*	*-$500*
The Department is disallowing $250 ($10,000 -$9,750)				
Auditor's believe the $500 should be disallowed ($10,000 - $9,500)				

The above chart is explained below.

- *The provider delivered 950 hours of the 1000 hours in contract. The provider did not deliver 50 of the contracted hours.*
- *900 of the 950 hours were delivered at $10/hr. 50 of the 950 hours were delivered at the overtime cost of the $15/hour. Therefore, the total cost to deliver the ISS services = $9,750.*
- *Settlement: $10,000 – 9,750 = $250.*

It appears that in the SAO's analysis they appear to have overlooked the second bullet above.

The Department will continue to use its authority to consider provider circumstances, such as overtime and grant exceptions as necessary when calculating Settlement A.

Current policy and monitoring activities will remain in place to ensure individual client assessed support needs are met.

<u>Duplicate Payments</u>
The Department will work with HCA and Provider-One on the duplicate payment issues identified in this audit. If duplicate payments are confirmed after this work, overpayments will be processed.

<u>Hours</u>
The discrepancy of hours written in the report does not take into consideration that the rate assessment is based on a client's daily, weekly and annual needs for support services.

Support services such as medical appointments and essential shopping are not always done on a daily basis, rather, they are evaluated and spread out over the entire year. The daily rate encompasses these support hours. Looking at snapshot of these hours does not reflect the true usage of these hours.

The Department will work with the federal grantor regarding questioned costs.

Auditor's Concluding Remarks

Since fiscal year 2012, we have issued a finding regarding these matters. We are committed to working through the disagreement with Department management. However, the Department has made assertions in their response that mischaracterize the audit work and require clarification.

The Department states that, during the cost settlement process, it works with providers to document and adequately verify that the records, such as payroll records, are correct. It also states that analysts often request additional details in the process of cost settlement and that it does not believe the State Auditor's Office requested this additional information as the Department would have. This is incorrect. During our fieldwork, we met numerous times with program staff, management and provider stakeholder groups. In these conversations, staff, managers and stakeholders acknowledged that the level and amount of documentation we requested and examined during the audit was not used by the Department during the audit period when it reviewed cost reports.

Specifically, we requested detailed payroll records from all providers and performed an independent reconciliation of their cost reports. Department staff who reconcile the cost reports said they do not have procedures in place to verify or review the accuracy of provider cost reports. Had such procedures been in place, we would have reviewed them as part of the audit. We did review the Department's desk audit process, which reconciles hours a provider attested were provided to all clients in the agency to the provider's payment data. There are no procedures performed to verify if the information is accurate.

Regarding our review of the categorization of ISS employee hours in provider cost report schedules, we did not question costs because the 75 providers did not properly classify their employees in their cost reports. We included this in the finding because, in its instructions to providers, the Department required the information be submitted when requested, and it was not provided 60 percent of the time.

When reconciling employee timesheets, we requested that providers supply us with the job classification for all employees who provided direct support hours to clients in the sample. If we were unsure of an employee's job classification and provision of hours, we contacted providers directly to seek clarification.

Regarding the cost report settlements, our Office did not overlook or misunderstand the process. We questioned costs when providers were paid for hours it did not provide to clients. We acknowledge the Department decided to issue some providers a credit when their employees worked overtime. This credit should have been accounted for when calculating Settlement B (total payments to providers minus cost to provide the services), not Settlement A (total hours paid to providers minus the actual hours provided to clients).

The Department states that it expects clients will receive all authorized ISS hours within a calendar year. The Department pays providers for clients' daily assessed support hours multiplied by a set rate. When providers claimed payment for hours they planned to provide in the future but did not actually provide, the Department made improper payments. 2 CFR §200.53(b) states in part that an improper payment includes any payment for a good or service not received. In addition, at the end of the calendar year, the Department reconciled the hours provided at the agency level and were unable to demonstrate any method used to determine if individual clients received all their authorized ISS hours.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.

(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.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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.

Department of Social and Health Services - Application for a §1915(c) Home and Community – Based Services Waiver, approved in 2015.

Appendix I: Financial Accountability

I-2: Rates, Billing and Claims, states in part:

a. Rate Determination Methods

Personal Care

Annual cost reports are required that itemize the cost of providing the contracted service for the calendar year. Cost reports are desk audited to determine accuracy and the reasonableness of reported costs. Reported revenue received is reconciled to DSHS/SSPS payment information to determine over/under payments for services.

Settlements are calculated by ADSA staff to determine pay back amounts in cases where providers contracted for more direct service hours than they provided, or received more reimbursement for direct care costs than was paid out. There is no settlement provisions for the non-direct care staff components of the payment rate.

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.

Department of Social and Health Services, Developmental Disabilities Administration Policy 6.02 states in part:

PROCEDURES

III. Cost of Care Adjustments

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 form DSHS 06-124, *Cost of Care Adjustment Request*, within 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 justification and indicate the anticipated duration of the 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 (7) seven 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.

Department of Social and Health Services, Developmental Disabilities Administration Policy 6.04 states in part:

POLICY

A. Service providers shall report costs of operations for the purpose of certifying the costs of services provided and to determine any settlements due.

PROCEDURES

I. REPORTING
   A. Cost Reports

C. In order for a service provider to receive payments under the residential reimbursement system, the service provider must submit an annual DDA cost report covering the completed calendar year. Completing Cost Reports and Maintaining Records
    2. DDA Rates Unit will analyze the submitted cost report and financial statement of each service provider to determine if this information is correct, complete, and reported and conforms with generally accepted accounting principles and the requirements of this contract and the referenced policies, rules, and regulations. If the analyst finds that the cost report or financial statements are incorrect or incomplete, DDA may make adjustments to the reported information or request that the service provider makes revisions.

II. COST REPORT COMPONENTS

A. Instruction and Support Services
    4. DDA may request job descriptions for employees to verify the duties of the positions. Paid hours worked and payroll costs charged to ISS for cost reporting purposes must be verifiable in the service provider's records, including time sheets and schedules for actual hours worked. The number of ISS paid hours reported for any individual employee or owner of a service provider must not exceed 3,120 hours per year (designated live-in staff are exempt from this limitation.)
    6. The cost report will include schedules to report summary totals of employee hours and costs. The provider must maintain on file the details by employee, as this information may be requested by DDA.

III. SETTLEMENT

1. Settlement Definition. The settlement shall be for underutilization of contracted and paid service hours and dollars in the instruction and support service cost center.

2017-045 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 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed /Unallowed Allowable Costs/Cost Principles Eligibility	
Known Questioned Cost Amount:	$186,549	

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 $12.3 billion in federal and state funds during fiscal year 2017.

The Aging and Long-Term Support 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 must ensure clients are eligible before authorizing services.

A client's eligibility consists of two parts: functional and financial. Functional and financial eligibility must be re-determined every 12 months. A valid financial eligibility re-determination includes reviewing and verifying income and resources. A valid functional eligibility re-determination includes assessing the client's needs to determine whether the client needs the level of care provided in a hospital, nursing facility, intermediate care facility for the intellectually disabled, institution providing psychiatric services for individuals under age twenty-one, or an institution for mental diseases for individuals age sixty-five or over, or will likely need this level of care within thirty days, unless Community First Choice services are provided.

For Community First Choice services, federal regulation and state rules require the client (or a legal representative) to agree to receive services and both the client and the Department to sign the service plan. If a client does not sign the plan within two months of the needs assessment's completion, state rules authorize the Department to terminate services.

Before August 2015, Department staff accepted verbal agreements from clients, rather than requiring signatures from them or their legal representatives. In August 2015, the Department trained staff on the federal regulation that person-centered service plans must be agreed to in writing.

In fiscal year 2017, the state Medicaid program paid about $1.3 billion for Community First Choice personal care services.

Description of Condition

We found the Department did not have adequate internal controls to ensure client person-centered service plans were properly approved and adequately documented.

We used a statistical sampling method to randomly select 86 Community First Choice clients, from a total population of 45,568, which received services from an individual provider during the audit period. We examined the client files and found 26 instances (30 percent) when the Department did not monitor to ensure signed plans were received within 60 days; contained valid signatures; or ensured received plans were scanned into its imaging system.

Specifically, we found:

- 16 instances (19 percent) when the Department was unable to locate a signed plan
- Eight instances (9 percent) when plans lacked required signatures by - the client (3), a client's legal representative (2) or the Department (3)
- Two instances (2 percent) when the Department did not receive all required signatures within 60 days of the plan completion as required by state rule

During the audit period, Department management did not monitor to ensure staff obtained signatures from all parties before paying providers for client services.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

Cause of Condition

Management said staff might not have obtained all required signatures because the Department's policy changed in 2015 to align with the federal requirement to obtain written approval from clients. Management did not monitor to ensure staff were following the federal requirement.

Management staff acknowledged a backlog with scanning documents into the client's record. The department believes this backlog and the process in getting documents to the Document Management System unit for scanning contributed to the number of client records without a signed service summary.

Effect of Condition and Questioned Costs

Questioned costs

Because some plans were not properly approved or adequately documented, we determined the Department made $278,300 in unallowable payments to providers. We are questioning $155,683, 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, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the $278,300 in payments we determined were unallowable, we identified $56,159 in associated costs that we also consider to be unallowable. We are questioning $30,866, which is the federal portion of the unallowable payments.

Estimated improper payments

Because a statistical sampling method was used to select the payments we examined, we estimate the amount of likely improper payments to be $86,951,412. The federal share of this estimate is $48,591,452.

For the $86,951,412 in likely improper payments, we estimate the amount of likely associated improper payments to be $20,477,299. The federal share of this estimate is $11,226,999.

The statistical sample used for testing was also used to test compliance with activities allowed and provider eligibility requirements. Because some unallowable payments we examined violated multiple federal compliance requirements, some of the questioned costs reported here might also be reported in finding numbers 2017-046, 2017-049 and 2017-050.

Projection to population	Known questioned costs	Estimated improper payments
Federal expenditures	$186,549	$59,818,451
State expenditures	$147,910	$47,610,260
Total expenditures	**$334,459**	**$107,428,711**

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate of total improper payments" as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

Recommendations

We recommend the Department:

- Provide additional training to staff on the federal regulation and State rule that requires client plans to be agreed to in writing
- Establish monitoring activities to ensure staff comply with federal and state requirements
- Consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid

Agency's Response

The Department does not concur with this finding.

The Department agrees person-centered service plans are an important component of the delivery of Community First Choice services and are required by federal regulations, Washington's state Medicaid plan, and the Washington Administrative code. The department also acknowledges the participant must agree to services and signing the service plan documents that agreement with the client and the case manager. Person centered service plans 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.

However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations (CFR), Washington's state Medicaid plan or the Washington Administrative Code (WAC) to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same visit (assessment) with the client, completion of the two tasks are separate and distinct endeavors and are governed by different laws and requirements. As the state described in the CMS approved Medicaid state plan;

> *"There is no lag between the person-centered planning and determination of eligibility. Initial and on-going person-centered service plans are developed in conjunction with the CARE assessment and functional eligibility determination. Access to services begins as soon as the participant selects the services and supports they are eligible to receive and identifies their qualified provider".*

The department also disagrees with the conclusion that the lack of signed service plans results in improper payments. In this case, the department made payments to qualified providers for covered services delivered to eligible beneficiaries.

Current practice includes training staff on the federal requirement to obtain signatures on service plans. The department will formally remind staff of these requirements. The Department also notes federal regulations provide latitude to obtain consent in an alternate manner for those clients who are not able to provide a signature: As reflected on page 26865, Vol. 77, No. 88 of the Federal Register:

> *"**Response:** After consideration of these comments, we have revised the final regulation to indicate that the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation. While we understand that some individuals may not be able to provide an actual signature, we believe that it is important to capture that the individual agrees to the service plan as finalized. Should an individual not be able to make any indication that they agree with the plan in writing or the individual does not have a representative who can do so on the individual's behalf, States will need to explain the methods they propose to use to indicate that the individual agrees with the service plan.*

Staff will also receive training on actions to take when the participant is not able to provide a signature.

Further analysis of these results shows that in 18 out of 26 instances client files had documentation indicating staff received a signed service summary from the client and sent it to the division's imaging hub HIU/DMS. With 69% of the cited cases stating the case manager received the signed service summary, the department believes this indicates there are issues with the department's process for getting documents to DMS and the timeliness of the digital scanning process. Based on this analysis, the department will revise and clarify the document mailing and scanning process.

Effective January 2018, ALTSA QA also, as part of its established annual audit cycle, initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.

Auditor's Concluding Remarks

In its response, the Department acknowledges person-centered service plans are required by federal regulation. In addition, the Department acknowledges the participant must agree to services and signing the service plan documents that agreement.

The Department states that a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations (CFR), Washington's state Medicaid plan or the Washington Administrative Code (WAC) to properly determine or establish a client's eligibility to receive benefits.

According to federal and State rule a person-centered service plan is required.

- 42 Code of Federal Regulations, Section 441.540, states – Person-centered service plan must be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.
- Washington Administrative Code 388-106-0045 states - The department will authorize long-term care services when you …have given written consent for services and approved your plan of care

The department also disagrees with the conclusion that the lack of signed service plans result in improper payments.

According to Washington Administrative Code 388-106-0047(3):

- The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

During the audit, the Department acknowledged it could not locate 18 signed service summaries. While the case file notes indicated a signed service summary was received, we could not verify this based on a lack of supporting documentation.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.

(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.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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, Compliance Audits, as follows:

.11 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 an event occurring 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.

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:

Section 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.

Section 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;

Washington Administrative Code WAC 388-106-0047 When can the department terminate or deny long-term care services to me? states in part

(3) The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington Administrative Code 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

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.

2017-046 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed / Unallowed Allowable Costs/Cost Principles Eligibility	
Known Questioned Cost Amount:	$215,082	

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 $12.3 billion in federal and state funds during fiscal year 2017.

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 must ensure clients are eligible before authorizing services.

A client's eligibility is based on three factors: statutory, functional and financial. For statutory eligibility, individuals submit an initial application to the Department, which reviews it to determine if the client's disability meets Department eligibility requirements. The Department makes re-determinations 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. Per federal regulation, a valid functional eligibility determination includes assessing the client's needs determining whether the client needs the level of care provided in a hospital, nursing facility, intermediate care facility for the intellectually disabled, institution providing psychiatric services for individuals under age twenty-one, or an institution for mental diseases for individuals age sixty-five or over (or will likely need this level of care within thirty days unless Community First Choice services are provided).

For Community First Choice services to be allowable, federal regulation and State rules require the client (or their legal representative) to agree to receive services and both the client and the Department to agree on client service plans in writing. If a client does not sign the plan within two months of the needs assessment's completion, State rules authorize the Department to terminate services.

Before August 2015, Department staff accepted verbal agreements from clients, rather than requiring signatures from them or their legal representatives. In August 2015 and in the spring of 2017, the Department trained staff on the federal regulation that client service plans must be agreed to in writing.

In fiscal year 2017, the state Medicaid program paid about $1.3 billion to providers on behalf of Community First Choice clients.

In our prior audit, we reported the Department did not have adequate internal controls in place to ensure client support plans were properly approved. The prior finding number was 2016-043.

Description of Condition

We found the Department did not have adequate internal controls to ensure client service plans were properly approved and adequately documented before paying providers for client services.

We used a statistical sampling method to randomly select 86 Community First Choice clients, from a total population of 13,324, that received services from an individual provider during the audit period. We examined the client files and found eight instances (9 percent) when the Department did not monitor to ensure signed plans were received within 60 days or contained valid signatures.

Specifically, we found:

- Four instances (5 percent) when the Department did not receive all required signatures within 60 days of the plan completion as required by state rule
- Two instances (2 percent) when plans lacked client signatures
- Two instances (2 percent) when plans were signed by a client's legal guardian, but the Department did not have legal guardian paperwork in the file

We also performed follow-up testing on our 2016 audit finding that identified 18 instances when the Department either did not monitor to ensure the plans were received within 60 days or that plans had valid signatures. For 11 of the previously reported 18 instances, client service plans were still not completed or had invalid signatures for part or all of the current audit period.

We consider these internal control deficiencies to be a material weakness.

This condition was reported in the prior audit.

Cause of Condition

A possible reason why staff did not obtain all required signatures was that the Department's policy changed in 2015 to align with the federal requirement to obtain written approval from clients.

Formal training was provided during the audit period, but the Department said it did not have time since the last audit to fully implement its corrective action.

Effect of Condition and Questioned Costs

Because some plans were not properly approved or adequately documented, we determined the Department made $305,096 in unallowable payments to providers. We are questioning $170,706, 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, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the $305,096 in payments we determined were unallowable, we identified $79,943 in associated costs that we also consider to be unallowable. We are questioning $44,376, which is the federal portion of the unallowable payments.

Including associated costs, the total amount we are questioning is $215,082.

Estimated improper payments

Because a statistical sampling method was used to select the payments we examined, we estimate the total improper payments to be $11,478,485. The federal share of this estimate is $6,422,324.

For the $11,478,485 in likely improper payments, we estimate the amount of likely associated improper payments to be $3,355,104. The federal share of this estimate is $1,864,981.

The following table summarizes the known questioned costs and estimated improper payments by federal or state funds.

Projection to population	Known questioned costs	Estimated improper payments
Federal expenditures	$215,082	$8,287,305
State expenditures	$169,958	$6,546,284
Total expenditures	**$385,040**	**$14,833,589**

The statistical sample of 86 clients used to perform these tests was also used to test compliance with activities allowed and provider eligibility requirements. Because some unallowable payments we examined violated multiple federal compliance requirements, some of the questioned costs reported in this finding might also be reported in finding numbers 2017-045, 2017-049 and 2017-050.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend the Department:

- Provide additional training to staff on the federal regulation and state rule that require client service plans to be agreed to in writing
- Continue monitoring activities to ensure staff follow federal and state requirements
- Consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid

Agency’s Response

The Department does not concur with the finding.

The Department agrees person-centered service plans are an important component of the delivery of Community First Choice services and are required by federal regulations, Washington’s state Medicaid plan, and the Washington Administrative Code (WAC). The Department also acknowledges the participant must agree to services and signing the service plan indicates agreement to receipt of services. Person-centered service plans 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.

However, a signed person-centered service plan is not necessary nor required to properly determine or establish a client's eligibility to receive benefits by the Code of Federal Regulations (CFR), Washington's state Medicaid plan, or WAC. While the determination of functional eligibility and the development of the person-centered service plan may often take place during the same visit with the client, completion of the two tasks are separate and distinct endeavors and are governed by different laws and requirements. 42 CFR 441.510 is entitled "Eligibility" and explains the functional and financial requirements to be eligible for Community First Choice services. 42 CFR 441.540 is entitled "Person-centered Service Plan" and explains what is required to be included in a person centered service plan, including that the plan must be signed and contain an assessment of functional need. Additionally, in the CMS approved Medicaid state plan the Department allows paid services to begin as soon as functional eligibility and the person centered plan are completed:

> *"There is no lag between the person-centered planning and determination of eligibility. Initial and on-going person-centered service plans are developed in conjunction with the CARE assessment and functional eligibility determination. Access to services begins as soon as the participant selects the services and supports they are eligible to receive and identifies their qualified provider. (Washington State Medicaid State Plan, Attachment 3.1-k, page 12, item b.)."*

The Department also disagrees with the SAO's determination that the lack of signed service plans result in improper payments. In this case, the Department made payments to qualified providers for covered services delivered to clients who were both functionally and financially eligible.

Department staff receive direction through written policy and training on the federal requirement to obtain signatures on service plans. The Department completed policy refresher training in March and April 2016, but this was late in the time period reviewed in the FY17 audit. Therefore, the benefits of the training would only be evident in the final few months of the period reviewed. DDA will initiate a process to monitor, on a monthly basis, staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.

The Department notes that federal regulations provide latitude to obtain consent in a person centered way unique to the needs of any client who is not able to provide a signature: As reflected on page 26865, Vol. 77, No. 88 of the Federal Register:

> *"**Response:** After consideration of these comments, we have revised the final regulation to indicate that the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation. While we understand that some individuals may not be able to provide an actual signature, we believe that it is important to capture that the individual agrees to the service plan as finalized. Should an individual not be able to make any indication that they agree with the plan in writing or the individual does not have a representative who can do so on the individual's behalf, States will need to explain the methods they propose to use to indicate that the individual agrees with the service plan.*

Staff will also receive training on actions to take when the participant is not able to provide a signature.

Auditor's Concluding Remarks

In its response, the Department acknowledges person-centered service plans are required by federal regulation. In addition, the Department acknowledges the participant must agree to services and signing the service plan documents that agreement.

The Department states that a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations (CFR), Washington's state Medicaid plan or the Washington Administrative Code (WAC) to properly determine or establish a client's eligibility to receive benefits.

According to federal and state rule a person-centered service plan is required:

- 42 Code of Federal Regulations, Section 441.540, states – Person-centered service plan must be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.
- Washington Administrative Code 388-106-0045 states - The department will authorize long-term care services when you …have given written consent for services and approved your plan of care

The department also disagrees with the conclusion that the lack of signed service plans result in improper payments.

According to Washington Administrative Code 388-106-0047(3):

- The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

During the audit, the Department acknowledged it did not have the proper written consent on the person-centered service plans that must be finalized and agreed to in writing according to federal code for the exceptions we identified.

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) establishes the following applicable requirements:

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.

(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.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

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, Compliance Audits, as follows:

.11 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 an event occurring 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.

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:

Section 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.

Section 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;

Washington Administrative Code 388-106-10047 When can the department terminate or deny long-term care services to me? states in part

(3) The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington Administrative Code 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

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.

2017-047 The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.

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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed or Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$6,991	

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 $12.3 billion in federal and State funds during fiscal year 2017.

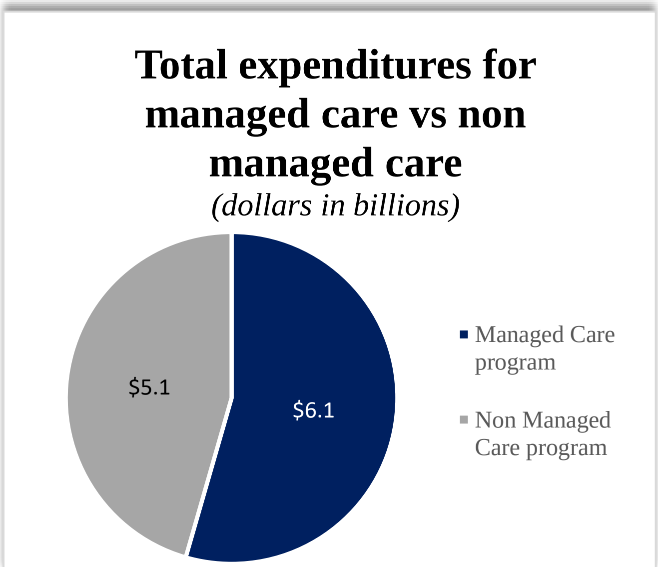
The Health Care Authority (Authority), the State's Medicaid agency, administers Washington's managed care program for eligible recipients in Washington. The Department of Social and Health Services (Department), Aging and Long-Term Support Administration, administers all nursing and skilled nursing facility services in Washington. Managed care is a prepaid, comprehensive system of medical and health care delivery, including preventative, primary, specialty and ancillary health care services. The program is designed to deliver health care to clients, improve the quality of care and reduce the cost of providing health benefits.

The Authority pays managed care organizations a uniform, pre-determined, per-enrollee monthly premium to cover medical costs for Medicaid-eligible clients.

The State's Apple Health Managed Care Contract (Contract) specifies the types of services covered and not covered for Medicaid clients enrolled in the managed care program. Any services not covered by the Contract are billed directly by providers and paid directly by the Department or Authority on a fee-for-service claim basis.

According to the Contract, any nursing facility services that do not meet rehabilitative or skilled nursing criteria are not covered by managed care. Managed care organizations must deny any nursing facility authorization request that does not meet rehabilitative or skilled nursing criteria and send a denial-of-authorization letter to the client and the facility. For the claim to be paid as a fee-for-service, the facility must submit the managed care organization's denial letter with the nursing facility claim.

The Authority's Claims Adjudication Unit has set adjudication rules and reviews each nursing facility fee-for-service claim and authorization denial letter against these rules to determine whether a claim should be paid as fee-for-service based on criteria established by the Authority and the Department.



In fiscal year 2017, the State's Medicaid program paid about $6.1 billion in managed care premiums on behalf of more than 1.9 million Medicaid clients. The program also paid over $626 million in nursing facility fee-for-service claims.

Description of Condition

We found the Department had adequate internal controls to materially prevent managed care clients from receiving fee-for-service payments for nursing facility services that should be covered by the client's managed care plan.

Using computer assisted auditing techniques, we tested to determine if the Department made additional payments on clients' behalf for services that should have been covered by the client's monthly managed care premium. We found the Department paid 13,664 nursing facility fee-for-service claims, totaling $37.2 million, for clients enrolled in the managed care program. The Department is responsible for nursing facility stays for clients enrolled in managed care that meet eligibility criteria, but do not meet rehabilitative or skilled nursing criteria established by the managed care organization. This is not a covered benefit in the managed care contract.

We reviewed the payments and found 3,007 claims were processed with a claim note indicating a denial letter was reviewed. We also removed 505 claims from the population that were not materially significant based on the payment amount. For the remaining 10,152 claims without a denial letter claim note, we used a statistical sampling method to randomly select 65 nursing facility claims to determine whether the claim was allowed to be paid as fee-for-service.

We found the Department made two improper fee-for-service payments to providers for nursing facility services totaling $8,065. There was no evidence supporting that the requested services did not meet rehabilitative or skilled nursing criteria; to qualify for a fee-for-service payment, the Contract requires that the managed care organization pay for services that do meet rehabilitative or skilled criteria.

This condition was not reported in the prior audit.

Cause of Condition

The two improper payments were manually reviewed and approved by claims analysis staff. The Department relies on the Authority's Claims Adjudication Unit to review each claim to determine whether the claim should be paid as fee-for-service based on criteria established by the Authority and the Department. On certain occasions, the Authority works with the Department's Aging and Long-Term Support Administration policy staff to review claims submitted by nursing facilities as fee-for-service.

For these two payments, the reviews were not effective to ensure the facility submitted the required denial letter from the clients' managed care organizations prior to authorizing payment of the claims. In November 2016, the Authority in coordination with the Department issued written guidance to each managed care organization requiring each organization to submit an updated denial of authorization template to the Authority to approve for use moving forward. The Authority obtained all required templates from the managed care organizations in February 2017, and the Authority required all managed care organizations to implement these changes effective June 2017.

All improper payments identified in this audit were paid prior to these changes.

Effect of Condition and Questioned Costs

When providers submit fee-for-service claims for services that are covered under managed care, and the Department authorizes payment of these claims, the Medicaid program incurs a duplicate payment.

Each client's monthly managed care premium covers all medical care expenses for the client, for services specified in the State's Apple Health Managed Care contract. As such, any payments of fee-for-service claims by the Department for services required to be provided under the managed care contract are unallowable and cannot be claimed for federal reimbursement.

We determined the Department made $8,065 in unallowable payments to nursing facilities. We are questioning $6,991, which is the federal portion of the unallowable nursing facility fee-for-service claims.

Because a statistical sampling method was used to select fee-for-service nursing facility claims, we estimate the amount of likely improper payments to be $721,493. The federal share of this estimate is $548,781.

Projection to nursing facility claim population	Known questioned costs	Estimated improper payments
Federal expenditures	$6,991	$548,781
State expenditures	$1,074	$172,712
Total expenditures	**$8,065**	**$721,493**

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendations

We recommend the Department:

- Recover the unallowable payments for improper fee-for-service transactions
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

Agency's Response

The Department partially concurs with this finding.

The Department concurs that the facilities either did not submit the required denial letter from the managed care organization (MCO) or the submitted letter did not read as a denial. The Department does not concur that these services would have been paid by the MCO or are duplicative.

Patients are frequently admitted to nursing facilities who do not meet skilled or rehabilitative level of care or reside in nursing facilities past the time when they may have been eligible. These stays are not eligible for managed care coverage. The Department is responsible for payment of claims to nursing facilities when patients do not meet skilled or rehabilitative level of care.

Since the dates on which these claims were processed, the Authority and Department have been engaged in a continuous process improvement. This improvement includes multiple updates to MCO contract language to clarify the roles and responsibilities of the MCO and updates to the nursing facility billing guide to provide further clarification of policy. The Department has also issued guidance via listserv message to facilities, provided direct training, and coordinated with provider associations.

The Department believes there are times when exceptions to the contract language must be made in order to maintain a patient's care at a facility. When these exceptions are made the Department communicates with both the MCO and the facility regarding the claims in question. The Department will document how these decisions will be made and who has the authority to make these decisions.

Auditor's Concluding Remarks

As described above, the Apple Health Managed Care Contract states that the Contractor (MCO) must provide notification in writing to the facility and the enrollee (client) when the client's stay does not meet skilled or rehabilitative criteria. Both nursing facility claims that were reported in this finding did not show evidence of this communication from the Contractor to the facility and client. The Department responded that it is responsible for payment of nursing facility claims when patients do not meet skilled or rehabilitative criteria for care. However, this statement is in conflict with the Contract Section 16.10 – "Exclusions" which states that nursing facility stays that do not meet skilled or rehabilitative criteria are excluded from coverage by the Contractor. Our Office interprets this requirement to mean that nursing facility stays determined not to meet skilled or rehabilitative criteria should be paid for by the Department as fee-for-service. The nursing facility did not submit documentation from the Contractor confirming this information to justify payment as fee-for-service, which is our basis for questioning the payments.

The Medicaid program incurs a duplicate payment when providers submit fee-for-service claims for services that are covered under managed care, and the Department made payment of these services when a monthly premium was already paid for the client to the managed care organization.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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.

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(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

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(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

The Health Care Authority, Apple Health Managed Care Contract, Section 14.6 – “Skilled Nursing Facility Coordination” states in part:

14.6.1 The Contractor is responsible for medically necessary Skilled Nursing Facility (SNF) or Nursing Facility (NF) stays when the Contractor determines that nursing facility care is more appropriate than acute hospital care. The contractor shall coordinate with hospital or other acute care facility discharge planners and nursing facility care managers or social workers, as described in the Coordination Between the Contractor and External Entities Subsection of this Contract to ensure a smooth transition of the enrollee to or from a SNF or NF.

14.6.2 The Contractor shall coordinate with the SNF or NF to provide care coordination and transitional care and shall ensure coverage of all medically necessary services, prescriptions and equipment not included in the negotiated SNF daily rate. This includes but is not limited to: prescription medications, durable medical equipment, therapies, intravenous medications, and any other medically necessary service or product.

14.6.3 If the enrollee remains in the SNF/NF, the enrollee remains enrolled in AFH and ALTSA is responsible for payment of SNF/NF room and board beginning on the date the enrollee is determined not to meet or no longer meets criteria for the rehabilitative or skilled benefit. The MCO continues to be responsible for all medically necessary services, prescriptions, and equipment not included in the ALTSA nursing facility rate. The Contractor shall continue to monitor the enrollee's status and assist in coordination of transitions back to the community.

14.6.5 The Contractor must provide written notice to the facility and the enrollee if the enrollee:

14.6.5.1 Does not meet rehabilitative or skilled nursing criteria;

The notice must include dates of coverage and the date coverage will end.

The Health Care Authority, Apple Health Managed Care Contract, Section 16.5 – "16.5 Enrollee in Facility at Enrollment" states in part:

16.5.4 DSHS is responsible for payment of any nursing facility admissions including when the enrollee meets rehabilitation or skilled level of care criteria, provided from the date of admission until the date the enrollee is discharged from the nursing facility when:

16.5.4.1 the client was admitted to the nursing facility in the same month Medicaid eligibility is established but enrollment is not completed until the following month; or

16.5.4.2 the client was on fee-for-service before the admission and is enrolled in AHMC during the admission; or

16.5.4.3 the client's eligibility is retroactive to a month prior to the current month, the client is admitted, and enrollment is completed during the admission.

The Health Care Authority, Apple Health Managed Care Contract, Section 16.10 – "Exclusions" states in part:

The following services and supplies are excluded from coverage under this Contract.

16.10.4.15 Long-term private duty nursing for enrollees 18 and over. These services are covered by DSHS, Aging and Long-Term Services Administration;

16.10.4.19 Nursing facility stays that do not meet rehabilitative or skilled criteria;

2017-048 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 Adult Family Home 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$98,399	

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 $12.3 billion in federal and State funds during fiscal year 2017.

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 background check every two years. In addition to the State background check requirement, after January 7, 2012, new providers must complete an initial 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 inspects every adult family home at least every 18 months to ensure the adult family home provider is meeting 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 in the past two years.

The Department 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 into State 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. In cases where a crime is listed as time-limited in State rule, those crimes would no longer be disqualifying but would still require a Character, Competence and Suitability review .

In fiscal year 2017, the State's Medicaid program paid about $167.6 million for the Adult Family Home Program administered by Residential Care Services.

In prior audits, we reported the Department did not ensure providers completed background checks before providing services to Medicaid clients. The prior finding numbers were 2016-044, 2015-051, 2014-048 and 2013-37.

Description of Condition

We found the Department did not have adequate internal controls over and did not comply with requirements to ensure Adult Family Home providers received proper background checks timely.

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 used a statistical sampling method to randomly select and examine 130 of 2,235 total Adult Family Home providers authorized to accept Medicaid clients. We reviewed supporting documentation from the Department to ensure:

- A proper background check had been completed in the past 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 background check and, if required, a national fingerprint background check

We found:

- No evidence a national fingerprint background check was performed for two providers
- A State background checks was not renewed on time for one provider

We consider this control deficiency to be 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. Because of the Department's regulatory scope and allotted resources, unless there is a complaint, up to 18 months can pass before the Department inspects an adult family home again. This could allow an individual to work without a background check for a significant period of time before the Department is informed of any records or disqualifying crimes.

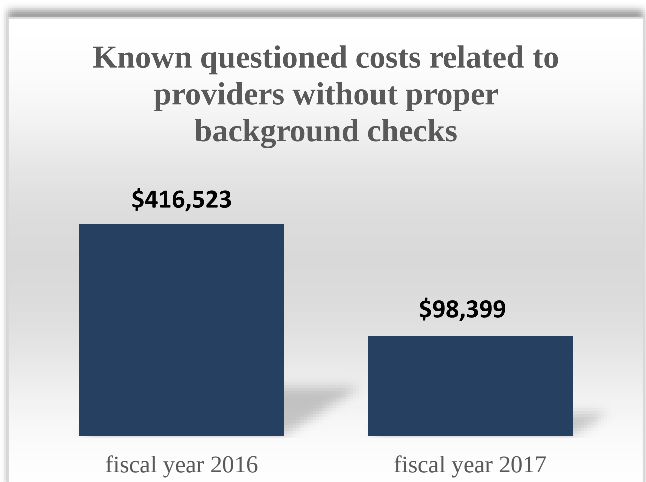
State rule (WAC 388-76-10930) requires that the adult family home must comply with all applicable licensing laws and regulations at all times. The Department said that each provider is responsible for renewing their own background checks, and preparing and documenting the results of their own Character, 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 determined the Department made $196,798 in unallowable payments to the providers. We are questioning $98,399, which is the federal portion of the unallowable payments.

Because a statistical sampling method was used to select the Adult Family Home providers that we examined, we estimate the amount of likely improper payments to be $2,703,654. The federal share of this estimate is $1,351,827.



Projection to population	Number of providers	Known questioned costs – state and federal	Known questioned costs – federal share
Providers that did not renew their background checks*	1	$0	$0
Providers that did not complete a fingerprint background check*	2	$196,798	$98,399
Total	**3**	**$196,798**	**$98,399**

**No evidence action was taken by the end of the audit period (June 30, 2017)*

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.

When providers who do not meet background check requirements have unsupervised access to vulnerable Medicaid clients, those clients are at greater 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 the Department makes to ineligible providers are unallowable.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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 (if applicable).

Adult Family Home employees

Using wage information reported by employers, we identified 1,616 employees working for the 130 adult family home providers in the audit sample in fiscal year 2017. Of the 1,616 employees, 1,242 of them were for one of the adult family home providers. 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:

- No evidence a Washington background check was performed for 1,014 employees
- No evidence a national fingerprint background check was performed for 69 employees
- 80 instances when Washington background checks were not performed on time
- 123 instances when an employee had a record of crimes that were not disqualifying, but no Character, Competence and Suitability review was completed

Noncompliance related to Adult Family Home employees was not factored into the federal questioned costs.

Recommendations

We recommend the Department:

- Improve internal controls to ensure adult family home providers complete background checks on time
- Ensure all adult family home providers renew their background checks every two years, as Department rules require
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Department partially concurs with the finding.

The Department concurs with the exception for the single background check that was not renewed in a timely fashion.

However, the Department does not concur with the two exceptions regarding the missing national fingerprint background check for the two providers. The relevant WAC states:

> *"(1) An adult family home applicant and anyone affiliated with an applicant must have the following background checks before licensure: … (b) If applying after January 7, 2012, a national fingerprint background check."*

The individuals in question had both applied in 2011, and therefore are not required by rule to have a fingerprint check.

The same WAC goes on to state:

> *"(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."*

This section of the WAC does not apply to these individuals because they were not "caregivers, entity representatives, resident managers who are employed directly or by contract." While an adult family home owner may designate themselves as an entity representative or resident manager, they remain the owner of the business and are not employed directly or by contract with an employment agency or as an independent contractor.

Similarly, the definition of "caregiver" in WAC explicitly excludes the provider. There are two types of employees:

- *Owner employing themselves*
- *Employee employed by the owner.*

The individuals in question were the business owners, and not employees or contractors, and therefore subject only to subsection (1)(b). If subsections (1) and (2) were to be read in the way the auditor is proposing, all adult family home owners applying prior to January 7th 2012 would still be "employed" after the same date, in effect completely nullifying the language of (1)(b) -- a result in violation of well-established legal principles of regulatory interpretation. It has never been the practice of the Department to treat owners as both owners and their own employees and subject to the requirements of both groups simultaneously, and the Department disagrees with the auditor's findings suggesting this should be so.

The Department also does not agree the findings should be tied to questioned costs. 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.

At this time, the Department is unable to comment regarding the audit exceptions for the adult family home employees as the Department was not afforded the opportunity to validate or review the findings related to those employees.

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 was implemented in November 2017 and is currently being used.

Auditor's Concluding Remarks

In reviewing the applications for the Adult Family Homes, we observed that both providers designated themselves as the Entity Representative/Resident Manager of their respective Adult Family Homes and attested in writing they would be providing direct care to clients. Both provider contracts *were not executed* until after January 7, 2012. Therefore the individuals should have passed a national fingerprint background check before providing services to clients and being paid by the Department.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.

(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.

(5) The circumstances concerning why the auditor’s report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported audit findings in the schedule of findings and questioned costs for Federal awards.

(6) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor’s report under the direct reporting requirements of GAGAS.

(7) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with §200.511. Audit findings follow-up, paragraph (b) materially misrepresents the status of any prior audit findings.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal

Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its <u>*Codification of Statements on Auditing Standards*</u>, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 an event occurring 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.

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 388-76-10015, 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

Washington Administrative Code 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.

2017-049 The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$2,383	

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 $12.3 billion in federal and state funds during fiscal year 2017.

The Aging and Long-Term Care Administration in 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. 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.

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 4 percent of all Medicaid payments the Department made in fiscal year 2017.

In fiscal year 2017, the state Medicaid program paid about $1.3 billion for Community First Choice personal care services.

All individual providers must meet the basic qualifications to provide services to Medicaid clients, which include being at least 18 years old, passing background checks, and receiving required certifications and training. Individual providers must complete a Washington 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 might 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'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 into 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.

In prior audits, we reported questioned costs when the Department made payments on behalf of individual providers without valid background checks. The prior finding numbers were 2016-040, 2015-040, 2014-049, 2013-40, 12-41, and 11-34.

Description of Condition

We found the Department had adequate internal controls to materially ensure Community First Choice individual providers had proper back checks.

We used a statistical sampling method to randomly select and examine 86 out of 31,155 Community First Choice individual providers who provided in-home care services to in-home clients during fiscal year 2017 to ensure:

- A proper background check had been completed within the past three 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 the Department paid them
- Providers who had committed crimes that were not listed as disqualifying in State rule 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 background check and, if required, a national fingerprint background check

We found one instance when the Department did not perform a fingerprint background check of a provider. While this provider did have a Washington background check, State law requires a fingerprint check is also completed.

Cause of Condition

The Department said it did not perform the provider's fingerprint background check because of an oversight by staff members.

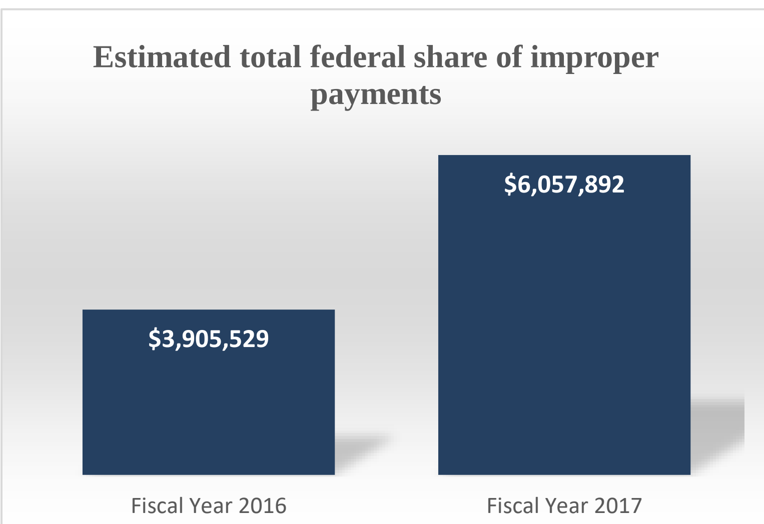
Effect of Condition and Questioned Costs

When providers who do not meet background check requirements have unsupervised access to vulnerable Medicaid clients, those clients face 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.

We found one individual provider did not have a completed fingerprint check as State law requires. We determined the Department made $4,255 in unallowable payments to the provider. We are questioning $2,383, 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, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the $4,255 in payments we determined were unallowable, we identified $1,297 in associated costs that we also consider to be unallowable. We are questioning $727, which is the federal portion of the unallowable payments.



Because a statistical sampling method was used to select the Community First Choice individual providers that we examined, we estimate the amount of likely improper payments to be $10,817,664. The federal share of this estimate is $6,057,892.

The statistical sample used for testing was also used to test compliance with activities allowed and provider eligibility requirements. Because some unallowable payments we examined violated multiple federal compliance requirements, some of the questioned costs reported here might also be reported in finding numbers 2017-045, 2017-046 and 2017-050.

Projection to population	Known questioned costs	Estimated improper payments
Federal expenditures	$2,383	$6,057,892
State expenditures	$1,872	$4,759,772
Total expenditures	**$4,255**	**$10,817,664**

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Because this finding reports non-compliance with State law, the Office of Financial Management must (RCW 43.09.312 (1)) submit the agency's response and plan for remediation to the Governor, the Joint Legislative Audit and Review Committee, and the relevant fiscal and policy committees of the Senate and House of Representatives.

Recommendations

We recommend the Department:

- Ensure that all providers' background checks are completed as State law requires
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs and improper payments identified in the audit should be repaid

Agency's Response

The Department concurs with this finding.

The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have proper background checks.

The Department will work with the U.S. Department of Health and Human Services to repay the identified questioned costs.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 200.303 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 sample 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 findings, 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.
  (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 §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.

Revised Code of Washington 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.

Revised Code of Washington 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 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.

Washington Administrative Code 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.

2017-050 The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid 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:	5-1705WA5MAP; 5-1705WA5ADM; 5-1705WAIMPL; 5-1705WAINCT	
Applicable Compliance Component:	Activities Allowed/Unallowed Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$9,778 ($7,993 – Individual Provider services) ($1,785 – 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 $12.3 billion in federal and State funds during fiscal year 2017.

The Aging and Long-Term Care Administration and the Developmental Disabilities Administration within the Department of Social and Health Services (Department) offers personal care, respite and other services to support Medicaid clients in community settings. 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 and respite services to clients. In fiscal year 2017, the state Medicaid program paid about $30 million in overtime expenditures for personal care and respite services.

In January 2015, the U.S. Department of Labor's Domestic Service Rule went into effect, requiring the Department to pay overtime to individual providers. In April 2016, the state Legislature passed a bill to limit the financial effect of this ruling on the State by minimizing overtime costs and directing the Department to establish rules regarding individual provider overtime.

The Department implemented work week limit rules and sent letters to individual providers and their clients to notify them of their authorized overtime work week hours on May 13, 2016. Services included in an individual provider's authorized overtime work week limit include personal care, relief care, skills acquisition training and respite care. For providers who were contracted and working in January 2016, their authorized overtime work week limits were based on the hours paid to them in January 2016. State statute limits providers who worked 40 hours or less in January 2016, and new providers, from working more than 40 hours per week unless certain criteria are met. The Department may grant temporary approvals to allow providers to work above their authorized overtime work week limits based on individual client need. Providers receive a notice indicating the amount and duration of the approval of a temporary increase.

Description of Condition

We used a statistical sampling method to randomly select and examine 86 out of 67,505 overtime payments paid during fiscal year 2017. We compared the hours providers claimed during a month with their authorized overtime hours and found 20 instances when the Department made unallowable payments to individual providers who claimed payment for more hours than their authorized overtime work week limit.

This condition was not reported in the prior audit.

Cause of Condition

The Fair Labor Standards Act requires providers to be paid for all hours worked. Department staff said the timing of the U.S. Department of Labor's ruling required them to launch a new payment system before it was designed to make overtime payments to providers. Staff did not have sufficient time to train providers about the new overtime rules.

Effect of Condition and Questioned Costs

We determined the Department made $14,274 in unallowable payments to the providers who claimed to work more hours than their authorized overtime work week limit We are questioning $7,993, 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, which are considered associated costs, on behalf of individual providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the $14,274 in payments we determined were unallowable, we identified $3,187 in associated costs that we also consider to be unallowable. We are questioning $1,785, which is the federal portion of the unallowable payments.

Including associated costs, the total amount we are questioning is $9,778.

Because a statistical sampling method was used to select individual provider overtime payments, we estimate the amount of improper payments to be $11,204,046. The federal share of this estimate is $6,274,266.

For the $3,187 in questioned associated costs, we estimate the total amount of improper payments to be $2,501,220. The federal share of this estimate is $1,400,683.

The statistical sample used for testing was also used to test compliance with activities allowed and provider eligibility requirements. Because some unallowable payments we examined violated multiple federal compliance requirements, some of the questioned costs reported here might also be reported in finding numbers 2017-045, 2017-046 and 2017-049.

Projection to population personal and respite care	Known questioned costs	Estimated improper payments
Federal expenditures	$9,778	$7,674,949
State expenditures	$7,682	$6,030,317
Total expenditures	**$17,460**	**$13,705,266**

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.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment 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.

Recommendation

We recommend the Department consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid.

Agency's Response

The Department does not concur with the finding

The Department uses the CMS approved Comprehensive Assessment Reporting Evaluation (CARE) tool to assess for client need and to allocate the number of hours of personal care and respite the client is eligible to receive. These payments were made to qualified providers for services the client was authorized to receive. All hours paid to the individual providers were allowable as no payments were made in excess of the CARE generated allowable hours. The Department's process complies with CMS's directive that any processes developed by States must comply with the Fair Labor Standards Act, as required by Medicaid law, (Department of Health & Human Services, CMCS Informational Bulletin, July 3, 2014). CMS also requires that Department policy protect clients' access to services and supports they are eligible to receive in their person-centered service plan from a provider of their *choice. This CMS guidance also acknowledges that overtime costs paid under the Fair Labors Standards Act can be reimbursed as a reasonable cost related to the delivery of Medicaid services.*

The legislature imposed work week limits on individual providers with the passage of Engrossed Second Substitute House Bill 1725 (ESSHB 1725) and directed the Department to adopt rules for when individual providers can work additional hours in a work week. The statute directed the Department not to impose work week limits on individual providers until the Department conducted a review of the plan of care for the clients served by the individual provider. These reviews were not completed until July 29, 2016. Five of the payments deemed by the SAO to be unallowable were made prior to July 29, 2016. The rules adopted as a result of ESSHB 1725, have a mechanism for terminating the individual providers if they repeatedly exceed their work week limit. These statutory limits and the associated rules which restrict the individual provider have no relation to the client's benefit which is reflected as authorized hours.

Regardless of whether the individual provider exceeded their work week limit, payment for all hours worked is required. For instance, RCW 49.46.800 requires the Department to pay individual providers one and one-half times their regular rate for hours worked in excess of forty hours in a given work week. The Department also adhered to the specific actions outlined in WAC 388-114-0120 before stopping the payment to the individual provider who worked more than their work week limit. In all cases, except one, the Department issued a contract action against the provider. The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. The Department then uses the post-payment procedure outlined in WAC 388-114-0120 to address claims that exceed a provider's work week limit.

In addition to not concurring with the finding, the Department also notes that the calculation of the questioned costs was erroneously applied. Because the hours in question are within the CARE generated hours, the provision of the hours themselves are not in question, only the payment of overtime for these hours. Since cost of overtime is the difference between the individual provider's base rate of pay and one and a half times that rate of pay, questioned costs would be calculated only on the overtime cost.

Auditor's Concluding Remarks

We agree with the Department that overtime must be paid if a provider exceeds 40 hours in a work week. However, at the direction of the Legislature, the Department implemented rules to limit the State's financial burden of incurring these costs. Included in the Department's rules are limits on the number of overtime hours a provider can work. On May 13, 2016, the Department notified individual providers of their allowable overtime hours. If special situations occur that necessitate additional overtime hours to be worked, providers are notified by the Department about the number of additional hours they may work.

We reviewed overtime payments issued by the Department and found 20 instances when the Department violated its rule and made overtime payments to individual providers who claimed payment above their authorized hours.

In their response, the Department states that five of the payments were made prior to July 29, 2016 and should not have been included in our review because plans of care had not been completed. We met with the Department on multiple occasions and reviewed implementation dates with them. We discussed the May 13, 2016 notification date. Because providers had not been notified of their authorized hours until that date, we did not include payments from service dates prior to June 2016 as exceptions. We specifically asked the Department if there were any other timing issues that we needed to be aware of and representatives from both Administrations said no. Due to the timing of receiving this new information from the Department, we cannot assess what effect, if any, it may have on our audit results.

We reaffirm our finding and will follow-up with the Department in 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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 sample 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 findings, 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.

Title 42 U.S. Code of Federal Regulations Part 433, Stat Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
(b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

(a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

(b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

(c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.

(d) *Overpayments resulting from fraud.*

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

(3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

(e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.

(f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

(1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.

(2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

(g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

(h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

The Revised Code of Washington 74.39A.270 - Collective bargaining—Circumstances in which individual providers are considered public employees—Exceptions—Individual provider pay—Joint legislative-executive overtime oversight task force, states in part:

(5) Except as expressly limited in this section and RCW 74.39A.300, the wages, hours, and working conditions of individual providers are determined solely through collective bargaining as provided in this chapter. Except as described in subsection (9) of this section, no agency or department of the state may establish policies or rules governing the wages or hours of individual providers. This subsection does not modify:

(a) The department's authority to establish a plan of care for each consumer or its core responsibility to manage long-term in-home care services under this chapter, including determination of the level of care that each consumer is eligible to receive. However, at the request of the exclusive bargaining representative, the governor or the governor's designee appointed under chapter 41.80 RCW shall engage in collective bargaining, as defined in RCW 41.56.030(4), with the exclusive bargaining representative over how the department's core responsibility affects hours of work for individual providers. This subsection shall not be interpreted to require collective bargaining over an individual consumer's plan of care;

(b) (i) The requirement that the number of hours the department may pay any single individual provider is limited to:

(A) Sixty hours each workweek if the individual provider was working an average number of hours in excess of forty hours for the workweeks during January 2016, except for fiscal years 2016, 2017, and 2018, the limit is sixty-five hours each workweek; or

(B) Forty hours each workweek if the individual provider was not working an average number of hours in excess of forty hours for the workweeks during January 2016, or had no reported hours for the month of January 2016.

(ii) Additional hours may be authorized under criteria established by rules adopted by the department under subsection (9) of this section.

(iii) Additional hours may be authorized for required training under RCW 74.39A.074, 74.39A.076, and 74.39A.341.

(iv) An individual provider may appeal to the department for qualification for the hour limitation in (b)(i)(A) of this subsection if the average weekly hours the individual provider was working in January 2016 materially underrepresent the average weekly hours worked by the individual provider during the first three months of 2016.

(v) No individual provider is subject to the hour limitations in (b)(i)(A) of this subsection until the department has conducted a review of the plan of care for the consumers served by the individual provider. The department shall review plans of care expeditiously, starting with consumers connected with the most individual provider overtime;

(c) The requirement that the total number of additional hours in excess of forty hours authorized under (b) of this subsection and subsection (9) of this section are limited by the total hours as provided in subsection (10) of this section;

(d) The department's authority to terminate its contracts with individual providers who are not adequately meeting the needs of a particular consumer, or to deny a contract under RCW 74.39A.095(8);

(e) The consumer's right to assign hours to one or more individual providers consistent with the rules adopted under this chapter and his or her plan of care;

(f) The consumer's right to select, hire, terminate, supervise the work of, and determine the conditions of employment for each individual provider providing services to the consumer under this chapter;

(g) The department's obligation to comply with the federal medicaid statute and regulations and the terms of any community-based waiver granted by the federal department of health and human services and to ensure federal financial participation in the provision of the services; and

(h) The legislature's right to make programmatic modifications to the delivery of state services under this title, including standards of eligibility of consumers and individual providers participating in the programs under this title, and the nature of services provided. The governor shall not enter into, extend, or renew any agreement under this chapter that does not expressly reserve the legislative rights described in this subsection (5)(h).

(9) The department may not pay any single individual provider more than the hours listed in subsection (5)(b) of this section unless the department authorizes additional hours under criteria established by rule. The criteria must be limited in scope to reduce the state's exposure to payment of overtime, address travel time from worksite to worksite, and address the following needs of consumers:

(a) Ensuring that consumers are not at increased risk for institutionalization;

(b) When there is a limited number of individual providers within the geographic region of the consumer;

(c) When there is a limited number of individual providers available to support a consumer with complex medical and behavioral needs or specific language needs;
(d) Emergencies that could pose a health and safety risk for consumers; and
(e) Instances where the cost of the allowed hour is less than other alternatives to provide care to a consumer, distinct from any increased risk of institutionalization.
(e) The department is authorized to adopt rules, including emergency rules under RCW 34.05.350, to implement this subsection.

Washington Administrative Code 388-114-0070

May an individual provider work more than his or her permanent work week limit?

An individual provider with a permanent work week limit of:

(1) Forty service hours per week may only exceed the permanent work week limit as described in WAC 388-114-0080;
(2) More than forty service hours has flexibility to work more than his or her permanent work week limit in a given week if:
   (a) Requested by the client to meet a specific need;
   (b) Doing so would not exceed the client's monthly authorized hours;
   (c) The total number of service hours worked over forty for each work week in a calendar month does not exceed the amount of overtime the individual provider would receive if he or she worked his or her permanent work week limit every week of the calendar month; and
   (d) The use of more service hours in a given week will not result in a client going without essential care in other weeks of the month.

Washington Administrative Code 388-114-0080

When may the department temporarily approve a client specific increase to an individual provider's work week limit?

(1) The department may temporarily increase an individual provider's work week limit if it determines the increase is necessary:
   (a) Due to a lack of available providers who are able to adequately meet a client's care needs, as evaluated by the department in its consideration of:
      (i) The overall availability of providers in the geographic region;
      (ii) Whether the client has complex medical or behavioral needs;
      (iii) Whether the client requires a provider with specific language skills; and
      (iv) The client's good faith efforts and cooperation to manage his or her service hours and locate and select additional providers, examples of which may include:
         (A) Making schedule adjustments within the work week limits of current providers who are providing services;
         (B) Seeking a qualified family or friend to contract as an individual provider;
         (C) Utilizing the home care referral registry; and
         (D) Requesting a worker through a home care agency, unless doing so would cost more than paying the individual provider overtime;

(b) To protect a client's health and safety, as evaluated by the department in its consideration of:
   (i) Whether the request is to approve service hours the individual provider spent caring for the client because of an emergent condition;
   (ii) The nature and severity of the emergent condition; and
   (iii) Whether the need could have been postponed until another provider could have arrived;
(c) To prevent an increased risk that the client will be unable to remain in a home or community based setting, except in cases where there are additional qualified providers available to select and the client has chosen not to select them; or
(d) To enable a client to assign to an individual provider the same number of hours in months with thirty days as are assigned in months with thirty-one days, provided that:
   (i) The client is unable to assign the same number of the hours due to the individual provider's permanent work week limit;
   (ii) There is no other qualified provider assigned that can work the hours within his or her permanent work week limit;
   (iii) The increase does not result in a monthly total that exceeds the number of hours assigned to an individual provider in a thirty-one day month; and
   (iv) The increase does not exceed two and one-half hours per week.

(2) When a client specific increase is no longer approved by the department, the individual provider's work week limit will revert back to the permanent work week limit described in WAC 388-11-0030.

(3) The department may only approve a client specific work week limit in excess of eighty service hours per week for an individual provider if the client's circumstances meet the criteria set out in WAC 388-440-0001 (1)(a) through (e) and where the department is unaware of any reason that the individual provider will be unable to appropriately meet the needs of the client.

(4) The department will not approve additional service hours to any individual provider's permanent work week limit that would result in a monthly total that exceeds the client's monthly service hours.

(5) The individual provider is not entitled to an administrative hearing under chapter 34.05 RCW regarding the department's decision on whether to approve or continue a client specific temporary increase to the work week limit.

2017-051 The Department of Social and Health Services charged payroll costs to the Disability Insurance/SSI Cluster that were not adequately supported.

Federal Awarding Agency:	U.S. Social Security Administration	
Pass-Through Entity:	None	
CFDA Number and Title:	96.001	Social Security – Disability Insurance
	96.006	Supplemental Security Income
Federal Award Number:	15-0404WADI00, 16-0404WADI00, 17-0404WADI00	
Applicable Compliance Component:	Activities Allowed or Unallowed	
	Allowable Costs/Cost Principles	
Known Questioned Cost Amount:	$557,743	

Background

The Department of Social and Health Services administers the Disability Insurance and Supplemental Security Income programs. The programs are overseen by Disability Determination Services (DDS), which is part of the Department's Economic Services Administration. DDS adjudicates medical claims for the Social Security Administration to make disability determinations for the state of Washington.

The Department may only use grant funds for costs that are allowable and relate to the grant's purpose. Federal regulations require employee compensation charged to federal grants to be adequately supported. According to Department policy, if employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. The certifications are prepared at least semi-annually and are signed by the employee and a supervisory official that has firsthand knowledge of the work performed by the employee to ensure they are accurate.

For the Disability Insurance and Supplemental Security Income programs, a manager sends out the required certifications twice a year to the supervisors. The supervisors are required to complete and return them by the 15th of the second month following the certification period.

In fiscal year 2017, the Department spent $51.8 million in federal funds on the program. Approximately $1.1 million was for payroll expenses related to employees working on a single federal award.

Description of Condition

During the audit period, the Department was to have completed 25 salary certifications – we found 13 of those certifications were not completed.

This condition was not reported in the prior audit.

Cause of Condition

The manager responsible did not send the semi-annual certifications for the period in question to the supervisors, and the supervisors did not ensure the certifications were done as required by policy. Additionally, management did not provide sufficient oversight to ensure compliance with the requirement.

Effect of Condition and Questioned Costs

The Department charged $557,743 in direct payroll and benefits to the Disability Insurance/SSI Cluster that were not adequately supported. Therefore, we are questioning these costs.

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.

Recommendations

We recommend the Department follow its own policy to ensure payroll costs charged to a federal grant are supported by required documentation. We also recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Agency's Response

The Department concurs with the audit finding.

The Department acknowledges certifications were not submitted in a timely manner for the period of October 2016 to March 2017 as required in DSHS Administrative Policy No. 19.50.01 A (B). However, the Department does not believe that the payroll charges for $557,743 should be repaid.

While the Department did not obtain the certifications on a timely basis, the Department did obtain certifications for the positions once the Department became aware of the issue. The Department reviewed the certifications against the actual costs incurred to ensure that all the positions were charged accurately to the applicable federal programs. This review showed that no adjusting entries were required and federal monies were expended appropriately. Given that the Department did obtain supporting documentation and reconciled that information, the costs incurred are allowable and there is no repayment to discuss with the U.S. Social Security Administration.

The Department immediately established a process to ensure payroll costs charged to the Disability Insurance/SSI Cluster are adequately supported, and done so in a timely manner in accordance with state and federal laws and regulations.

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) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments 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 sample 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 findings, 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.

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

Section 200.430 Compensation – personal services, states in part:

(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.

DSHS Administrative Policy No. 19.50.01A states, in part:

A. Programs must support charges for the salaries and wages of employees who work solely on a single federal award by completing periodic certifications. The allocation of staff time that is directly charged to federal awards must be identified in the DSHS written cost allocation plan and approved by the granting federal authority.
B. Programs must complete semi-annual certifications for all employees that work solely on and are coded directly to a single federal award.
C. Certifications must be completed in the second month following certification period…
D. Program staff must validate the employee's payroll coding at the time of the certification and make any necessary changes.
E. The employee and their supervisor must sign the semi-annual certification…
F. The program must retain all required documentation in accordance with the applicable retention schedule.

2017-052 The Washington Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.

Federal Awarding Agency:	Department of Homeland Security
Pass-Through Entity:	None
CFDA Number and Title:	97.036 Disaster Grants-Public Assistance
Federal Award Number:	FEMA-1671-DR; FEMA-1734-DR; FEMA-1817-DR; FEMA-1825-DR; FEMA-1963-DR; FEMA-4056-DR; FEMA-4083-DR; FEMA-4168-DR; FEMA-4188-DR; FEMA-4242-DR; FEMA-4243-DR; FEMA-4249-DR; FEMA-4253-DR
Applicable Compliance Component:	Subrecipient Monitoring
Known Questioned Cost Amount:	None

Background

The Disaster Grants-Public Assistance (PA) program helps state, tribal and local governments pay for responding to and recovering from disasters. Following a presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA) provides supplemental federal disaster grants assistance for debris removal, emergency protective measures and the restoration of disaster-damaged facilities owned by states, municipalities, tribes and certain private nonprofit organizations. In Washington, the PA program agency is the Military Department (Department).

In state fiscal year 2017, the Department spent almost $30 million in federal PA funds.

Federal regulations require the Department to monitor award subrecipients' activities. This includes ensuring its subrecipients that spend $750,000 or more in federal grant money during a fiscal year obtain a single audit. The Department must also follow up on any audit findings a subrecipient receives that might affect the federal program, and must issue a management decision within six months of the audit report's acceptance by the Federal Audit Clearinghouse. The management decision must clearly state whether the audit finding is sustained, the reasons for the decision, and whether the auditee is expected to repay disallowed costs, make financial adjustments or take other action. These requirements help ensure grant money is used for purposes that are authorized and within the provisions of contracts or grant agreements.

Description of Condition

We found the Department did not have adequate internal controls in place to verify:

- Subrecipients received required audits
- Findings were followed up on and management decisions were issued promptly

Although the Department did have policies specifying this monitoring is required and how to perform it, no monitoring was performed during the audit period. We determined the Department provided subrecipient funding to 163 entities during fiscal years 2015 and 2016 that may have required monitoring during the audit period.

We consider these internal control weaknesses to constitute a material weakness.

This condition was not reported in the prior audit.

Cause of Condition

Although the Department had established policies to monitor and verify if subrecipients obtained required audits, staff turnover led to these duties not being performed. Additionally, management did not monitor to ensure these requirements were met.

Effect of Condition

Without establishing adequate internal controls, the Department cannot ensure all subrecipients that met the threshold for an audit complied with federal grant requirements, and thus that it has met federal monitoring requirements.

Recommendations

To improve its monitoring of subrecipients, we recommend the Department:

- Verify all required audits occurred
- Follow up on all subrecipient audit findings related to the program and issue a management decision promptly
- Ensure management effectively monitors to ensure it meets federal grant requirements

Agency's Response

The Military Department concurs with the statements/finding, "The Washington Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits", as well as, "Department did not appropriately implement their financial policy and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits". However, the Department believes these statements are not completely accurate.

The Military Department concurs with the statements/finding, "these internal control weaknesses constitute a material weakness". We have initiated actions to address this internal controls weakness.

Currently within the Department, the Single Audit Act Sub-recipient monitoring responsibility is divided between various offices of the Department. The WMD Audit Tracker – Single Audit Act certification maintained by the Finance Division cohesively monitors across all Department Sub-

recipients (federal pass-through funds) to monitor Sub-recipient audits and to alert Program managers of audit irregularities or potential non-compliance with Single Audit Act requirements.
Through calendar year (CY) 2015 (local jurisdictions), the WMD Audit Tracker process remained in place and was operational. The WMD Audit Tracker process, stopped because of extensive staff turnover in the Finance Division beginning in July 2016. The process stoppage was not briefed to management.

The 163 entities during fiscal years 2015 and 2016 (calendar years, school years, and federal years) were spaced across two fiscal years with a significant amount of activities completed because of five new disasters (Oct 2015-April 2017). As such, many elements of the WMD Audit Tracker were being accomplished which was completed and documented; however, not documented in the WMD Audit Tracker.

Once notified of the audit finding, the PA Program completed an exhaustive review of all open Sub-recipients using existing Single Audit Act certification dates (certified by Sub-recipient CFOs), 2 CFR 200 Sub-recipient risk assessment review dates, and WMD Audit Tracker reviews (prior to July 2016) to determine if any Sub-recipient audit findings related to the program and/or Management Decision Letters were needed. The PA Program used WA SAO/Federal Clearinghouse databases to research each open Sub-recipient's latest three financial, financial/federal, accountability, and/or assessment audits (some dating back to CY 2011) to determine no Sub-recipient audit findings related to CFDA 97.036 (PA Program) and/or Management Decision Letters were needed.

The Department has initiated actions to address this internal controls weakness. We have set a meeting to review the existing Department policy and to update the policy to include the following:

1. *use/frequency of the Department Contracts Office certification form – 2 CFR Part 200 Subpart F Audit Certification Form,*
2. *other changes mandated by the implementation of 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and*
3. *delineation of responsibilities between Department divisions and grants programs.*

Once the updated policy is agreed upon, the WMD Audit Tracker will be updated from CY 2015 (for SFY 2016 certification) to present to re-establish cohesive Single Audit Act Sub-recipient 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) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:
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 200.516 Audit findings, 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.

Section 200.331 Requirements for pass-through entities, states in part:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
    (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

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, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: …

Deficiency in internal control over compliance. 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

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.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	9009000063	0800	21,409	0	PT
	Federal Program 07.U01 Total			**21,409**	**0**	
07.U02	Ondcp - Contract Number Only Provided	K12446-TF25	2250	2,581	0	PT
	Federal Program 07.U02 Total			**2,581**	**0**	
	Office of National Drug Control Policy Total			**23,990**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	PC148072	3650	35,224	0	
	Federal Program 08.U01 Total			**35,224**	**0**	
Peace Corps Total				**35,224**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.025	Plant and Animal Disease, Pest Control, and Animal		3600	30,065	0	
10.025			3650	1,617,266	0	
10.025			4670	34,712	10,825	
10.025			4770	8,561	0	
10.025			4950	2,322,579	0	
	Federal Program 10.025 Total			**4,013,183**	**10,825**	
10.028	Wildlife Services		4770	17,200	0	
	Federal Program 10.028 Total			**17,200**	**0**	
10.069	Conservation Reserve Program		4770	33,211	0	
	Federal Program 10.069 Total			**33,211**	**0**	
10.072	Wetlands Reserve Program		4770	9	0	
	Federal Program 10.072 Total			**9**	**0**	
10.093	Voluntary Public Access & Habitat Incentive Progra		4770	232,039	0	
	Federal Program 10.093 Total			**232,039**	**0**	
10.156	Federal-State Marketing Improvement Program		3600	33,117	0	
10.156			3650	43,142	0	
10.156			4950	49,612	0	
	Federal Program 10.156 Total			**125,871**	**0**	
10.163	Market Protection and Promotion		4950	1,328,386	290,029	
	Federal Program 10.163 Total			**1,328,386**	**290,029**	
10.167	Transportation Services		3650	99,868	0	
	Federal Program 10.167 Total			**99,868**	**0**	
10.168	Farmers' Market and Local Food Promotion Program		3650	24,619	8,823	
	Federal Program 10.168 Total			**24,619**	**8,823**	
10.170	Specialty Crop Block Grant Program - Farm Bill		4950	4,121,231	1,590,262	
10.170		11907778	6990	4,841	0	PT
	Federal Program 10.170 Total			**4,126,072**	**1,590,262**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.172	Local Food Promotion Program	UW BUD# 634190	3600	(24,378)	0	PT
10.172		UW BUD# 634194	3600	21,030	0	PT
10.172			3650	33,630	0	
	Federal Program 10.172 Total			**30,282**	**0**	
10.210	Higher Education - Graduate Fellowships Grant Prog		3600	3,384	0	
10.210			3650	26,542	0	
	Federal Program 10.210 Total			**29,926**	**0**	
10.217	Higher Education - Institution Challenge Grants Pr		3650	7,702	0	
10.217			6990	10,584	0	
	Federal Program 10.217 Total			**18,286**	**0**	
10.303	Integrated Programs		3650	486,265	34,106	
10.303		C0477AA	3650	7,622	0	PT
10.303		FAR0021477	3650	8,645	0	PT
	Federal Program 10.303 Total			**502,532**	**34,106**	
10.304	Homeland Security_Agricultural		3650	344,222	0	
10.304		20122390204	3650	(682)	0	PT
10.304		20160379404	3650	30,159	0	PT
	Federal Program 10.304 Total			**373,699**	**0**	
10.308	Resident Instruction Grants for Insular Area Activ	RR7224188644577	3650	2,424	1,169	PT
10.308		RR7224188644577	3650	44,998	4,225	PT
	Federal Program 10.308 Total			**47,422**	**5,394**	
10.309	Specialty Crop Research Initiative	S15187 MOD 1	3600	16,975	0	PT
10.309			3650	2,581,392	141,691	
10.309		2011160914	3650	65,555	0	PT
10.309		2012178503	3650	90,941	0	PT
10.309		2012178503	3650	8,963	123,852	PT
10.309		20140375704	3650	53,140	0	PT
10.309		2016149806	3650	57,027	0	PT
10.309		2016150101	3650	4,707	0	PT
10.309		2017039813	3650	53,127	0	PT
10.309		350K873	3650	(9,867)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.309	Specialty Crop Research Initiative	404490	3650	92,761	0	PT
10.309		428K072	3650	7,343	0	PT
10.309		7399910422	3650	206,891	0	PT
10.309		7961110753	3650	58,804	0	PT
10.309		8500042730	3650	464,736	0	PT
10.309		RC104285L	3650	403,165	0	PT
10.309		RC106347WSU	3650	4,758	0	PT
10.309		UAAES9111103	3650	1,850	0	PT
10.309		UFDSP00010606	3650	61,249	0	PT
10.309			6990	44,990	0	
	Federal Program 10.309 Total			**4,268,507**	**265,543**	
10.311	Beginning Farmer and Rancher Development Program	UW BUD# 632494	3600	4,388	0	PT
10.311		ORSO130291	3650	4,237	0	PT
10.311		2016-70017-25348	6990	33,708	0	PT
	Federal Program 10.311 Total			**42,333**	**0**	
10.312	Biomass Research and Development Initiative Compet	MA120037	3650	304,767	0	PT
	Federal Program 10.312 Total			**304,767**	**0**	
10.328	National Food Safety Training, Education, Extensio	BLK246SB003	3650	11,207	0	PT
10.328		ORSO128916	3650	4,635	0	PT
	Federal Program 10.328 Total			**15,842**	**0**	
10.329	Crop Protection and Pest Management Competitive Gr		3650	210,548	0	
10.329		7652310725	3650	5,638	0	PT
10.329		C0483AA	3650	12,178	0	PT
10.329		SA14230924	3650	26,346	0	PT
	Federal Program 10.329 Total			**254,710**	**0**	
10.330	Alfalfa and Forage Research Program		3650	44,350	0	
	Federal Program 10.330 Total			**44,350**	**0**	
10.331	Food Insecurity Nutrition Incentive Grants Program		3030	1,117,915	755,066	
10.331		17-ADX-267	6990	14,912	0	PT
	Federal Program 10.331 Total			**1,132,827**	**755,066**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.406	Farm Operating Loans		3650	1,981	0	
	Federal Program 10.406 Total			**1,981**	**0**	
10.443	Outreach and Assistance for Socially Disadvantaged		3650	6,909	0	
	Federal Program 10.443 Total			**6,909**	**0**	
10.460	Risk Management Education Partnerships		3650	2,398	0	
10.460		OGRD126820	3650	9,132	0	PT
10.460		ORSO129135	3650	14,624	0	PT
	Federal Program 10.460 Total			**26,154**	**0**	
10.500	Cooperative Extension Service		3650	6,443,767	1,581	
10.500		130677002	3650	1,049	0	PT
10.500		130677006	3650	5,305	0	PT
10.500		8000066753	3650	(2,452)	0	PT
10.500		8000072175	3650	89,181	0	PT
10.500		RC103176AZ	3650	660	0	PT
10.500		S16053	3650	10,607	0	PT
10.500		S16136	3650	8,656	0	PT
10.500		S17103	3650	19,421	0	PT
10.500		S17160	3650	5,126	0	PT
10.500		S17175	3650	8,259	0	PT
	Federal Program 10.500 Total			**6,589,579**	**1,581**	
10.545	Farmers' Market Supplemental Nutrition Assistance		3650	89,384	0	
	Federal Program 10.545 Total			**89,384**	**0**	
10.557	Special Supplemental Nutrition Program for Women,		3030	131,326,915	37,243,896	
	Federal Program 10.557 Total			**131,326,915**	**37,243,896**	
10.558	Child and Adult Care Food Program		3500	54,144,342	53,656,447	
	Federal Program 10.558 Total			**54,144,342**	**53,656,447**	
10.560	State Administrative Expenses for Child Nutrition		3500	4,795,931	0	
	Federal Program 10.560 Total			**4,795,931**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.572	WIC Farmers' Market Nutrition Program (Fmnp)		3030	605,028	25,253	
	Federal Program 10.572 Total			**605,028**	**25,253**	
10.574	Team Nutrition Grants		3500	146,617	0	
	Federal Program 10.574 Total			**146,617**	**0**	
10.575	Farm to School Grant Program	HDC781	3650	5,143	0	PT
	Federal Program 10.575 Total			**5,143**	**0**	
10.576	Senior Farmers Market Nutrition Program		3000	210,614	4,267	
	Federal Program 10.576 Total			**210,614**	**4,267**	
10.578	WIC Grants to States (Wgs)		3030	208,739	112,997	
	Federal Program 10.578 Total			**208,739**	**112,997**	
10.579	Child Nutrition Discretionary Grants		3500	400,982	363,727	
	Federal Program 10.579 Total			**400,982**	**363,727**	
10.580	Supplemental Nutrition Assistance Program, Process		3000	56,467	0	
	Federal Program 10.580 Total			**56,467**	**0**	
10.582	Fresh Fruit and Vegetable Program		3500	3,343,975	3,335,258	
	Federal Program 10.582 Total			**3,343,975**	**3,335,258**	
10.596	Pilot Projects to Reduce Dependency and Increase		3000	6,179,402	576,584	
	Federal Program 10.596 Total			**6,179,402**	**576,584**	
10.598	Supplemental Nutrition Assistanc Program (SNAP) Re		3000	201,222	0	
	Federal Program 10.598 Total			**201,222**	**0**	
10.604	Technical Assistance for Specialty Crops Program		3650	106,767	0	
10.604		130329001	3650	21,310	0	PT
10.604		ORSO130051	3650	7,105	0	PT
10.604		WAC141520	3650	409,226	0	PT
10.604		WSUT13GXKSF01YR03	3650	7,032	0	PT
	Federal Program 10.604 Total			**551,440**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.664	Cooperative Forestry Assistance		3650	120,179	0	
10.664			4900	3,980,826	0	
	Federal Program 10.664 Total			**4,101,005**	**0**	
10.674	Wood Utilization Assistance		3600	7,385	0	
10.674			3650	22,738	0	
10.674			4900	770	0	
	Federal Program 10.674 Total			**30,893**	**0**	
10.675	Urban and Community Forestry Program		3600	21,013	0	
	Federal Program 10.675 Total			**21,013**	**0**	
10.676	Forest Legacy Program		4900	3,979,168	3,941	
	Federal Program 10.676 Total			**3,979,168**	**3,941**	
10.777	Norman E. Borlaug International Agricultural Scien		3650	40,289	0	
	Federal Program 10.777 Total			**40,289**	**0**	
10.855	Distance Learning and Telemedicine Loans and Grant		6990	697,580	0	
	Federal Program 10.855 Total			**697,580**	**0**	
10.868	Rural Energy for America Program		1030	34,301	20,240	
	Federal Program 10.868 Total			**34,301**	**20,240**	
10.902	Soil and Water Conservation		4770	155,229	0	
10.902			4900	8,929	0	
	Federal Program 10.902 Total			**164,158**	**0**	
10.912	Environmental Quality Incentives Program		3650	136,166	0	
10.912			4710	657,686	566,141	
	Federal Program 10.912 Total			**793,852**	**566,141**	
10.960	Technical Agricultural Assistance	6027 PO 430712	3600	29,112	0	PT
10.960			3650	1,634,852	400,000	
	Federal Program 10.960 Total			**1,663,964**	**400,000**	
10.962	Cochran Fellowship Program-International Training-		3650	52,976	0	
	Federal Program 10.962 Total			**52,976**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.U01	Agriculture - Unknown CFDA Number	56-034-783906145	3540	60,184	0	
	Federal Program 10.U01 Total			**60,184**	**0**	
10.U02	Agriculture - Unknown CFDA Number	MOD 2	3600	3,496	0	PT
	Federal Program 10.U02 Total			**3,496**	**0**	
10.U03	Agriculture - Unknown CFDA Number	10JV11261900057	3650	(2,951)	0	
	Federal Program 10.U03 Total			**(2,951)**	**0**	
10.U04	Agriculture - Unknown CFDA Number	11CS11060500014	3650	5,270	0	
	Federal Program 10.U04 Total			**5,270**	**0**	
10.U05	Agriculture - Unknown CFDA Number	12CS11020000078	3650	6,368	0	
	Federal Program 10.U05 Total			**6,368**	**0**	
10.U06	Agriculture - Unknown CFDA Number	1385501664CA	3650	(2,645)	0	
	Federal Program 10.U06 Total			**(2,645)**	**0**	
10.U07	Agriculture - Unknown CFDA Number	13JV11221637129	3650	6,114	0	
	Federal Program 10.U07 Total			**6,114**	**0**	
10.U08	Agriculture - Unknown CFDA Number	1481300122CA	3650	8,465	0	
	Federal Program 10.U08 Total			**8,465**	**0**	
10.U09	Agriculture - Unknown CFDA Number	14JV11062112005	3650	94,072	0	
	Federal Program 10.U09 Total			**94,072**	**0**	
10.U10	Agriculture - Unknown CFDA Number	1581300609CA	3650	7,707	0	
	Federal Program 10.U10 Total			**7,707**	**0**	
10.U11	Agriculture - Unknown CFDA Number	15CR11061800031	3650	2,701	0	
	Federal Program 10.U11 Total			**2,701**	**0**	
10.U12	Agriculture - Unknown CFDA Number	15CR11062765707	3650	12,154	0	
	Federal Program 10.U12 Total			**12,154**	**0**	
10.U13	Agriculture - Unknown CFDA Number	15CS11051100033	3650	92,956	0	
	Federal Program 10.U13 Total			**92,956**	**0**	
10.U14	Agriculture - Unknown CFDA Number	15JV11221634099	3650	47,402	0	
	Federal Program 10.U14 Total			**47,402**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.U15	Agriculture - Unknown CFDA Number	15JV11221636125	3650	33,638	0	
	Federal Program 10.U15 Total			**33,638**	**0**	
10.U16	Agriculture - Unknown CFDA Number	15JV11261954075	3650	5,324	0	
	Federal Program 10.U16 Total			**5,324**	**0**	
10.U17	Agriculture - Unknown CFDA Number	15JV11261979074	3650	29,014	0	
	Federal Program 10.U17 Total			**29,014**	**0**	
10.U18	Agriculture - Unknown CFDA Number	15JV11272139048	3650	19,390	0	
	Federal Program 10.U18 Total			**19,390**	**0**	
10.U19	Agriculture - Unknown CFDA Number	1685501678CA	3650	62,713	0	
	Federal Program 10.U19 Total			**62,713**	**0**	
10.U20	Agriculture - Unknown CFDA Number	1692530464CA	3650	69,402	0	
	Federal Program 10.U20 Total			**69,402**	**0**	
10.U21	Agriculture - Unknown CFDA Number	16JV11272139021	3650	18,842	0	
	Federal Program 10.U21 Total			**18,842**	**0**	
10.U22	Agriculture - Unknown CFDA Number	17CS11060500002	3650	2,656	0	
	Federal Program 10.U22 Total			**2,656**	**0**	
10.U23	Agriculture - Unknown CFDA Number	17JV11272138023	3650	361	0	
	Federal Program 10.U23 Total			**361**	**0**	
10.U24	Agriculture - Unknown CFDA Number	201519	3650	357	0	PT
	Federal Program 10.U24 Total			**357**	**0**	
10.U25	Agriculture - Unknown CFDA Number	AG02RCP160028	3650	13,925	0	
	Federal Program 10.U25 Total			**13,925**	**0**	
10.U26	Agriculture - Unknown CFDA Number	AG6197K150087	3650	(620)	0	
	Federal Program 10.U26 Total			**(620)**	**0**	
10.U27	Agriculture - Unknown CFDA Number	AG6197K160011	3650	13,410	0	
	Federal Program 10.U27 Total			**13,410**	**0**	
10.U28	Agriculture - Unknown CFDA Number	AG6395D160508	3650	20,010	0	
	Federal Program 10.U28 Total			**20,010**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.U29	Agriculture - Unknown CFDA Number	AG6395K160042	3650	26,575	0	
	Federal Program 10.U29 Total			**26,575**	**0**	
10.U30	Agriculture - Unknown CFDA Number	AG6395K160173	3650	98,908	0	
	Federal Program 10.U30 Total			**98,908**	**0**	
10.U31	Agriculture - Unknown CFDA Number	WSU002142	3650	123,375	0	PT
	Federal Program 10.U31 Total			**123,375**	**0**	
10.U32	Agriculture - Unknown CFDA Number	WSU003416	3650	5,000	0	
	Federal Program 10.U32 Total			**5,000**	**0**	
10.U33	Agriculture - Unknown CFDA Number	WSU003470	3650	47,548	0	PT
	Federal Program 10.U33 Total			**47,548**	**0**	
10.U34	Agriculture - Unknown CFDA Number	12-CS-11062200-003	4600	41,322	0	
	Federal Program 10.U34 Total			**41,322**	**0**	
10.U47	Agriculture - Unknown CFDA Number	11CR11061700018	3750	589	0	
	Federal Program 10.U47 Total			**589**	**0**	
Dept of Agriculture Total				**238,508,996**	**99,270,380**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.008	Noaa Mission-Related Education Awards		4610	77,768	0	
	Federal Program 11.008 Total			**77,768**	**0**	
11.011	Ocean Exploration		3600	93,836	0	
11.011		UAF 16-0036	3600	49,483	0	PT
	Federal Program 11.011 Total			**143,319**	**0**	
11.012	Integrated Ocean Observing System (Ioos)		3600	4,017,267	2,100,291	
11.012		2013-014 AM05	3600	16,359	0	PT
11.012		H2300-82 AM02	3600	3,417	0	PT
11.012		H2400-63	3600	4,640	0	PT
11.012		UAF 15-0085 AM01	3600	12,711	0	PT
	Federal Program 11.012 Total			**4,054,394**	**2,100,291**	
11.112	Market Development Cooperator Program		1030	65,196	28,000	
	Federal Program 11.112 Total			**65,196**	**28,000**	
11.303	Economic Development_Technical Assistance		3650	107,466	0	
	Federal Program 11.303 Total			**107,466**	**0**	
11.419	Coastal Zone Management Administration Awards		4610	2,316,868	0	
	Federal Program 11.419 Total			**2,316,868**	**0**	
11.436	Columbia River Fisheries Development Program		4670	327,615	305,074	
11.436			4770	6,325,379	0	
	Federal Program 11.436 Total			**6,652,994**	**305,074**	
11.437	Pacific Fisheries Data Program		3050	24,944	0	
11.437		15-85C AM02	3600	(8,844)	0	PT
11.437		16-104G	3600	89,570	0	PT
11.437		17-04G AM01	3600	26,517	0	PT
11.437		17-57G	3600	60,549	0	PT
11.437		15-36G	4770	17,489	0	PT
11.437		15-48G	4770	159,444	0	PT
11.437		15-95G	4770	80,105	0	PT
11.437		16-133G	4770	12	0	PT
11.437		16-35G	4770	201,440	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.437	Pacific Fisheries Data Program	16-38G	4770	6,516	0	PT
11.437		16-52G	4770	164,797	0	PT
11.437		16-59G	4770	10,982	0	PT
11.437		17-102G	4770	53,463	0	PT
11.437		17-13G	4770	672,095	0	PT
11.437		17-18G	4770	146,613	0	PT
11.437		17-30G	4770	18,536	0	PT
11.437		17-41C	4770	61,304	0	PT
11.437		17-56G	4770	15,654	0	PT
11.437		WA-S-141207-031	4770	381,815	0	PT
	Federal Program 11.437 Total			**2,183,001**	**0**	
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treat	AKSSF-44812/SA-14-018	3600	53,793	0	PT
11.438		AKSSF-44913 AM02	3600	232,115	0	PT
11.438		AKSSF-44914 AM01	3600	49,029	0	PT
11.438			4670	21,722,653	13,601,911	
11.438			4770	2,041,411	0	
11.438		V17-06	4770	16,438	0	PT
	Federal Program 11.438 Total			**24,115,439**	**13,601,911**	
11.439	Marine Mammal Data Program		4770	80,315	0	
11.439		16-116G	4770	8,694	0	PT
11.439		17-08G	4770	92,754	0	PT
	Federal Program 11.439 Total			**181,763**	**0**	
11.441	Regional Fishery Management Councils	06-16	4770	102,380	0	PT
11.441		2017-3	4770	37,757	0	PT
11.441		NPFMC# 2016-3	4770	46,476	0	PT
	Federal Program 11.441 Total			**186,613**	**0**	
11.452	Unallied Industry Projects	AC-1515	3600	257,822	49,863	PT
	Federal Program 11.452 Total			**257,822**	**49,863**	
11.463	Habitat Conservation	WA-S-170307-021	3600	3,659	0	PT
11.463		SA13WSU01	3650	12,826	0	PT
11.463			4610	142,537	0	
	Federal Program 11.463 Total			**159,022**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.473	Office for Coastal Management		3600	211,481	46,527	
	Federal Program 11.473 Total			**211,481**	**46,527**	
11.478	Center for Sponsored Coastal Ocean Research_Coasta		3600	314,157	0	
	Federal Program 11.478 Total			**314,157**	**0**	
11.482	Coral Reef Conservation Program	NA15N0S4820075	3650	9,251	0	PT
	Federal Program 11.482 Total			**9,251**	**0**	
11.483	Noaa Programs for Disaster Relief		3600	(3)	0	
	Federal Program 11.483 Total			**(3)**	**0**	
11.549	State and Local Implementation Grant Program Sligp		2450	665,587	640,686	
	Federal Program 11.549 Total			**665,587**	**640,686**	
11.611	Manufacturing Extension Partnership	145-111-1UWA	6990	8,289	0	PT
	Federal Program 11.611 Total			**8,289**	**0**	
11.619	Arrangements for Interdisciplinary Research Infras	G-00745-1 AM02	3600	79,645	0	PT
11.619		S51700000029488	3600	28,809	0	PT
	Federal Program 11.619 Total			**108,454**	**0**	
11.620	Science, Technology, Business and/Or Education Out		3700	256	0	
	Federal Program 11.620 Total			**256**	**0**	
11.U01	Commerce - Unknown CFDA Number		3600	19,849	0	
	Federal Program 11.U01 Total			**19,849**	**0**	
11.U02	Commerce - Unknown CFDA Number		3600	2,987	0	
	Federal Program 11.U02 Total			**2,987**	**0**	
11.U03	Commerce - Unknown CFDA Number		3600	1,757	0	
	Federal Program 11.U03 Total			**1,757**	**0**	
11.U04	Commerce - Unknown CFDA Number		3600	2,437	0	
	Federal Program 11.U04 Total			**2,437**	**0**	
11.U05	Commerce - Unknown CFDA Number		3600	5,488	0	
	Federal Program 11.U05 Total			**5,488**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.U06	Commerce - Unknown CFDA Number	S20170118	3650	9,702	0	PT
	Federal Program 11.U06 Total			**9,702**	**0**	
11.U07	Commerce - Unknown CFDA Number		3600	26,071	0	
	Federal Program 11.U07 Total			**26,071**	**0**	
11.U08	Commerce - Unknown CFDA Number	ED15HDQ0300030	3650	24,969	0	
	Federal Program 11.U08 Total			**24,969**	**0**	
11.U09	Commerce - Unknown CFDA Number	DOC/EDA #07-83-07272	3700	22,158	0	PT
	Federal Program 11.U09 Total			**22,158**	**0**	
11.U16	Commerce - Unknown CFDA Number	WA JEA 2015	4770	181,462	0	
	Federal Program 11.U16 Total			**181,462**	**0**	
11.U18	Commerce - Unknown CFDA Number	RA-133F-14-SE-2157	4770	56,773	0	
	Federal Program 11.U18 Total			**56,773**	**0**	
Dept of Commerce Total				**42,172,790**	**16,772,352**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	10,268	0	
	Federal Program 12.010 Total			**10,268**	**0**	
12.112	Payments to States in Lieu of Real Estate Taxes		0050	22,973	0	
	Federal Program 12.112 Total			**22,973**	**0**	
12.130	Estuary Habitat Restoration Program		4900	136,017	0	
	Federal Program 12.130 Total			**136,017**	**0**	
12.400	Military Construction, National Guard		2450	4,384,946	0	
	Federal Program 12.400 Total			**4,384,946**	**0**	
12.401	National Guard Military Operations and Maintenance		2450	20,311,351	13,362	
	Federal Program 12.401 Total			**20,311,351**	**13,362**	
12.404	National Guard Challenge Program		2450	2,809,213	0	
	Federal Program 12.404 Total			**2,809,213**	**0**	
12.610	Community Economic Adjustment Assistance for Compa		1030	319,674	0	
	Federal Program 12.610 Total			**319,674**	**0**	
12.617	Economic Adjustment Assistance for State Governmen		1030	2,239,854	165,000	
	Federal Program 12.617 Total			**2,239,854**	**165,000**	
12.632	Legacy Resource Management Program		3650	102,559	0	
	Federal Program 12.632 Total			**102,559**	**0**	
12.750	Uniformed Services University Medical Research Pro	3066/PO# 855072 MOD04	3600	425,116	0	PT
12.750		S-1342-01 MOD02	3600	22,127	0	PT
	Federal Program 12.750 Total			**447,243**	**0**	
12.900	Language Grant Program		3600	92,942	0	
	Federal Program 12.900 Total			**92,942**	**0**	
12.901	Mathematical Sciences Grants Program		3600	37,295	0	
	Federal Program 12.901 Total			**37,295**	**0**	
12.903	Gencyber Grants Program		6990	40,480	0	
	Federal Program 12.903 Total			**40,480**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
12.905	Cybersecurity CORE Curriculum		3600	153,866	0	
	Federal Program 12.905 Total			**153,866**	**0**	
12.U30	DOD - Unknown CFDA Number		3600	349,482	0	
	Federal Program 12.U30 Total			**349,482**	**0**	
12.U56	DOD - Unknown CFDA Number	RNG200317-UW AM01	3600	22,810	0	PT
	Federal Program 12.U56 Total			**22,810**	**0**	
12.U67	DOD - Unknown CFDA Number		3600	13,052	0	
	Federal Program 12.U67 Total			**13,052**	**0**	
12.U77	DOD - Unknown CFDA Number	15-USG-1064 MOD03	3600	2	0	PT
	Federal Program 12.U77 Total			**2**	**0**	
Dept of Defense Total				**31,494,027**	**178,362**	

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Housing & Urban Development

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
14.169	Housing Counseling Assistance Program		1480	415,402	415,402	
	Federal Program 14.169 Total			**415,402**	**415,402**	
14.171	Manufactured Home Dispute Resolution		2350	85,373	0	
	Federal Program 14.171 Total			**85,373**	**0**	
14.228	Community Development Block Grants/State's Program		1030	12,004,256	11,714,449	
	Federal Program 14.228 Total			**12,004,256**	**11,714,449**	
14.231	Emergency Solutions Grant Program		1030	2,995,886	2,993,886	
	Federal Program 14.231 Total			**2,995,886**	**2,993,886**	
14.239	Home Investment Partnerships Program		1030	4,374,001	4,008,710	
14.239		HAPC2017	1480	90,650	90,650	PT
14.239		HKPTA2017	1480	94,707	94,707	PT
14.239		PBEL2017	1480	121,245	121,245	PT
	Federal Program 14.239 Total			**4,680,603**	**4,315,312**	
14.241	Housing Opportunities for Persons With AIDS		1030	1,167,549	1,137,070	
	Federal Program 14.241 Total			**1,167,549**	**1,137,070**	
14.267	Continuum of Care Program		1030	208,891	0	
	Federal Program 14.267 Total			**208,891**	**0**	
14.275	Housing Trust Fund		1030	78,407	0	
	Federal Program 14.275 Total			**78,407**	**0**	
14.323	Emergency Homeowners' Loan Program	EHLP GRANT	1480	3,616	3,616	PT
	Federal Program 14.323 Total			**3,616**	**3,616**	
14.326	Proj Rental Assist Demo Prog of S811 Supprt Housng		1030	245,978	228,918	
	Federal Program 14.326 Total			**245,978**	**228,918**	
14.401	Fair Housing Assistance Program_State and Local		1200	287,466	0	
	Federal Program 14.401 Total			**287,466**	**0**	
Housing & Urban Development Total				**22,173,427**	**20,808,653**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.033	Road Maintenance Indian Roads		4050	506,229	0	
	Federal Program 15.033 Total			**506,229**	**0**	
15.036	Indian Rights Protection	Robert Mitchell	3800	37,757	0	PT
	Federal Program 15.036 Total			**37,757**	**0**	
15.114	Indian Education_Higher Education Grant Program		3650	381,195	0	
	Federal Program 15.114 Total			**381,195**	**0**	
15.224	Cultural and Paleontonlogical Resource Management		3600	13,636	0	
15.224			3650	1,928	0	
15.224			3750	352	0	
15.224			4610	11,013	0	
	Federal Program 15.224 Total			**26,929**	**0**	
15.225	Recreational Resources Management		3650	98,208	0	
	Federal Program 15.225 Total			**98,208**	**0**	
15.227	Distribution of Receipts to State and Local Govern		0050	28,165	0	
	Federal Program 15.227 Total			**28,165**	**0**	
15.228	Blm Wildland Urban Interface Community Fire Assist		4900	70,761	0	
	Federal Program 15.228 Total			**70,761**	**0**	
15.231	Fish, Wildlife and Plant Conservation Resource Man		3600	132,306	0	
15.231			3650	60,301	0	
15.231			4610	9,836	0	
15.231			4770	72,188	0	
15.231			4900	112	0	
	Federal Program 15.231 Total			**274,743**	**0**	
15.232	Wildland Fire Research and Studies Program		3600	198,648	32,107	
15.232		GTK601-SB-002	3600	28,468	0	PT
15.232			3650	138,244	32,341	
15.232		S000769	3650	41,146	0	PT
	Federal Program 15.232 Total			**406,506**	**64,448**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.233	Forests and Woodlands Resource Management		3600	(18,563)	0	
	Federal Program 15.233 Total			**(18,563)**	**0**	
15.238	Challenge Cost Share		3650	44,734	0	
	Federal Program 15.238 Total			**44,734**	**0**	
15.255	Science and Technology Projects Related to Coal MI		4900	36,609	0	
	Federal Program 15.255 Total			**36,609**	**0**	
15.512	Central Valley Improvement Act, Title Xxxiv		3600	42,484	0	
	Federal Program 15.512 Total			**42,484**	**0**	
15.514	Reclamation States Emergency Drought Relief		4610	30,568	0	
	Federal Program 15.514 Total			**30,568**	**0**	
15.517	Fish and Wildlife Coordination Act		3600	131,708	0	
15.517			3650	199	0	
	Federal Program 15.517 Total			**131,907**	**0**	
15.531	Yakima River Basin Water Enhancement Project (Yrbw		4610	61,714	0	
	Federal Program 15.531 Total			**61,714**	**0**	
15.608	Fish and Wildlife Management Assistance		3600	106,548	0	
15.608			4770	233,664	0	
	Federal Program 15.608 Total			**340,212**	**0**	
15.614	Coastal Wetlands Planning, Protection and Restorat		4610	3,296,982	0	
15.614			4770	1,424,945	0	
15.614			4900	272,861	0	
	Federal Program 15.614 Total			**4,994,788**	**0**	
15.615	Cooperative Endangered Species Conservation Fund	438401-OC AM09	3600	10,000	0	PT
15.615		595855-OM AM01	3600	22,423	0	PT
15.615		606610-OM	3600	243,779	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.615	Cooperative Endangered Species Conservation Fund		4770	2,068,526	0	
15.615			4900	1,485,033	26,080	
	Federal Program 15.615 Total			**3,829,761**	**26,080**	
15.616	Clean Vessel Act		4650	2,279,769	0	
	Federal Program 15.616 Total			**2,279,769**	**0**	
15.622	Sportfishing and Boating Safety Act		4670	245,642	235,985	
	Federal Program 15.622 Total			**245,642**	**235,985**	
15.626	Enhanced Hunter Education and Safety Program		4770	239,969	0	
	Federal Program 15.626 Total			**239,969**	**0**	
15.630	Coastal		4770	47	0	
	Federal Program 15.630 Total			**47**	**0**	
15.631	Partners for Fish and Wildlife		4670	539,521	14,121	
15.631			4770	1,170,017	0	
	Federal Program 15.631 Total			**1,709,538**	**14,121**	
15.634	State Wildlife Grants	P0502875PRIMEF15AF0023	3600	6,612	0	PT
15.634			4770	1,213,032	0	
15.634		15-07422	4770	55,570	0	PT
	Federal Program 15.634 Total			**1,275,214**	**0**	
15.639	Tribal Wildlife Grants Program	McLaughlin	3800	12,521	0	PT
	Federal Program 15.639 Total			**12,521**	**0**	
15.640	Wildlife Without Borders- Latin America and the CA		3650	3,956	0	
	Federal Program 15.640 Total			**3,956**	**0**	
15.648	Central Valley Project Improvement (Cvpi) Anadromo		3600	5,108	0	
	Federal Program 15.648 Total			**5,108**	**0**	
15.657	Endangered Species Conservation		3600	2,283	0	
15.657		WA-S-2015-052-0	3600	24,890	0	PT
15.657			3650	5,366	0	
15.657		2015-056-0	3760	789	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.657	Endangered Species Conservation		4650	5,290	0	
15.657			4770	419,783	0	
	Federal Program 15.657 Total			**458,401**	**0**	
15.658	Natural Resource Damage Assessment, Restoration An		3600	36,756	0	
	Federal Program 15.658 Total			**36,756**	**0**	
15.660	Endangered Species - Candidate Conservation Action		3650	30,104	0	
15.660			4770	99,054	0	
	Federal Program 15.660 Total			**129,158**	**0**	
15.661	Lower Snake River Compensation Plan		4770	3,856,172	0	
	Federal Program 15.661 Total			**3,856,172**	**0**	
15.666	Endangered Species Conservation-Wolf Livestock Los		4770	53,959	0	
	Federal Program 15.666 Total			**53,959**	**0**	
15.668	Coastal Impact Assistance Program	3605.6355.G051304	3600	11,367	0	PT
15.668		UAF 17-0018 PO#506868	3600	199,730	0	PT
	Federal Program 15.668 Total			**211,097**	**0**	
15.670	Adaptive Science		3600	31,602	15,208	
	Federal Program 15.670 Total			**31,602**	**15,208**	
15.676	Youth Engagement, Education, and Employment		4610	65,125	0	
	Federal Program 15.676 Total			**65,125**	**0**	
15.678	Cooperative Ecosystem Studies Unit		3650	61,785	0	
	Federal Program 15.678 Total			**61,785**	**0**	
15.810	National Cooperative Geologic Mapping Program		3650	3,704	0	
15.810			3750	10,544	0	
15.810			3800	14,512	0	
15.810			4900	183,073	0	
	Federal Program 15.810 Total			**211,833**	**0**	
15.820	National Climate Change and Wildlife Service Cente	GS240B-B AM08	3600	293,496	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.820	National Climate Change and Wildlife Service Cente	GS297A-A AM01	3600	14,323	6,431	PT
15.820		GS343AA	3650	71,562	0	PT
	Federal Program 15.820 Total			**379,381**	**6,431**	
15.904	Historic Preservation Fund Grants-in-Aid		3550	969,236	96,449	
	Federal Program 15.904 Total			**969,236**	**96,449**	
15.916	Outdoor Recreation_Acquisition, Development and Pl		4670	1,299,642	1,172,330	
	Federal Program 15.916 Total			**1,299,642**	**1,172,330**	
15.921	Rivers, Trails and Conservation Assistance		4050	42,869	0	
	Federal Program 15.921 Total			**42,869**	**0**	
15.922	Native American Graves Protection and Repatriation		3600	18,753	0	
	Federal Program 15.922 Total			**18,753**	**0**	
15.931	Conservation Activities By Youth Service Organizat		4610	467,632	0	
	Federal Program 15.931 Total			**467,632**	**0**	
15.980	National Ground-Water Monitoring Network		4610	18,082	0	
	Federal Program 15.980 Total			**18,082**	**0**	
15.U01	Bia/Bie - Unknown CFDA Number		3600	73,340	0	
	Federal Program 15.U01 Total			**73,340**	**0**	
15.U02	Bia/Bie - Unknown CFDA Number	2100.16.051829	3600	16,153	0	PT
	Federal Program 15.U02 Total			**16,153**	**0**	
15.U03	Bia/Bie - Unknown CFDA Number	4304	3600	34,050	0	PT
	Federal Program 15.U03 Total			**34,050**	**0**	
15.U04	Bia/Bie - Unknown CFDA Number		3600	15,162	0	
	Federal Program 15.U04 Total			**15,162**	**0**	
15.U05	Bia/Bie - Unknown CFDA Number	C16284	3650	1,869	0	PT
	Federal Program 15.U05 Total			**1,869**	**0**	
15.U06	Bia/Bie - Unknown CFDA Number	C16285	3650	3,311	0	PT
	Federal Program 15.U06 Total			**3,311**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of the Interior

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
15.U07	Bia/Bie - Unknown CFDA Number	C16286	3650	2,406	0	PT
	Federal Program 15.U07 Total			**2,406**	**0**	
15.U08	Bia/Bie - Unknown CFDA Number	C16287	3650	1,414	0	PT
	Federal Program 15.U08 Total			**1,414**	**0**	
15.U09	Bia/Bie - Unknown CFDA Number	C16288	3650	5,500	0	PT
	Federal Program 15.U09 Total			**5,500**	**0**	
15.U10	Bia/Bie - Unknown CFDA Number	C16289	3650	5,200	0	PT
	Federal Program 15.U10 Total			**5,200**	**0**	
15.U11	Bia/Bie - Unknown CFDA Number	F14PX00855	3650	14,155	0	
	Federal Program 15.U11 Total			**14,155**	**0**	
15.U12	Bia/Bie - Unknown CFDA Number	F15AC00000	3650	24,033	0	
	Federal Program 15.U12 Total			**24,033**	**0**	
15.U13	Bia/Bie - Unknown CFDA Number	L14PX00535	3650	9,228	0	
	Federal Program 15.U13 Total			**9,228**	**0**	
15.U14	Bia/Bie - Unknown CFDA Number	P14PX02561	3650	28,376	0	
	Federal Program 15.U14 Total			**28,376**	**0**	
15.U15	Bia/Bie - Unknown CFDA Number	P15PX04208	3650	9,196	0	
	Federal Program 15.U15 Total			**9,196**	**0**	
15.U16	Bia/Bie - Unknown CFDA Number	1443-CA9450-97-001	3750	333	0	
	Federal Program 15.U16 Total			**333**	**0**	
15.U17	Bia/Bie - Unknown CFDA Number	W911SB16-2-0014	3760	73,515	0	
	Federal Program 15.U17 Total			**73,515**	**0**	
15.U18	Bia/Bie Cross-Cutting Section	P16PX03531	3650	8,070	0	
	Federal Program 15.U18 Total			**8,070**	**0**	
Dept of the Interior Total				**25,733,265**	**1,631,052**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.013	Violence Against Women Act Court Training and Impr		0550	39,195	0	
	Federal Program 16.013 Total			**39,195**	**0**	
16.017	Sexual Assault Services Program		1030	381,900	364,489	
	Federal Program 16.017 Total			**381,900**	**364,489**	
16.203	Promoting Evidence Integration in Sex Offender Man	DOJ00010-03 MOD02	3600	(245)	0	PT
	Federal Program 16.203 Total			**(245)**	**0**	
16.321	Antiterrorism Emergency Reserve		1030	788,665	764,029	
	Federal Program 16.321 Total			**788,665**	**764,029**	
16.525	Grants to Reduce Domestic Violence, Dating Violenc		3650	77,365	20,000	
16.525			6990	87,529	0	
	Federal Program 16.525 Total			**164,894**	**20,000**	
16.540	Juvenile Justice and Delinquency Prevention_Alloca		3000	369,351	0	
16.540		2011/2013-J-01-26108	3600	43,897	0	PT
	Federal Program 16.540 Total			**413,248**	**0**	
16.541	Part E - Developing, Testing and Demonstrating Pro		3000	7,909	0	
16.541			3600	23,396	0	
	Federal Program 16.541 Total			**31,305**	**0**	
16.550	State Justice Statistics Program for Statistical A		1050	234,611	0	
	Federal Program 16.550 Total			**234,611**	**0**	
16.554	National Criminal History Improvement Program (Nch		2250	563,365	238,994	
	Federal Program 16.554 Total			**563,365**	**238,994**	
16.575	Crime Victim Assistance		1030	20,988,669	14,339,780	
	Federal Program 16.575 Total			**20,988,669**	**14,339,780**	
16.576	Crime Victim Compensation		2350	4,887,886	0	
	Federal Program 16.576 Total			**4,887,886**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.582	Crime Victim Assistance/Discretionary Grants		1030	3,243	0	
	Federal Program 16.582 Total			**3,243**	**0**	
16.583	Children's Justice Act Partnerships for Indian Com	OVC 5817-50263-84120	3700	11,447	0	PT
	Federal Program 16.583 Total			**11,447**	**0**	
16.588	Violence Against Women - Form Grnts		1030	3,040,523	2,544,170	
	Federal Program 16.588 Total			**3,040,523**	**2,544,170**	
16.590	Grants to Encourage Arrest Policies and Enforcemen		1030	145,752	142,678	
	Federal Program 16.590 Total			**145,752**	**142,678**	
16.593	Residential Substance Abuse Treatment for State Pr		3000	119,560	105,317	
	Federal Program 16.593 Total			**119,560**	**105,317**	
16.606	State Criminal Alien Assistance Program		3100	987,033	0	
	Federal Program 16.606 Total			**987,033**	**0**	
16.609	Project Safe Neighborhoods	PSN-2015-003	3600	41,274	0	PT
	Federal Program 16.609 Total			**41,274**	**0**	
16.726	Juvenile Mentoring Program	2015JUFX0015	3650	237,089	0	PT
16.726		2016JUFX0022	3650	101,325	0	PT
16.726		2016JUFX022	3650	11,134	0	PT
16.726		WSU003040	3650	17,633	0	PT
	Federal Program 16.726 Total			**367,181**	**0**	
16.727	Enforcing Underage Drinking Laws Program		3000	6,308	0	
	Federal Program 16.727 Total			**6,308**	**0**	
16.730	Reduction and Prevention of Children's Exposure to		3650	1,519	938	
	Federal Program 16.730 Total			**1,519**	**938**	
16.738	Edward Byrne Memorial Justice Assistance Grant Pro		0560	62,073	0	
16.738			1030	2,679,642	1,581,644	
	Federal Program 16.738 Total			**2,741,715**	**1,581,644**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.741	DNA Backlog Reduction Program		2250	1,224,137	67,777	
	Federal Program 16.741 Total			**1,224,137**	**67,777**	
16.742	Paul Coverdell Forensic Sciences Improvement Grant		2250	260,205	75,619	
	Federal Program 16.742 Total			**260,205**	**75,619**	
16.750	Support for ADAM Walsh Act Implementation Grant Pr		1030	186,704	0	
	Federal Program 16.750 Total			**186,704**	**0**	
16.754	Harold Rogers Prescription Drug Monitoring Program		3030	130,341	111,567	
	Federal Program 16.754 Total			**130,341**	**111,567**	
16.812	Second Chance Act Reentry Initiative		3100	768,583	0	
	Federal Program 16.812 Total			**768,583**	**0**	
16.816	John R. Justice Prosecutors and Defenders Incenti		3400	37,428	37,428	
	Federal Program 16.816 Total			**37,428**	**37,428**	
16.827	Justice Reinvestment Initiative		3000	54,226	0	
	Federal Program 16.827 Total			**54,226**	**0**	
16.888	Consol and Tech Assist Grant Prog to Address Child	2013-CY-AX-K019	3700	6,406	0	PT
	Federal Program 16.888 Total			**6,406**	**0**	
16.922	Equitable Sharing Program		1950	94,373	0	
16.922			2250	386,883	0	
16.922			3100	122,973	0	
	Federal Program 16.922 Total			**604,229**	**0**	
16.U01	Justice - Unknown CFDA Number	K11881-MJ16	2250	717,943	57,819	
16.U01		K12780-MJ17	2250	15,986	0	
16.U01		09-097QQ-UW	3600	148,106	0	PT
	Federal Program 16.U01 Total			**882,035**	**57,819**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Justice

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.U02	Justice - Unknown CFDA Number	PO#UTMBG-0000681910	3600	29,964	0	PT
	Federal Program 16.U02 Total			**29,964**	**0**	
Dept of Justice Total				**40,143,306**	**20,452,249**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1,768,826	0	
	Federal Program 17.002 Total			**1,768,826**	**0**	
17.005	Compensation and Working Conditions		2350	143,783	0	
	Federal Program 17.005 Total			**143,783**	**0**	
17.225	Unemployment Insurance		5400	1,145,190,776	0	
	Federal Program 17.225 Total			**1,145,190,776**	**0**	
17.235	Senior Community Service Employment Program		3000	1,192,446	1,076,607	
	Federal Program 17.235 Total			**1,192,446**	**1,076,607**	
17.245	Trade Adjustment Assistance		5400	10,023,864	0	
	Federal Program 17.245 Total			**10,023,864**	**0**	
17.261	WIA/WIOA Pilots, Demonstrations, and Research Proj		5400	685,474	0	
17.261		NO NAME#6	6990	385,028	0	PT
	Federal Program 17.261 Total			**1,070,502**	**0**	
17.268	H-1B Job Training Grants		2350	922,161	832,634	
17.268			3540	374,493	0	
17.268			6990	1,754,258	0	
17.268		K3531	6990	57,388	0	PT
	Federal Program 17.268 Total			**3,108,300**	**832,634**	
17.270	Reentry Employment Opportunities	14/229-NEGJD	6990	79,368	0	PT
	Federal Program 17.270 Total			**79,368**	**0**	
17.271	Work Opportunity Tax Credit Program (WOTC)		5400	509,866	0	
	Federal Program 17.271 Total			**509,866**	**0**	
17.273	Temporary Labor Certification for Foreign Workers		5400	182,246	0	
	Federal Program 17.273 Total			**182,246**	**0**	
17.274	Youthbuild	YB-21734-11-60-A-53	6990	38,032	0	PT
	Federal Program 17.274 Total			**38,032**	**0**	
17.277	WIOA National Dislocated Worker Grants / WIA Natio		5400	5,543,455	5,096,976	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
17.277	WIOA National Dislocated Worker Grants / WIA Natio	TC-22520	6990	196,608	0	PT
	Federal Program 17.277 Total			**5,740,063**	**5,096,976**	
17.281	WIA/WIOA Dislocated Worker National Reserve Techni		5400	207,986	207,986	
	Federal Program 17.281 Total			**207,986**	**207,986**	
17.282	Trade Adjustment Assist Comm College & Career Trng		6990	6,392,722	0	
17.282		TC 26512-14-60-A-53	6990	252,274	0	PT
17.282		TC-26512-14-60-A-53	6990	286,861	0	PT
17.282		TC237941260A20	6990	81,376	0	PT
	Federal Program 17.282 Total			**7,013,233**	**0**	
17.285	Apprenticeship Usa Expansion and Innovation Grants		2350	411,591	314,642	
	Federal Program 17.285 Total			**411,591**	**314,642**	
17.503	Occupational Safety &Health State Prog		2350	6,960,270	0	
	Federal Program 17.503 Total			**6,960,270**	**0**	
17.600	Mine Health and Safety Grants		3700	120,803	0	
	Federal Program 17.600 Total			**120,803**	**0**	
17.805	Homeless Veterans Reintegration Project		3050	300,000	0	
	Federal Program 17.805 Total			**300,000**	**0**	
17.U01	Department of Labor - Unknown CFDA Number		3600	8,192	0	
	Federal Program 17.U01 Total			**8,192**	**0**	
Dept of Labor Total				**1,184,070,147**	**7,528,845**	

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 Fiscal Year Ended
June 30, 2017
(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	474,750	0	
19.009		145-111-1NAB	6990	50,000	0	PT
	Federal Program 19.009 Total			**524,750**	**0**	
19.014	One-Time International Exchange Grant Program	SECAGD16CA1061	6990	175,185	0	PT
	Federal Program 19.014 Total			**175,185**	**0**	
19.029	The U.S. President's Emergency Plan for AIDS Relie	37188-1064 MOD03	3600	472,640	0	PT
	Federal Program 19.029 Total			**472,640**	**0**	
19.040	Public Diplomacy Programs		3650	24,976	0	
	Federal Program 19.040 Total			**24,976**	**0**	
19.703	Criminal Justice Systems		3600	2,767,576	0	
	Federal Program 19.703 Total			**2,767,576**	**0**	
19.U01	State - Unknown CFDA Number	2000007099	3650	48,800	0	PT
	Federal Program 19.U01 Total			**48,800**	**0**	
19.U02	State - Unknown CFDA Number	S01SIZ10016CA008	3650	1,918	0	PT
	Federal Program 19.U02 Total			**1,918**	**0**	
19.U05	State - Unknown CFDA Number	SUB228PRIMEAIDOAATO	3600	141,248	0	PT
	Federal Program 19.U05 Total			**141,248**	**0**	
19.U06	State - Unknown CFDA Number	SIAPS2011003TO14AM01	3600	33,969	0	PT
	Federal Program 19.U06 Total			**33,969**	**0**	
19.U07	State - Unknown CFDA Number		3600	20,471	0	
	Federal Program 19.U07 Total			**20,471**	**0**	
Dept of State Total				**4,211,533**	**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 Fiscal Year Ended
June 30, 2017
(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	943,854	0	
	Federal Program 20.106 Total			**943,854**	**0**	
20.215	Highway Training and Education		3600	6,184	0	
20.215			3650	5,000	0	
	Federal Program 20.215 Total			**11,184**	**0**	
20.218	Motor Carrier Safety Assistance		2250	4,982,855	0	
20.218			4050	305,629	0	
	Federal Program 20.218 Total			**5,288,484**	**0**	
20.232	Commercial Driver's License Program Improvement Gr		2400	404,050	0	
	Federal Program 20.232 Total			**404,050**	**0**	
20.233	Border Enforcement Grants		2250	257,178	0	
	Federal Program 20.233 Total			**257,178**	**0**	
20.237	Motor Carrier Safety Assistance High Priority Acti		2250	208,547	0	
	Federal Program 20.237 Total			**208,547**	**0**	
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Eff		2400	33,169	0	
	Federal Program 20.240 Total			**33,169**	**0**	
20.319	High-Speed Rail Corridors and Intercity Passenger		4050	224,208,946	0	
	Federal Program 20.319 Total			**224,208,946**	**0**	
20.505	Metropolitan Transportation Planning and State and		4050	691,117	13,751	
	Federal Program 20.505 Total			**691,117**	**13,751**	
20.509	Formula Grants for Rural Areas		4050	13,767,581	11,261,375	
	Federal Program 20.509 Total			**13,767,581**	**11,261,375**	
20.528	Rail Fixed Guideway Public Transportation System S		4050	447,013	0	
	Federal Program 20.528 Total			**447,013**	**0**	
20.608	Minimum Penalties for Repeat Offenders for Driving		2280	40,659	40,659	
	Federal Program 20.608 Total			**40,659**	**40,659**	

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 Fiscal Year Ended
June 30, 2017
(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
20.614	National Highway Traffic Safety Administration (NH		3600	285,530	0	
	Federal Program 20.614 Total			**285,530**	**0**	
20.700	Pipeline Safety Program Base Grants		2150	1,526,318	0	
	Federal Program 20.700 Total			**1,526,318**	**0**	
20.701	University Transportation Centers Program		3600	2,927,984	1,550,246	
20.701		17175PTE69A3551747116	3600	10,483	0	PT
20.701		2016068804WSU	3650	20,965	0	PT
20.701		UAF140103	3650	318,056	0	PT
	Federal Program 20.701 Total			**3,277,488**	**1,550,246**	
20.703	Interagency Hazardous Materials Public Sector Trai		2450	328,510	292,995	
	Federal Program 20.703 Total			**328,510**	**292,995**	
20.932	ARRA - Surface Transportation Discretionary Gran		4050	264,400	0	
	Federal Program 20.932 Total			**264,400**	**0**	
20.933	National Infrastructure Investments		4050	741,218	0	
	Federal Program 20.933 Total			**741,218**	**0**	
20.U01	DOT - Unknown CFDA Number	UW630217	3600	54,108	0	PT
	Federal Program 20.U01 Total			**54,108**	**0**	
20.U02	DOT - Unknown CFDA Number	P010192645	3600	25,469	0	PT
	Federal Program 20.U02 Total			**25,469**	**0**	
20.U03	DOT - Unknown CFDA Number	S-002234-UW-00 MOD03	3600	89,145	0	PT
	Federal Program 20.U03 Total			**89,145**	**0**	
20.U04	DOT - Unknown CFDA Number	008500 TO.012 MOD02	3600	5,922	0	PT
	Federal Program 20.U04 Total			**5,922**	**0**	
20.U05	DOT - Unknown CFDA Number	008742.007	3600	54,968	0	PT
	Federal Program 20.U05 Total			**54,968**	**0**	
20.U06	DOT - Unknown CFDA Number		3600	13,726	0	
	Federal Program 20.U06 Total			**13,726**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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.U07	DOT - Unknown CFDA Number	TOPR 1_15-001-RR01-UW	3600	12,305	0	PT
	Federal Program 20.U07 Total			**12,305**	**0**	
20.U08	DOT - Unknown CFDA Number	1531130001PO1001283139	3600	54,632	0	PT
	Federal Program 20.U08 Total			**54,632**	**0**	
20.U09	DOT - Unknown CFDA Number	8928S008TASKORDER13M	3600	25,149	0	PT
	Federal Program 20.U09 Total			**25,149**	**0**	
20.U10	DOT - Unknown CFDA Number	TOPR 3_15-001-RR03-UW	3600	3,803	0	PT
	Federal Program 20.U10 Total			**3,803**	**0**	
20.U11	DOT - Unknown CFDA Number	5909229	3600	3,376	0	PT
	Federal Program 20.U11 Total			**3,376**	**0**	
20.U12	DOT - Unknown CFDA Number	F8741-03	3600	2,776	0	PT
	Federal Program 20.U12 Total			**2,776**	**0**	
20.U13	DOT - Unknown CFDA Number	DTNH22-17-H00153	2280	112,419	0	
	Federal Program 20.U13 Total			**112,419**	**0**	
20.U14	DOT - Unknown CFDA Number	DTNH2212H00153L	2280	69,472	0	
	Federal Program 20.U14 Total			**69,472**	**0**	
20.U15	DOT - Unknown CFDA Number	45134519276	3650	1,614	0	PT
	Federal Program 20.U15 Total			**1,614**	**0**	
20.U16	DOT - Unknow CFDA Number	45138519276	3650	144,758	0	PT
	Federal Program 20.U16 Total			**144,758**	**0**	
20.U17	DOT - Unknow CFDA Number	ACRPA0264	3650	27,863	0	PT
	Federal Program 20.U17 Total			**27,863**	**0**	
20.U18	DOT - Unknow CFDA Number	HR0949A	3650	3,383	0	PT
	Federal Program 20.U18 Total			**3,383**	**0**	
20.U19	DOT - Unknow CFDA Number	HR1305	3650	183,853	0	PT
	Federal Program 20.U19 Total			**183,853**	**0**	
Dept of Transportation Total				**253,613,987**	**13,159,026**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	103,352	0	
	Federal Program 21.008 Total			**103,352**	**0**	
21.U01	Department of Treasury - Unknown CFDA Number	SSBCI	1030	89,206	0	
	Federal Program 21.U01 Total			**89,206**	**0**	
21.U02	Department of Treasury - Undetermined	PL114-113X1350	1480	104,100	104,100	PT
	Federal Program 21.U02 Total			**104,100**	**104,100**	
21.U03	Department of Treasury - Undetermined	seizures	1170	173,893	0	
	Federal Program 21.U03 Total			**173,893**	**0**	
Dept of the Treasury Total				**470,551**	**104,100**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Office of Personnel Management

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
27.U01	Office of Personnel Management - Unknown CFDA Numb	PO#007W21741	3600	33,793	0	PT
	Federal Program 27.U01 Total			**33,793**	**0**	
Office of Personnel Management Total				**33,793**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	9,686	0	NC
39.003			2400	56	0	NC
39.003			2450	3,648	0	NC
39.003			3000	4,453	0	NC
39.003			3100	1,436	0	NC
39.003			3650	1,186	0	NC
39.003			4610	11,488	0	NC
39.003			4770	54,228	0	NC
39.003			4900	2,236	0	NC
39.003			6990	12,918	0	NC
	Federal Program 39.003 Total			**101,335**	**0**	
39.U01	General Service Administration - Unknown CFDA Numb	H005998401	3600	63,432	0	PT
	Federal Program 39.U01 Total			**63,432**	**0**	
General Services Administration Total				**164,767**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Library of Congress

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
42.U01	Library of Congress - Unknown CFDA Number	FED16-034	3600	10,250	0	PT
	Federal Program 42.U01 Total			**10,250**	**0**	
Library of Congress Total				**10,250**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	14,402,192	2,137,616	
43.001		1 (GG008879) AM05	3600	4,797	0	PT
43.001		130785-5060310 AM06	3600	57,008	0	PT
43.001		1552357MOD02PO1000454	3600	69,266	0	PT
43.001		1572151	3600	7,476	0	PT
43.001		27329-Z6943001 AM C	3600	15,410	0	PT
43.001		2NO48-7531 AM04	3600	123,162	0	PT
43.001		366620	3600	10,373	0	PT
43.001		4-10067-4051 AM21	3600	148,485	0	PT
43.001		510 AM16	3600	56,428	0	PT
43.001		A00-0983-S001	3600	91,294	0	PT
43.001		A101125	3600	72,769	0	PT
43.001		A101250 AM01	3600	86,022	0	PT
43.001		A101283 AM02	3600	76,099	0	PT
43.001		C17N12702 (N00237)	3600	3,810	0	PT
43.001		G05-16085X	3600	44,111	0	PT
43.001		GO4-15088X AM02	3600	10,862	0	PT
43.001		HST-AR-13277.01-A AM01	3600	12,866	0	PT
43.001		HST-AR-13882.001-A	3600	8,316	0	PT
43.001		HST-AR-13901.005-A	3600	14,352	0	PT
43.001		HST-AR-14281.002-A	3600	5,206	0	PT
43.001		HST-AR-14283.001-A	3600	58,984	0	PT
43.001		HST-AR-14288.001-A	3600	(1,034)	0	PT
43.001		HST-AR-14307.002-A	3600	12,080	0	PT
43.001		HST-AR-14325.001-A	3600	12,251	0	PT
43.001		HST-AR-14575.001-A	3600	48,903	0	PT
43.001		HST-GO-12870.07-A AM02	3600	4,684	0	PT
43.001		HST-GO-12997.01-A	3600	(349)	0	PT
43.001		HST-GO-13461.001-A	3600	838	0	PT
43.001		HST-GO-13515.002-A	3600	21,182	0	PT
43.001		HST-GO-13650.004-A	3600	700	0	PT
43.001		HST-GO-13659.002-A	3600	25,812	0	PT
43.001		HST-GO-13807.001-A	3600	2,604	0	PT
43.001		HST-GO-13857.001-A	3600	13,389	0	PT
43.001		HST-GO-14102.004-A	3600	17,706	0	PT
43.001		HST-GO-14140.006-A	3600	73,655	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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-14173.004-A	3600	16,923	0	PT
43.001		HST-GO-14779.001-A	3600	1,324	0	PT
43.001		HSTAR13264001AAM01	3600	(201)	0	PT
43.001		HSTAR13903001AAM02	3600	11,064	0	PT
43.001		HSTAR14324001AAM01	3600	31,194	0	PT
43.001		HSTGO13710002AAM01	3600	4,327	0	PT
43.001		HSTGO13768009AAM01	3600	11,332	0	PT
43.001		MA140004 AM03	3600	14,283	0	PT
43.001		MA140040/MA1035 AM05	3600	168,056	0	PT
43.001		R160069PTENNX16AN35G	3600	54,297	0	PT
43.001		RE906-G1 AM01	3600	23,296	0	PT
43.001		UFDSP00011385	3600	11,460	0	PT
43.001		UMS-965 AM02	3600	339,680	0	PT
43.001		UMS-965 AM03	3600	29,213	0	PT
43.001		Z15-20864 MOD01	3600	142,587	0	PT
43.001		128802	3650	26,090	0	PT
43.001		627619776	3650	44,521	0	PT
43.001		HSTAR13900001A	3650	7,772	0	PT
43.001		HSTG014141001A	3650	41,006	0	PT
43.001			3750	286,532	28,129	
43.001			3800	37,810	0	
	Federal Program 43.001 Total			**16,914,275**	**2,165,745**	
43.002	Aeronautics	NCC9-58- 50	3600	21,907	0	PT
43.002		NCC9-58-50	3600	600,084	0	PT
43.002		SMST03402 AM03	3600	39,508	0	PT
43.002		2116144877WSU2016	3650	4,999	0	PT
	Federal Program 43.002 Total			**666,498**	**0**	
43.007	Space Operations		3600	134,161	0	
43.007			3650	246,400	0	
43.007		320000109817193	3650	38,564	0	PT
43.007		NNX16CP48P	6990	30,203	0	PT
	Federal Program 43.007 Total			**449,328**	**0**	
43.008	Education		3600	941,841	171,562	
	Federal Program 43.008 Total			**941,841**	**171,562**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
43.012	Space Technology		3600	16,018	0	
	Federal Program 43.012 Total			**16,018**	**0**	
43.U01	NASA - Unknown CFDA Number	1318945 MOD23	3600	165,368	0	PT
43.U01		15-710	3800	16,713	0	PT
43.U01		1546127	3800	89,370	0	PT
	Federal Program 43.U01 Total			**271,451**	**0**	
43.U02	NASA - Unknown CFDA Number		3600	217,888	13,836	
	Federal Program 43.U02 Total			**217,888**	**13,836**	
43.U03	NASA - Unknown CFDA Number	1533020-B-4-25	3600	16,508	0	PT
	Federal Program 43.U03 Total			**16,508**	**0**	
43.U04	NASA - Unknown CFDA Number	1529015	3600	29,936	0	PT
	Federal Program 43.U04 Total			**29,936**	**0**	
43.U05	NASA - Unknown CFDA Number	1557414	3600	97,107	0	PT
	Federal Program 43.U05 Total			**97,107**	**0**	
43.U06	NASA - Unknown CFDA Number	1539790 MOD01	3600	12,625	0	PT
43.U06		SC#1526158 MOD03	3600	31,882	0	PT
43.U06		SC#1526158 MOD04	3600	109,318	0	PT
	Federal Program 43.U06 Total			**153,825**	**0**	
43.U07	NASA - Unknown CFDA Number	1303809 MOD23	3600	96,421	0	PT
	Federal Program 43.U07 Total			**96,421**	**0**	
43.U08	NASA - Unknown CFDA Number	1555656	3600	58,180	0	PT
	Federal Program 43.U08 Total			**58,180**	**0**	
43.U09	NASA - Unknown CFDA Number	1542830 MOD04	3600	245,048	0	PT
	Federal Program 43.U09 Total			**245,048**	**0**	
43.U10	NASA - Unknown CFDA Number	1506559 AM02	3600	19,799	0	PT
43.U10		1506559 MOD03	3600	140,706	0	PT
	Federal Program 43.U10 Total			**160,505**	**0**	
43.U11	NASA - Unknown CFDA Number	12-0233 MOD07	3600	379,868	0	PT
	Federal Program 43.U11 Total			**379,868**	**0**	
43.U12	NASA - Unknown CFDA Number	#A121581	3600	36,550	0	PT
	Federal Program 43.U12 Total			**36,550**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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.U13	NASA - Unknown CFDA Number	1608	3600	149,326	0	PT
	Federal Program 43.U13 Total			**149,326**	**0**	
43.U14	NASA - Unknown CFDA Number	SV3-83025 AM05	3600	41,247	0	PT
	Federal Program 43.U14 Total			**41,247**	**0**	
43.U15	NASA - Unknown CFDA Number	NNX14CS62CPO41172AM0	3600	56,596	0	PT
	Federal Program 43.U15 Total			**56,596**	**0**	
43.U16	NASA - Unknown CFDA Number	PY24261-22727-D AM27	3600	41,952	0	PT
	Federal Program 43.U16 Total			**41,952**	**0**	
43.U17	NASA - Unknown CFDA Number	HST-GO-12055.01-A AM08	3600	70,784	0	PT
43.U17		HSTGO1205501AAMEND1	3600	5,253	0	PT
	Federal Program 43.U17 Total			**76,037**	**0**	
43.U18	NASA - Unknown CFDA Number	HST-GO-14072.007-A	3600	16,257	0	PT
	Federal Program 43.U18 Total			**16,257**	**0**	
43.U19	NASA - Unknown CFDA Number	UW BUD# 632315	3600	16,212	0	PT
	Federal Program 43.U19 Total			**16,212**	**0**	
43.U20	NASA - Unknown CFDA Number	T16-6500-AMC-SUB-0010	3600	5,999	0	PT
	Federal Program 43.U20 Total			**5,999**	**0**	
43.U21	NASA - Unknown CFDA Number	1557414	3600	5,193	0	PT
	Federal Program 43.U21 Total			**5,193**	**0**	
43.U22	NASA - Unknown CFDA Number	N-C87P MOD01	3600	2,438	0	PT
	Federal Program 43.U22 Total			**2,438**	**0**	
43.U23	NASA - Unknown CFDA Number	1520171	3600	2,021	0	PT
	Federal Program 43.U23 Total			**2,021**	**0**	
43.U24	NASA - Unknown CFDA Number	1504089	3650	(3)	0	PT
	Federal Program 43.U24 Total			**(3)**	**0**	
43.U25	NASA - Unknown CFDA Number	1523347	3650	75,996	0	PT
43.U25		1523347	3650	22,733	21,000	PT
	Federal Program 43.U25 Total			**98,729**	**21,000**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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.U27	NASA - Unknown CFDA Number	1548988	3650	60,875	0	PT
	Federal Program 43.U27 Total			**60,875**	**0**	
43.U28	NASA - Unknown CFDA Number	1551867	3650	19,635	0	PT
	Federal Program 43.U28 Total			**19,635**	**0**	
43.U29	NASA - Unknown CFDA Number	20019G02001335TA24	3650	18,337	0	PT
	Federal Program 43.U29 Total			**18,337**	**0**	
43.U30	NASA - Unknown CFDA Number	NNX16AM66H	3650	63,633	0	
	Federal Program 43.U30 Total			**63,633**	**0**	
43.U31	NASA - Unknown CFDA Number	SC2019A031	3650	(2,199)	0	PT
	Federal Program 43.U31 Total			**(2,199)**	**0**	
43.U32	NASA - Unknown CFDA Number	WSU003392	3650	22,007	0	PT
	Federal Program 43.U32 Total			**22,007**	**0**	
43.U33	NASA - Unknown CFDA Number	HST-AR-13880.004-A	3700	6,675	0	PT
43.U33		HST-GO-12816.011-A	3700	20,340	0	PT
43.U33		HST-GO-13415.005-A	3700	9,139	0	PT
	Federal Program 43.U33 Total			**36,154**	**0**	
	National Aeronautics & Space Admin Total			**21,481,693**	**2,372,143**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	30,000	0	
45.024			3600	24,572	0	
45.024		00017784	3750	17,000	0	PT
45.024			3760	693	0	
45.024			4650	20,381	0	
	Federal Program 45.024 Total			**92,646**	**0**	
45.025	Promotion of the Arts Partnership Agreements	TW201600175	3650	2,120	0	PT
45.025			3870	754,652	0	
	Federal Program 45.025 Total			**756,772**	**0**	
45.163	Promotion of the Humanities Professional Developme		3600	102,924	0	
45.163			3700	18,929	0	
	Federal Program 45.163 Total			**121,853**	**0**	
45.169	Promotion of the Humanities Office of Digital Huma		3650	18,081	0	
	Federal Program 45.169 Total			**18,081**	**0**	
45.310	Grants to States		0850	4,028,274	44,935	
45.310		145-151-20518	6990	2,935	0	PT
	Federal Program 45.310 Total			**4,031,209**	**44,935**	
45.312	National Leadership Grants		3600	99,494	12,647	
45.312		MG-10-14-0006-14	3600	28,501	0	PT
	Federal Program 45.312 Total			**127,995**	**12,647**	
45.313	Laura Bush 21ST Century Librarian Program		3600	242,524	81,087	
45.313		USF.IMLS-20152008	3600	105,434	0	PT
45.313			3650	395,380	0	
	Federal Program 45.313 Total			**743,338**	**81,087**	
National Foundation on the Arts and the Humanities Total				**5,891,894**	**138,669**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	AM01	3600	73,632	0	PT
	Federal Program 47.U01 Total			**73,632**	**0**	
47.U02	NSF - Unknown CFDA Number	1648922	3650	87,478	0	PT
	Federal Program 47.U02 Total			**87,478**	**0**	
47.U03	NSF - Unknown CFDA Number	415909G	3650	12,315	0	PT
	Federal Program 47.U03 Total			**12,315**	**0**	
47.U04	NSF - Unknown CFDA Number	IIP1547873	3650	7,560	0	
	Federal Program 47.U04 Total			**7,560**	**0**	
47.U05	NSF - Unknown CFDA Number	IOS1701061	3650	196,055	0	
	Federal Program 47.U05 Total			**196,055**	**0**	
National Science Foundation Total				**377,040**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	2,324,372	247,321	
	Federal Program 59.037 Total			**2,324,372**	**247,321**	
59.061	State Trade Expansion		1030	767,793	334,854	
	Federal Program 59.061 Total			**767,793**	**334,854**	
Small Business Administration Total				**3,092,165**	**582,175**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Tennessee Valley Authority

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
62.U01	Tva - Contract Number Only Provided	2162784	3650	59,654	0	
	Federal Program 62.U01 Total			**59,654**	**0**	
Tennessee Valley Authority Total				**59,654**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Department of Veterans Affairs

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
64.005	Grants to States for Construction of State Home Fa		3050	8,388,291	0	
	Federal Program 64.005 Total			**8,388,291**	**0**	
64.012	Veterans Prescription Service		3050	285,900	0	
	Federal Program 64.012 Total			**285,900**	**0**	
64.015	Veterans State Nursing Home Care		3050	32,693,447	0	
	Federal Program 64.015 Total			**32,693,447**	**0**	
64.024	VA Homeless Providers Grant and Per Diem Program		3050	862,486	0	
	Federal Program 64.024 Total			**862,486**	**0**	
64.027	ARRA - Post-9/11 Veterans Educational Assistance		6990	401,042	0	
	Federal Program 64.027 Total			**401,042**	**0**	
64.035	Veterans Transportation Program/Grants for Transp		3050	37,224	0	
	Federal Program 64.035 Total			**37,224**	**0**	
64.101	Burial Expenses Allowance for Veterans		3050	328,795	0	
	Federal Program 64.101 Total			**328,795**	**0**	
64.110	Veterans Dependency and Indemnity Compensation for		6990	1,644	0	
	Federal Program 64.110 Total			**1,644**	**0**	
64.115	Veterans Information and Assistance		3050	6,733	0	
	Federal Program 64.115 Total			**6,733**	**0**	
64.117	Survivors and Dependents Educational Assistance		6990	4,554	0	
	Federal Program 64.117 Total			**4,554**	**0**	
64.124	All-Volunteer Force Educational Assistance		3400	276,616	0	
64.124			3540	215,513	0	
64.124			6990	4,526	0	
	Federal Program 64.124 Total			**496,655**	**0**	
64.203	State Cemetery Grants		3050	1,477,641	0	
	Federal Program 64.203 Total			**1,477,641**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Department of Veterans Affairs

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
64.U01	VA - Unknown CFDA Number	2016051	3650	8,229	0	
	Federal Program 64.U01 Total			**8,229**	**0**	
64.U02	VA - Unknown CFDA Number	Seattle	6990	1,782,643	0	
	Federal Program 64.U02 Total			**1,782,643**	**0**	
Department of Veterans Affairs Total				**46,775,284**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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	53,722	0	
	Federal Program 66.032 Total			**53,722**	**0**	
66.040	State Clean Diesel Grant Program		4610	369,885	227,956	
	Federal Program 66.040 Total			**369,885**	**227,956**	
66.123	Puget Sound Action Agenda: Technical Investigation		3030	3,600,026	1,115,615	
66.123			3600	564,701	0	
66.123			4050	4,556	0	
66.123			4610	6,641,699	2,679,793	
66.123			4770	5,202,084	0	
66.123			4780	3,293,525	2,834,871	
	Federal Program 66.123 Total			**19,306,591**	**6,630,279**	
66.203	Environmental Finance Center Grants	EPA EFC/E165 TSK ORD 1	3700	19,856	0	PT
	Federal Program 66.203 Total			**19,856**	**0**	
66.204	Multipurpose Grants to States and Tribes		4610	239,517	0	
	Federal Program 66.204 Total			**239,517**	**0**	
66.419	Water Pollution Control State, Interstate, and Tri		3030	253,410	0	
66.419			4610	460,213	0	
	Federal Program 66.419 Total			**713,623**	**0**	
66.432	State Public Water System Supervision		3030	3,093,829	0	
	Federal Program 66.432 Total			**3,093,829**	**0**	
66.454	Water Quality Management Planning		4610	158,678	0	
	Federal Program 66.454 Total			**158,678**	**0**	
66.456	National Estuary Program		4780	550,433	0	
	Federal Program 66.456 Total			**550,433**	**0**	
66.460	Nonpoint Source Implementation Grants		4610	2,596,165	1,315,102	
	Federal Program 66.460 Total			**2,596,165**	**1,315,102**	
66.461	Regional Wetland Program Development Grants		4610	21,808	0	
66.461			4900	46,128	0	
	Federal Program 66.461 Total			**67,936**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.469	Great Lakes Program	F-2017-133	3600	59,141	0	PT
	Federal Program 66.469 Total			**59,141**	**0**	
66.472	Beach Monitoring and Notification Program Implemen		4610	183,506	0	
	Federal Program 66.472 Total			**183,506**	**0**	
66.513	Greater Research Opportunities (Gro) Fellowships F		3750	21,682	0	
	Federal Program 66.513 Total			**21,682**	**0**	
66.516	P3 Award: National Student Design Competition for		3650	13,310	0	
66.516			3800	29,556	0	
	Federal Program 66.516 Total			**42,866**	**0**	
66.605	Performance Partnership Grants		4610	9,249,088	1,874,456	
	Federal Program 66.605 Total			**9,249,088**	**1,874,456**	
66.608	Environmental Information Exchange Network Grant P		3030	112,274	0	
66.608			4610	94,951	0	
66.608			4670	114,307	7,570	
66.608			4770	45,928	0	
	Federal Program 66.608 Total			**367,460**	**7,570**	
66.700	Consolidated Pesticide Enforcement Cooperative Agr	OGRD126461	3650	5,861	0	PT
66.700			4950	445,806	0	
	Federal Program 66.700 Total			**451,667**	**0**	
66.707	Tsca Title Iv State Lead Grants Certification of L		1030	355,562	0	
	Federal Program 66.707 Total			**355,562**	**0**	
66.708	Pollution Prevention Grants Program		4610	235,064	93,889	
	Federal Program 66.708 Total			**235,064**	**93,889**	
66.716	Research, Development, Monitoring, Public Educatio		3650	536,829	0	
	Federal Program 66.716 Total			**536,829**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.801	Hazardous Waste Management State Program Support		4610	2,079,390	0	
	Federal Program 66.801 Total			**2,079,390**	**0**	
66.802	Superfund State, Political Subdivision, and Indian		4610	866,800	0	
	Federal Program 66.802 Total			**866,800**	**0**	
66.804	Underground Storage Tank Prevention, Detection and		4610	440,000	0	
	Federal Program 66.804 Total			**440,000**	**0**	
66.805	Leaking Underground Storage Tank Trust Fund Correc		4610	712,521	0	
	Federal Program 66.805 Total			**712,521**	**0**	
66.809	Superfund State and Indian Tribe CORE Program Coop		4610	112,500	0	
	Federal Program 66.809 Total			**112,500**	**0**	
66.817	State and Tribal Response Program Grants		4610	881,130	0	
	Federal Program 66.817 Total			**881,130**	**0**	
66.818	Brownfields Assessment and Cleanup Cooperative Agr		1030	31,016	31,016	
	Federal Program 66.818 Total			**31,016**	**31,016**	
66.951	Environmental Education Grants		3600	17,318	0	
66.951			6990	15,440	0	
	Federal Program 66.951 Total			**32,758**	**0**	
66.U01	Environmental Protection Agency - Unknown CFDA Num	UWASH16001MOD2EPC15	3600	17,209	0	PT
	Federal Program 66.U01 Total			**17,209**	**0**	
66.U02	Environmental Protection Agency - Unknown CFDA Num	UW631798	3600	9,999	0	PT
	Federal Program 66.U02 Total			**9,999**	**0**	
66.U03	Environmental Protection Agency - Unknown CFDA Num	13-601/303/PO-01	3600	3,675	0	PT
	Federal Program 66.U03 Total			**3,675**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Environmental Protection Agency

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.U04	Environmental Protection Agency - Unknown CFDA Num	UWASH17001EPC15010	3600	1,570	0	PT
	Federal Program 66.U04 Total			**1,570**	**0**	
66.U05	EPA - Contract Number Only Provided	201659	3650	20,105	0	PT
	Federal Program 66.U05 Total			**20,105**	**0**	
66.U06	EPA - Contract Number Only Provided	WSU003447	3650	20,250	0	PT
	Federal Program 66.U06 Total			**20,250**	**0**	
Environmental Protection Agency Total				**43,902,023**	**10,180,268**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
77.008	U.S. Nuclear Regulatory Commission Scholarship and		6990	33,456	0	
	Federal Program 77.008 Total			**33,456**	**0**	
Nuclear Regulatory Commission Total				**33,456**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.041	State Energy Program		1030	573,755	10,237	
	Federal Program 81.041 Total			**573,755**	**10,237**	
81.042	Weatherization Assist - Low Inc		1030	4,805,754	3,931,837	
	Federal Program 81.042 Total			**4,805,754**	**3,931,837**	
81.106	Transport of Transuranic Wastes to the Waste Isola	K12153-TWX4	2250	87,161	23,676	PT
	Federal Program 81.106 Total			**87,161**	**23,676**	
81.112	Stewardship Science Grant Program		3600	28,478	0	
81.112			3650	6,522,991	1,656,846	
81.112		41046923	3650	16,796	0	PT
	Federal Program 81.112 Total			**6,568,265**	**1,656,846**	
81.117	Energy Efficiency and Renewable Energy Information		1030	59,056	50,709	
81.117			3650	452,799	32,536	
	Federal Program 81.117 Total			**511,855**	**83,245**	
81.119	State Energy Program Special Projects		1030	273,710	168,307	
	Federal Program 81.119 Total			**273,710**	**168,307**	
81.121	Nuclear Energy Research, Development and Demonstra		3650	444,550	0	
81.121		0018	3650	168,943	0	PT
81.121		142120464294802	3650	47,418	0	PT
81.121		224075	3650	29,388	0	PT
81.121		4009205801	3650	124,595	0	PT
81.121		4012014	3650	82,148	0	PT
81.121		5464	3650	125,206	0	PT
81.121		NE0008431	3650	181,441	0	PT
	Federal Program 81.121 Total			**1,203,689**	**0**	
81.122	Electricity Delivery & Energy Research	20150660502	3650	386,239	0	PT
81.122		4012016A	3650	151,300	0	PT
81.122		DEOE0000725	3650	31,666	0	PT
81.122		S000872	3650	23,454	0	PT
	Federal Program 81.122 Total			**592,659**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
81.124	Predictive Science Academic Alliance Program	202199UW AM01	3600	7,623	0	PT
	Federal Program 81.124 Total			**7,623**	**0**	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		3030	807,739	0	
	Federal Program 81.214 Total			**807,739**	**0**	
81.U01	Energy - Unknown CFDA Number		3600	14,369	0	
81.U01		4F-30041 MOD05	3600	4,032	0	PT
81.U01		4F-32142 MOD02	3600	82,579	0	PT
	Federal Program 81.U01 Total			**100,980**	**0**	
81.U02	Energy - Unknown CFDA Number		3600	899,657	0	
	Federal Program 81.U02 Total			**899,657**	**0**	
81.U03	Energy - Unknown CFDA Number		3600	115,981	0	
81.U03		280204 AM01	3600	(20)	0	PT
	Federal Program 81.U03 Total			**115,961**	**0**	
81.U04	Energy - Unknown CFDA Number	DE-NA0002717 DSI-UW-01	3600	137,145	0	PT
	Federal Program 81.U04 Total			**137,145**	**0**	
81.U05	Energy - Unknown CFDA Number	622008 A04	3600	73,700	0	PT
	Federal Program 81.U05 Total			**73,700**	**0**	
81.U06	Energy - Unknown CFDA Number		3600	362,172	0	
	Federal Program 81.U06 Total			**362,172**	**0**	
81.U07	Energy - Unknown CFDA Number	UW BUD# 807394	3600	(58,260)	0	PT
81.U07		UW800401	3600	65,439	0	PT
	Federal Program 81.U07 Total			**7,179**	**0**	
81.U08	Energy - Unknown CFDA Number	B611721	3600	(3,024)	0	PT
81.U08		B614524 MOD1	3600	36,354	0	PT
	Federal Program 81.U08 Total			**33,330**	**0**	
81.U09	Energy - Unknown CFDA Number	285149 MOD03	3600	38,914	0	PT
81.U09		320719 MOD01	3600	61,606	0	PT
	Federal Program 81.U09 Total			**100,520**	**0**	
81.U10	Energy - Unknown CFDA Number	716001-003	3600	86,832	0	PT
	Federal Program 81.U10 Total			**86,832**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U11	Energy - Unknown CFDA Number	55190 MOD02	3600	274,259	0	PT
	Federal Program 81.U11 Total			**274,259**	**0**	
81.U12	Energy - Unknown CFDA Number	7F-30056	3600	30,985	0	PT
	Federal Program 81.U12 Total			**30,985**	**0**	
81.U13	Energy - Unknown CFDA Number	UW BUD# 634161	3600	21,130	0	PT
	Federal Program 81.U13 Total			**21,130**	**0**	
81.U14	Energy - Unknown CFDA Number	CR289642 AM10	3600	7,303	0	PT
	Federal Program 81.U14 Total			**7,303**	**0**	
81.U15	Energy - Unknown CFDA Number	1578574	3600	1,878	0	PT
81.U15		1679421	3600	6,255	0	PT
	Federal Program 81.U15 Total			**8,133**	**0**	
81.U16	Energy - Unknown CFDA Number	113484 MOD03	3600	1,215	0	PT
	Federal Program 81.U16 Total			**1,215**	**0**	
81.U17	Energy - Unknown CFDA Number		3600	68,105	0	
	Federal Program 81.U17 Total			**68,105**	**0**	
81.U18	Energy - Unknown CFDA Number	6700882 MOD33	3600	770,045	0	PT
	Federal Program 81.U18 Total			**770,045**	**0**	
81.U19	Energy - Unknown CFDA Number	A101034	3600	35,333	0	PT
	Federal Program 81.U19 Total			**35,333**	**0**	
81.U20	Energy - Unknown CFDA Number	4000146123 MOD02	3600	258,379	0	PT
	Federal Program 81.U20 Total			**258,379**	**0**	
81.U21	Energy - Unknown CFDA Number	B616291	3600	5,812	0	PT
	Federal Program 81.U21 Total			**5,812**	**0**	
81.U22	Energy - Unknown CFDA Number	00070576	1030	2,218,456	1,856,710	
81.U22		7F-30111	3600	3,625	0	PT
	Federal Program 81.U22 Total			**2,222,081**	**1,856,710**	
81.U23	Energy - Unknown CFDA Number		3600	63,712	0	
	Federal Program 81.U23 Total			**63,712**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U24	Energy - Unknown CFDA Number		3600	56,649	0	
	Federal Program 81.U24 Total			**56,649**	**0**	
81.U25	Energy - Unknown CFDA Number		3600	54,805	0	
	Federal Program 81.U25 Total			**54,805**	**0**	
81.U26	Energy - Unknown CFDA Number	TASK ORDER 335418	3600	54,370	0	PT
	Federal Program 81.U26 Total			**54,370**	**0**	
81.U27	Energy - Unknown CFDA Number		3600	46,484	0	
	Federal Program 81.U27 Total			**46,484**	**0**	
81.U28	Energy - Unknown CFDA Number		3600	23,360	0	
	Federal Program 81.U28 Total			**23,360**	**0**	
81.U29	Energy - Unknown CFDA Number		3600	14,825	0	
	Federal Program 81.U29 Total			**14,825**	**0**	
81.U30	Energy - Unknown CFDA Number		3600	12,276	0	
	Federal Program 81.U30 Total			**12,276**	**0**	
81.U31	Energy - Unknown CFDA Number		3600	8,842	0	
	Federal Program 81.U31 Total			**8,842**	**0**	
81.U32	Energy - Unknown CFDA Number		3600	7,678	0	
	Federal Program 81.U32 Total			**7,678**	**0**	
81.U33	Energy - Unknown CFDA Number		3600	5,000	0	
	Federal Program 81.U33 Total			**5,000**	**0**	
81.U34	Energy - Unknown CFDA Number	1994-043-00	3700	26,634	0	PT
81.U34		BPA 1994-043-00	3700	12,297	0	PT
	Federal Program 81.U34 Total			**38,931**	**0**	
81.U35	Energy - Unknown CFDA Number	BPA#200800700	3700	129,576	0	PT
	Federal Program 81.U35 Total			**129,576**	**0**	
81.U36	Energy - Unknown CFDA Number	BPA1994-043-00;0072008	3700	9,723	0	PT
	Federal Program 81.U36 Total			**9,723**	**0**	
81.U37	Energy - Unknown CFDA Number	DE-AC52-07NA27344	3700	6,537	0	PT
	Federal Program 81.U37 Total			**6,537**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U39	Energy - Unknown CFDA Number	324076	3800	31,393	0	PT
	Federal Program 81.U39 Total			**31,393**	**0**	
81.U44	Energy - Unknown CFDA Number		3600	4,879	0	
	Federal Program 81.U44 Total			**4,879**	**0**	
81.U45	Energy - Unknown CFDA Number		3600	279,615	0	
	Federal Program 81.U45 Total			**279,615**	**0**	
81.U46	Energy - Unknown CFDA Number		3600	253,493	0	
	Federal Program 81.U46 Total			**253,493**	**0**	
81.U47	Energy - Unknown CFDA Number		3600	217,123	0	
	Federal Program 81.U47 Total			**217,123**	**0**	
81.U48	Energy - Unknown CFDA Number		3600	198,912	0	
	Federal Program 81.U48 Total			**198,912**	**0**	
81.U49	Energy - Unknown CFDA Number		3600	198,346	0	
	Federal Program 81.U49 Total			**198,346**	**0**	
81.U50	Energy - Unknown CFDA Number		3600	168,047	0	
	Federal Program 81.U50 Total			**168,047**	**0**	
81.U51	Energy - Unknown CFDA Number		3600	122,016	0	
	Federal Program 81.U51 Total			**122,016**	**0**	
81.U52	Energy - Unknown CFDA Number		3600	77,701	23,284	
	Federal Program 81.U52 Total			**77,701**	**23,284**	
81.U53	Energy - Unknown CFDA Number		3600	72,232	0	
	Federal Program 81.U53 Total			**72,232**	**0**	
81.U54	Energy - Unknown CFDA Number	B620544	3600	21,740	0	PT
	Federal Program 81.U54 Total			**21,740**	**0**	
81.U55	Energy - Unknown CFDA Number		3600	9,763	0	
	Federal Program 81.U55 Total			**9,763**	**0**	
81.U56	Energy - Unknown CFDA Number	62696 REV01	3600	194,068	0	PT
	Federal Program 81.U56 Total			**194,068**	**0**	
81.U57	Energy - Unknown CFDA Number	UW630902	3600	54,939	0	PT
	Federal Program 81.U57 Total			**54,939**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U58	Energy - Unknown CFDA Number		3600	21,338	0	
	Federal Program 81.U58 Total			**21,338**	**0**	
81.U59	Energy - Unknown CFDA Number		3600	62,966	0	
	Federal Program 81.U59 Total			**62,966**	**0**	
81.U60	Energy - Unknown CFDA Number		3600	38,998	0	
	Federal Program 81.U60 Total			**38,998**	**0**	
81.U61	Energy - Unknown CFDA Number		3600	29,923	0	
	Federal Program 81.U61 Total			**29,923**	**0**	
81.U62	Energy - Unknown CFDA Number		3600	6,137	0	
	Federal Program 81.U62 Total			**6,137**	**0**	
81.U63	Energy - Unknown CFDA Number		3600	5,508	0	
	Federal Program 81.U63 Total			**5,508**	**0**	
81.U64	Energy - Unknown CFDA Number		3600	3,625	0	
	Federal Program 81.U64 Total			**3,625**	**0**	
81.U65	Energy - Unknown CFDA Number		3600	3,148	0	
	Federal Program 81.U65 Total			**3,148**	**0**	
81.U66	Energy - Unknown CFDA Number		3600	20,879	0	
	Federal Program 81.U66 Total			**20,879**	**0**	
81.U67	Energy - Unknown CFDA Number		3600	1,933	0	
	Federal Program 81.U67 Total			**1,933**	**0**	
81.U68	Energy - Unknown CFDA Number		3600	632	0	
	Federal Program 81.U68 Total			**632**	**0**	
81.U69	Energy - Unknown CFDA Number		3600	133,942	0	
	Federal Program 81.U69 Total			**133,942**	**0**	
81.U70	Energy - Unknown CFDA Number		3600	10,399	0	
	Federal Program 81.U70 Total			**10,399**	**0**	
81.U71	Energy - Unknown CFDA Number		3600	3,424	0	
	Federal Program 81.U71 Total			**3,424**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U72	Energy - Unknown CFDA Number	PO 631807	3600	22,333	0	PT
	Federal Program 81.U72 Total			**22,333**	**0**	
81.U73	Energy - Unknown CFDA Number	00025	3650	46,315	0	PT
81.U73		00126553	3650	(3,647)	0	PT
81.U73		168728	3650	9,679	0	PT
81.U73		RELEASE00020	3650	95	0	PT
	Federal Program 81.U73 Total			**52,442**	**0**	
81.U74	Energy - Unknown CFDA Number	0004	3650	31,814	31,814	
	Federal Program 81.U74 Total			**31,814**	**31,814**	
81.U75	Energy - Unknown CFDA Number	00059555	3650	91,902	75,000	
81.U75		00059650	3650	(86)	0	
81.U75		00067074	3650	17,215	0	
81.U75		00067174	3650	33,175	10,000	
81.U75		00070587	3650	225,865	68,000	
81.U75		00072993	3650	50,015	0	
	Federal Program 81.U75 Total			**418,086**	**153,000**	
81.U76	Energy - Unknown CFDA Number	71419	3650	506,163	142,448	
81.U76		73909	3650	55,837	0	
81.U76		74128	3650	19,092	0	
81.U76		74471	3650	2,542	0	
	Federal Program 81.U76 Total			**583,634**	**142,448**	
81.U77	Energy - Unknown CFDA Number	FE0026170	3650	97,426	85,594	
	Federal Program 81.U77 Total			**97,426**	**85,594**	
81.U81	Energy - Unknown CFDA Number	AEV65205401	3650	77,260	0	PT
81.U81		AGJ66217901	3650	66,723	0	PT
81.U81		XCE66237901	3650	111,267	0	PT
81.U81		XFC66205501	3650	27,902	0	PT
81.U81		XGJ66218401	3650	146,253	0	PT
81.U81		ZEA44220401	3650	34,185	0	PT
	Federal Program 81.U81 Total			**463,590**	**0**	
81.U82	Energy - Unknown CFDA Number	06S131617	3650	125,131	0	PT
	Federal Program 81.U82 Total			**125,131**	**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.U83	Energy - Unknown CFDA Number	118074	3650	271,471	0	PT
81.U83		178016	3650	34,772	0	PT
81.U83		183740	3650	8,227	0	PT
81.U83		203920	3650	(604)	0	PT
81.U83		225998	3650	13,987	0	PT
81.U83		238700	3650	846	0	PT
81.U83		244687	3650	34,324	0	PT
81.U83		244777	3650	105,240	0	PT
81.U83		246500	3650	6,799	0	PT
81.U83		255129	3650	7,008	0	PT
81.U83		258801	3650	103,142	0	PT
81.U83		261290	3650	13,448	0	PT
81.U83		262145	3650	1,131	0	PT
81.U83		267598	3650	3,450	0	PT
81.U83		268431	3650	806	0	PT
81.U83		270941	3650	3,288	0	PT
81.U83		272745	3650	14,294	0	PT
81.U83		279434	3650	36,175	0	PT
81.U83		280452	3650	39,982	0	PT
81.U83		284054	3650	16,445	0	PT
81.U83		285921	3650	27,920	0	PT
81.U83		288470	3650	59,680	0	PT
81.U83		289688	3650	67,666	0	PT
81.U83		293252	3650	239,875	0	PT
81.U83		298360	3650	9,443	0	PT
81.U83		300767	3650	15,107	0	PT
81.U83		301164	3650	63,219	0	PT
81.U83		313798	3650	60,941	0	PT
81.U83		316309	3650	117,110	0	PT
81.U83		320048	3650	43,678	0	PT
81.U83		320972	3650	137,137	0	PT
81.U83		321180	3650	388,019	0	PT
81.U83		321652	3650	24,661	0	PT
81.U83		324880	3650	22,214	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U83	Energy - Unknown CFDA Number	336992	3650	15,016	0	PT
81.U83		347554	3650	21,509	0	PT
81.U83		349230	3650	4,751	0	PT
81.U83		354289	3650	9,514	0	PT
81.U83		355851	3650	43,437	0	PT
81.U83		357146	3650	5,620	0	PT
	Federal Program 81.U83 Total			**2,090,748**	**0**	
81.U84	Energy - Unknown CFDA Number	1225319	3650	(56)	0	PT
81.U84		1233946	3650	(33)	0	PT
81.U84		1316643	3650	36,573	0	PT
81.U84		1531327	3650	20,621	0	PT
	Federal Program 81.U84 Total			**57,105**	**0**	
81.U85	Energy - Unknown CFDA Number	WSU002634	3650	429	0	PT
	Federal Program 81.U85 Total			**429**	**0**	
81.U87	Energy - Unknown CFDA Number	7049758	3650	245,979	0	PT
81.U87		7242865	3650	12,990	8,712	PT
	Federal Program 81.U87 Total			**258,969**	**8,712**	
81.U90	Energy - Unknown CFDA Number	3021	3650	136,604	0	PT
	Federal Program 81.U90 Total			**136,604**	**0**	
81.U91	Energy - Unknown CFDA Number	20150657902	3650	135,940	0	PT
	Federal Program 81.U91 Total			**135,940**	**0**	
81.U92	Energy - Unknown CFDA Number	C16272	3650	15,039	0	PT
81.U92		C17218	3650	30,717	0	PT
	Federal Program 81.U92 Total			**45,756**	**0**	
81.U94	Energy - Unknown CFDA Number	382828	3650	136,732	0	PT
	Federal Program 81.U94 Total			**136,732**	**0**	
81.U95	Energy - Unknown CFDA Number	51419	3650	28,586	0	PT
81.U95		56682	3650	319,587	0	PT
81.U95		62916	3650	1,566	0	PT
	Federal Program 81.U95 Total			**349,739**	**0**	
81.U96	Energy - Unknown CFDA Number	6F32142	3650	94,017	0	PT
	Federal Program 81.U96 Total			**94,017**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Energy

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.U98	Energy - Unknown CFDA Number	4000149261	3650	102,031	0	PT
81.U98		4000154736	3650	14,860	0	PT
	Federal Program 81.U98 Total			**116,891**	**0**	
81.U99	Energy - Unknown CFDA Number	62937	3650	18,459	0	PT
	Federal Program 81.U99 Total			**18,459**	**0**	
Dept of Energy Total				**29,068,198**	**8,175,710**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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	9,183,726	0	
	Federal Program 84.002 Total			**9,183,726**	**0**	
84.010	Title I Grants to Local Educational Agencies		3500	240,539,571	233,384,288	
	Federal Program 84.010 Total			**240,539,571**	**233,384,288**	
84.011	Migrant Education_State Grant Program		3500	16,930,904	11,083,972	
84.011		20160322	3600	95,201	0	PT
84.011		20170271	3600	69,318	0	PT
	Federal Program 84.011 Total			**17,095,423**	**11,083,972**	
84.013	Title I State Agency Program for Neglected and DEL		3500	1,584,154	1,569,067	
	Federal Program 84.013 Total			**1,584,154**	**1,569,067**	
84.015	National Resource Centers Program for Foreign Lang		3600	4,496,771	72,990	
	Federal Program 84.015 Total			**4,496,771**	**72,990**	
84.016	Undergraduate International Studies and Foreign La		6990	76,575	0	
	Federal Program 84.016 Total			**76,575**	**0**	
84.031	Higher Education_Institutional Aid		6990	8,353,988	0	
84.031		P031S130053	6990	341,618	0	PT
	Federal Program 84.031 Total			**8,695,606**	**0**	
84.048	Career and Technical Education -- Basic Grants to		3540	20,767,557	19,975,722	
	Federal Program 84.048 Total			**20,767,557**	**19,975,722**	
84.101	Career and Technical Education - Indian Set-Aside	V101A01001703A	6990	73,870	0	PT
	Federal Program 84.101 Total			**73,870**	**0**	
84.116	Fund for the Improvement of Postsecondary Educatio		6990	327,137	0	
	Federal Program 84.116 Total			**327,137**	**0**	
84.126	Rehabilitation Services Vocational Rehabilitation		3000	55,223,589	0	
84.126			3150	9,584,408	0	
84.126			6990	143,651	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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.126	Rehabilitation Services Vocational Rehabilitation	145-111-1Q6V	6990	95,469	0	PT
	Federal Program 84.126 Total			**65,047,117**	**0**	
84.129	Rehabilitation Long-Term Training		3600	4,522	0	
84.129			3800	218,047	0	
	Federal Program 84.129 Total			**222,569**	**0**	
84.141	Migrant Education_High School Equivalency Program		3650	445,797	0	
84.141			3750	446,670	0	
84.141			6990	451,904	0	
	Federal Program 84.141 Total			**1,344,371**	**0**	
84.144	Migrant Education_Coordination Program		3500	135,872	6,526	
	Federal Program 84.144 Total			**135,872**	**6,526**	
84.149	Migrant Education_College Assistance Migrant Progr		3600	408,381	0	
84.149			3650	424,115	0	
84.149			3700	472,937	0	
84.149			3750	371,438	0	
84.149			6990	865,819	0	
	Federal Program 84.149 Total			**2,542,690**	**0**	
84.177	Rehabilitation Services Independent Living Service		3150	801,357	801,357	
	Federal Program 84.177 Total			**801,357**	**801,357**	
84.181	Special Education-Grants for Infants and Families		3570	9,607,425	7,585,457	
	Federal Program 84.181 Total			**9,607,425**	**7,585,457**	
84.184	Safe and Drug-Free Schools and Communities_Nationa		3500	130,057	67,524	
	Federal Program 84.184 Total			**130,057**	**67,524**	
84.187	Supported Employment Services for Individuals With		3000	446,644	0	
84.187			3150	49,265	0	
	Federal Program 84.187 Total			**495,909**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.196	Education for Homeless Children and Youth		3500	1,069,421	790,274	
	Federal Program 84.196 Total			**1,069,421**	**790,274**	
84.200	Graduate Assistance in Areas of National Need		3650	158,023	0	
	Federal Program 84.200 Total			**158,023**	**0**	
84.206	Javits Gifted and Talented Students Education Gran		3500	365,720	66,750	
	Federal Program 84.206 Total			**365,720**	**66,750**	
84.264	Rehabilitation Training_Continuing Education	S2015-29486-002 AM01	3600	87,959	0	PT
84.264		S2015-29486-002 AM2	3600	248,026	0	PT
	Federal Program 84.264 Total			**335,985**	**0**	
84.282	Charter Schools		3500	7,783	0	
84.282		PO#001677 MOD05	3600	22,105	0	PT
	Federal Program 84.282 Total			**29,888**	**0**	
84.283	Comprehensive Centers	SOW005	3600	43,877	0	PT
	Federal Program 84.283 Total			**43,877**	**0**	
84.287	Twenty-First Century Community Learning Centers		3500	17,659,831	16,792,940	
	Federal Program 84.287 Total			**17,659,831**	**16,792,940**	
84.299	Indian Education -- Special Programs for Indian Ch		3650	58,574	0	
	Federal Program 84.299 Total			**58,574**	**0**	
84.305	Education Research, Development and Dissemination		6990	115,183	0	
	Federal Program 84.305 Total			**115,183**	**0**	
84.315	Capacity Building for Traditionally Underserved PO	NWIC#21060	3800	139,669	0	PT
	Federal Program 84.315 Total			**139,669**	**0**	
84.325	Special Education - Personnel Development to Impro		3600	1,152,664	9,094	
84.325		H325T110012-UOW AM04	3600	8,051	0	PT
84.325		UFDSP00010173 AM05	3600	24,827	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
84.325	Special Education - Personnel Development to Impro		6990	56,282	0	
	Federal Program 84.325 Total			**1,241,824**	**9,094**	
84.326	Special Education_Technical Assistance and Dissemi		3500	215,399	215,399	
	Federal Program 84.326 Total			**215,399**	**215,399**	
84.327	Special Education Educational Technology Media, An		3600	507,294	0	
	Federal Program 84.327 Total			**507,294**	**0**	
84.330	Advanced Placement Program (Advanced Placement Tes		3500	601,807	601,807	
	Federal Program 84.330 Total			**601,807**	**601,807**	
84.334	Gaining Early Awareness and Readiness for Undergra		3400	4,587,260	3,109,410	
84.334			3600	3,991,282	2,786,931	
84.334			3650	6,099,857	730,483	
84.334			3750	4,630,461	3,592,303	
84.334			6990	50,000	0	
	Federal Program 84.334 Total			**19,358,860**	**10,219,127**	
84.335	Child Care Access Means Parents in School		3650	140,199	0	
84.335			6990	225,282	0	
	Federal Program 84.335 Total			**365,481**	**0**	
84.358	Rural Education		3500	1,243,004	1,189,483	
	Federal Program 84.358 Total			**1,243,004**	**1,189,483**	
84.365	English Language Acquisition State Grants		3500	16,923,976	16,144,656	
84.365			3600	429,781	0	
84.365			3650	118,808	0	
	Federal Program 84.365 Total			**17,472,565**	**16,144,656**	
84.366	Mathematics and Science Partnerships		3500	2,012,091	1,887,615	
84.366		PO 75-14978	3600	58,626	0	PT
84.366		7006000096	3650	(396)	0	PT
84.366		7007000100	3650	2,397	0	PT
	Federal Program 84.366 Total			**2,072,718**	**1,887,615**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.367	Supporting Effective Instruction State Grant (Form		3400	1,562,633	458,468	
84.367			3500	36,872,410	36,016,173	
84.367		U1121A-A AM01	3600	7,545	0	PT
84.367		1637217000722	3650	30,213	0	PT
84.367		92-WA02-SEED2012#3A	3750	1,922	0	PT
84.367		92-WA02-SEED2016	3750	14,251	0	PT
84.367		92-WA02SEED2017CRWPP	3750	2,207	0	PT
	Federal Program 84.367 Total			**38,491,181**	**36,474,641**	
84.369	Grants for State Assessments and Related Activitie		3500	4,069,283	0	
	Federal Program 84.369 Total			**4,069,283**	**0**	
84.372	Statewide Longitudinal Data Systems		3500	1,224,593	0	
	Federal Program 84.372 Total			**1,224,593**	**0**	
84.377	School Improvement Grants		3500	7,286,793	6,379,411	
	Federal Program 84.377 Total			**7,286,793**	**6,379,411**	
84.382	Strengthening Minority-Serving Institutions		6990	28,298	0	
	Federal Program 84.382 Total			**28,298**	**0**	
84.397	ARRA - Sfsf - Government Services		3800	50,927	0	
	Federal Program 84.397 Total			**50,927**	**0**	
84.407	Transition Programs for Students W/Intellectual DI		6990	500,630	0	
	Federal Program 84.407 Total			**500,630**	**0**	
84.411	Investing in Innovation (I3) Fund	92-WA02-2017I3A1	3750	652	0	PT
	Federal Program 84.411 Total			**652**	**0**	
84.412	Race to the Top - Early Learning Challenge		3570	3,962,994	3,237,988	
84.412		1617 Quality Award	6990	156	0	PT
	Federal Program 84.412 Total			**3,963,150**	**3,237,988**	
84.416	ARRA - Race to the Top - District Grants	08739 (YR 3)	3600	(186)	0	PT
84.416		09215	3600	324,532	0	PT
84.416		6161600069	3600	71,640	0	PT
84.416		UW BUD# 637932	3600	4,713	0	PT
	Federal Program 84.416 Total			**400,699**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Programs Not Clustered

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.U01	Department of Education - Unknown CFDA Number	40412S04256 S04	3600	1,246,610	0	PT
	Federal Program 84.U01 Total			**1,246,610**	**0**	
84.U02	Department of Education - Unknown CFDA Number	S141A140014	3650	(1,266)	0	
	Federal Program 84.U02 Total			**(1,266)**	**0**	
84.U03	Department of Education - Unknown CFDA Number	UW BUD# 637960	3600	4,217	0	PT
	Federal Program 84.U03 Total			**4,217**	**0**	
84.U05	Department of Education - Unknown CFDA Number	Seattle	6990	(1,945)	0	
	Federal Program 84.U05 Total			**(1,945)**	**0**	
Dept of Education Total				**503,486,702**	**368,556,088**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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		3600	123,892	20,837	
	Federal Program 85.U01 Total			**123,892**	**20,837**	
Scholarship and Fellowship Foundations Total				**123,892**	**20,837**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1,178	0	
	Federal Program 89.003 Total			**1,178**	**0**	
National Archives & Records Admin Total				**1,178**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
90.401	Help America Vote Act Requirements Payments		0850	184,131	138,571	
	Federal Program 90.401 Total			**184,131**	**138,571**	
Miscellaneous Commissions Total				**184,131**	**138,571**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	91,270	74,561	
	Federal Program 93.041 Total			**91,270**	**74,561**	
93.042	Special Programs for the Aging_Title VII, Chapter		3000	377,191	0	
	Federal Program 93.042 Total			**377,191**	**0**	
93.043	Special Programs for the Aging_Title III, Part D_D		3000	415,622	415,622	
	Federal Program 93.043 Total			**415,622**	**415,622**	
93.048	Special Programs for the Aging Title Iv and Title		1600	275,120	0	
93.048			3000	112,097	0	
	Federal Program 93.048 Total			**387,217**	**0**	
93.051	Alzheimer's Disease Demonstration Grants to States		3000	115,423	41,628	
93.051		144448 AM01	3600	3,350	0	PT
	Federal Program 93.051 Total			**118,773**	**41,628**	
93.052	National Family Caregiver Support, Title III, Part		3000	2,984,602	2,897,340	
	Federal Program 93.052 Total			**2,984,602**	**2,897,340**	
93.067	Global AIDS		3600	37,470,533	18,607,720	
93.067		001-5CE AM003	3600	60,334	20,561	PT
93.067		002-5 AM01	3600	(6,587)	0	PT
93.067		002-5 AMO3	3600	157,783	7,727	PT
93.067		003-5CE AM03	3600	34,026	0	PT
93.067		16-SBA-017 MOD01	3600	90,363	0	PT
93.067		8818SC1U2GGH00127001	3600	(20)	0	PT
93.067		8818SCAM015U2GGH0012	3600	342,930	110,095	PT
93.067		ADOLESCENTYR010065C	3600	19,363	0	PT
93.067		ADOLESCENTYR010065C	3600	102,042	14,900	PT
93.067		CG-03-9-900-04189-5-00	3600	27,737	0	PT
93.067		FP-YR01 AM01	3600	222,013	0	PT
93.067		FPPMTCTINU2GGH001956	3600	31,780	0	PT
93.067		GH001955-01	3600	324,713	0	PT
93.067		PMTCT-HEI-YR01	3600	66,388	30,391	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	PRIME	3600	118,538	7,407	PT
93.067		PRIME	3600	56,050	8,641	PT
93.067		PRIME#	3600	50,070	0	PT
93.067		PRIME1U01GH00076201A	3600	11,516	0	PT
93.067		UON-UW5U2GGH001029-0	3600	42,680	0	PT
	Federal Program 93.067 Total			**39,222,252**	**18,807,442**	
93.069	Public Health Emergency Preparedness		3030	12,259,782	7,232,938	
93.069			3600	49,527	0	
	Federal Program 93.069 Total			**12,309,309**	**7,232,938**	
93.070	Environmental Public Health and Emergency Response		3030	1,098,797	0	
	Federal Program 93.070 Total			**1,098,797**	**0**	
93.071	Medicare Enrollment Assistance Program		3000	298,732	186,813	
	Federal Program 93.071 Total			**298,732**	**186,813**	
93.072	Lifespan Respite Care Program		3000	225,906	137,239	
	Federal Program 93.072 Total			**225,906**	**137,239**	
93.074	Hospital Preparedness Program (Hpp) and Public Hea		3030	1,248,810	593,733	
	Federal Program 93.074 Total			**1,248,810**	**593,733**	
93.079	Cooperative Agreements to Promote Adolescent Healt		3500	338,923	31,822	
	Federal Program 93.079 Total			**338,923**	**31,822**	
93.082	Sodium Reduction in Communities		3030	154,546	120,276	
93.082		1171 CDIP	3600	54,562	0	PT
	Federal Program 93.082 Total			**209,108**	**120,276**	
93.084	Prevention of Disease, Disability, and Death By in	T510988 AM02	3600	62,191	0	PT
93.084		T657038 AM03	3600	130,297	0	PT
	Federal Program 93.084 Total			**192,488**	**0**	
93.086	Healthy Marriage Promotion and Responsible Fatherh		3100	1,269,905	0	
	Federal Program 93.086 Total			**1,269,905**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
93.090	Guardianship Assistance		3000	884,373	0	
	Federal Program 93.090 Total			**884,373**	**0**	
93.092	Affordable Care Act Personal Resp. Ed Program		3030	1,079,355	777,350	
	Federal Program 93.092 Total			**1,079,355**	**777,350**	
93.093	Affordable Care Act Health Profession Opportunity		6990	2,341,941	0	
93.093		1V2E	6990	16,896	0	PT
	Federal Program 93.093 Total			**2,358,837**	**0**	
93.103	Food and Drug Administration_Research	G-ST-1612-00473	3030	12,731	0	PT
93.103		G-T-1510-03186	3030	715	0	PT
	Federal Program 93.103 Total			**13,446**	**0**	
93.107	Area Health Education Centers Point of Service Mai		3600	364,578	273,924	
93.107		G158-16-W5696 AM01	3600	9,146	0	PT
93.107		PO #0498657	3600	2,918	0	PT
	Federal Program 93.107 Total			**376,642**	**273,924**	
93.110	Maternal and Child Health Federal Consolidated Pro		3030	601,409	177,220	
93.110			3600	2,145,308	225,071	
93.110		000508202-002	3600	13,459	0	PT
93.110		11357SUB	3600	22,481	0	PT
93.110		1920 G RA028 AM03	3600	16,105	0	PT
93.110		P42435F AM06	3600	26,651	0	PT
	Federal Program 93.110 Total			**2,825,413**	**402,291**	
93.116	Project Grants and Cooperative Agreements for Tube		3030	1,609,293	0	
	Federal Program 93.116 Total			**1,609,293**	**0**	
93.127	Emergency Medical Services for Children		3030	147,488	35,629	
	Federal Program 93.127 Total			**147,488**	**35,629**	
93.130	Cooperative Agreements to States/Territories for T		3030	275,140	19,000	
	Federal Program 93.130 Total			**275,140**	**19,000**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.136	Injury Prevention and Control Research and State A		3030	2,398,909	180,914	
	Federal Program 93.136 Total			**2,398,909**	**180,914**	
93.145	AIDS Education and Training Centers		3600	3,065,338	1,936,568	
93.145		8194PRIME1U1OHA286860	3600	34,063	0	PT
93.145		8276PO418760INDEX81557	3600	236,375	0	PT
	Federal Program 93.145 Total			**3,335,776**	**1,936,568**	
93.150	Projects for Assistance in Transition From Homeles		3000	1,393,579	703,606	
	Federal Program 93.150 Total			**1,393,579**	**703,606**	
93.153	Coordinated Services and Access to Research for Wo	5 H12HA28849-02-00	3600	54,199	0	PT
93.153		UW BUD# 633029	3600	5,145	0	PT
	Federal Program 93.153 Total			**59,344**	**0**	
93.161	Health Program for Toxic Substances and Disease Re	U61TS000238-02	3600	42,023	428	PT
93.161		U61TS000238-R10-03	3600	8,938	0	PT
93.161		U61TS000238-R10-03	3600	107,784	158	PT
	Federal Program 93.161 Total			**158,745**	**586**	
93.165	Grants to States for Loan Repayment Program		3400	517,137	517,137	
	Federal Program 93.165 Total			**517,137**	**517,137**	
93.178	Nursing Workforce Diversity		3650	328,395	0	
93.178			6990	135,721	0	
	Federal Program 93.178 Total			**464,116**	**0**	
93.191	Graduate Psychology Education Program and Patient		3600	274,063	2,032	
	Federal Program 93.191 Total			**274,063**	**2,032**	
93.211	Telehealth Programs		3600	46,484	2,213	
	Federal Program 93.211 Total			**46,484**	**2,213**	
93.217	Family Planning_Services		3030	4,097,241	3,412,258	
	Federal Program 93.217 Total			**4,097,241**	**3,412,258**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.236	Grants to States to Support Oral Health Workforce	14-07501-069 AM04	3600	70,020	0	PT
93.236		17-07-5-01-069-0 AM01	3600	93,030	0	PT
	Federal Program 93.236 Total			**163,050**	**0**	
93.240	State Capacity Building		3030	410,911	0	
	Federal Program 93.240 Total			**410,911**	**0**	
93.241	State Rural Hospital Flexibility Program		3030	653,708	69,053	
	Federal Program 93.241 Total			**653,708**	**69,053**	
93.243	Substance Abuse and Mental Health Services_Project		3000	10,001,414	2,423,428	
93.243			3030	1,552,843	845,646	
93.243			3500	2,480,122	2,127,279	
93.243			3600	781,379	68,713	
93.243		1002661_UWA	3600	11,214	0	PT
93.243		156197 AM01	3600	27,070	0	PT
93.243		176076	3600	63,552	0	PT
93.243		AM01	3600	3,914	0	PT
93.243		UW BUD# 802087	3600	2,972	0	PT
93.243		UW BUD# 802093	3600	2,812	0	PT
93.243		UW BUD# 802269	3600	7,070	0	PT
93.243			3650	597,777	52,046	
93.243		130286	3650	28,555	0	PT
93.243		2016A14	3650	23,456	0	PT
93.243		UCHC668354761	3650	13,064	0	PT
93.243		WSU002569	3650	17,092	0	PT
93.243			3800	9,781	0	
	Federal Program 93.243 Total			**15,624,087**	**5,517,112**	
93.247	Advanced Nursing Education Grant Program		3600	1,051,714	0	
93.247			3650	(292)	0	
	Federal Program 93.247 Total			**1,051,422**	**0**	
93.251	Universal Newborn Hearing Screening		3030	304,361	17,291	
	Federal Program 93.251 Total			**304,361**	**17,291**	
93.262	Occupational Safety and Health Program		2350	637,564	0	
	Federal Program 93.262 Total			**637,564**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
93.266	Health Systems Strengthening and HIV/AIDS Preventi		3600	22,870,530	795,373	
93.266		HFBZAM16PPTRZLAB00	3600	212,934	0	PT
	Federal Program 93.266 Total			**23,083,464**	**795,373**	
93.268	Immunization Cooperative Agreements		3030	4,059,769	44,705	
93.268			3030	93,527,982	93,527,982	NC
	Federal Program 93.268 Total			**97,587,751**	**93,572,687**	
93.270	Adult Viral Hepatitis Prevention and Control		3030	590,252	0	
93.270			3600	225,089	0	
93.270		PREV3988	3600	61,215	0	PT
93.270		PREV3988 AM01	3600	186,446	0	PT
	Federal Program 93.270 Total			**1,063,002**	**0**	
93.276	Drug-Free Communities Support Program Grants	MOU	3750	2,273	0	PT
	Federal Program 93.276 Total			**2,273**	**0**	
93.283	Centers for Disease Control and Prevention_Investi		3030	5,409,939	4,043,664	
	Federal Program 93.283 Total			**5,409,939**	**4,043,664**	
93.300	National Center for Health Workforce Analysis		3600	453,150	0	
	Federal Program 93.300 Total			**453,150**	**0**	
93.301	Small Rural Hospital Improvement Grant Program		3030	374,023	213,346	
	Federal Program 93.301 Total			**374,023**	**213,346**	
93.305	National State Based Tobacco Control Programs		3030	1,031,083	471,199	
	Federal Program 93.305 Total			**1,031,083**	**471,199**	
93.311	Mobilization for Health: National Prevention Partn		3600	143,077	0	
	Federal Program 93.311 Total			**143,077**	**0**	

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.314	Early Hearing Detection and Intervention Informati		3030	174,044	0	
	Federal Program 93.314 Total			**174,044**	**0**	
93.318	Protecting and Improving Health Globally: Building		3600	997,072	0	
93.318			3650	532,266	108,331	
	Federal Program 93.318 Total			**1,529,338**	**108,331**	
93.323	Epidemiology and Laboratory Capacity for Infectio		3030	4,336,925	474,004	
	Federal Program 93.323 Total			**4,336,925**	**474,004**	
93.324	State Health Insurance Assistance Program		1600	712,626	0	
	Federal Program 93.324 Total			**712,626**	**0**	
93.326	Protecting and Improving Health Globally: Strength		3650	1,010,048	548,060	
	Federal Program 93.326 Total			**1,010,048**	**548,060**	
93.331	Partnerships to Improve Community Health	1089 CDIP AM04	3600	59,804	0	PT
93.331		CDIP3869 AM02	3600	102,541	0	PT
	Federal Program 93.331 Total			**162,345**	**0**	
93.336	Behavioral Risk Factor Surveillance System		3030	229,498	0	
	Federal Program 93.336 Total			**229,498**	**0**	
93.358	Advanced Education Nursing Traineeships		3650	341,000	0	
	Federal Program 93.358 Total			**341,000**	**0**	
93.359	Nurse Education, Practice and Retention Grants		3600	653,553	10,348	
	Federal Program 93.359 Total			**653,553**	**10,348**	
93.369	Acl Independent Living State Grants		3000	282,032	275,014	
	Federal Program 93.369 Total			**282,032**	**275,014**	
93.408	ARRA - Nurse Faculty Loan Program		3600	(14,359)	0	OL
93.408			3600	110,130	0	OL
	Federal Program 93.408 Total			**95,771**	**0**	
93.424	Non-Aca/Pphf-Building Capacity of the Public Healt	1262017	3600	74,923	17,418	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.424	Non-Aca/Pphf-Building Capacity of the Public Healt	UW ID: A120969	3600	14,645	0	PT
	Federal Program 93.424 Total			**89,568**	**17,418**	
93.433	Acl National Institute on Disability, Independent		3600	4,602,451	557,799	
93.433		000513370-002	3600	9,416	0	PT
93.433		90DP0037-02-00	3600	2,106	0	PT
93.433		90DP0037-03-00 MOD01	3600	11,200	0	PT
93.433			3650	502,833	269,700	
	Federal Program 93.433 Total			**5,128,006**	**827,499**	
93.441	Indian Self-Determination	C16-01 AM01 PO#25789	3600	30,342	0	PT
93.441		C17-01 (PO# 26996)	3600	50,914	0	PT
	Federal Program 93.441 Total			**81,256**	**0**	
93.448	Food Safety and Security Monitoring Project		3030	222,018	0	
93.448			4950	278,089	0	
	Federal Program 93.448 Total			**500,107**	**0**	
93.464	Acl Assistive Technology		3600	639,101	0	
	Federal Program 93.464 Total			**639,101**	**0**	
93.500	Pregnancy Assistance Fund Program		3030	1,760,517	640,910	
	Federal Program 93.500 Total			**1,760,517**	**640,910**	
93.505	Affordable Care Act (Aca) Maternal, Infant, and Ea		3570	8,235,032	6,673,363	
	Federal Program 93.505 Total			**8,235,032**	**6,673,363**	
93.511	Affordable Care Act Grants to States Health Prem R		1050	1,447,315	0	
	Federal Program 93.511 Total			**1,447,315**	**0**	
93.514	Affordable Care Act - Expan of Physican Assts Trng		3600	57,544	0	
	Federal Program 93.514 Total			**57,544**	**0**	
93.516	Affordable Care Act - Public Health Train CTR Prg		3600	881,288	197,514	
93.516		CONTRACT # C888 AM01	3600	21,216	0	PT
	Federal Program 93.516 Total			**902,504**	**197,514**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.517	Affordable Care Act Aging & Disability Rsrc Center		3000	333,300	186,739	
	Federal Program 93.517 Total			**333,300**	**186,739**	
93.521	The Affordable Care Act: Building Epidemiology, La		3030	1,250,061	0	
	Federal Program 93.521 Total			**1,250,061**	**0**	
93.524	Building Capacity of the Public Health System to I	0782016	3600	94,197	65,153	PT
	Federal Program 93.524 Total			**94,197**	**65,153**	
93.535	Affordable Care Act (Aca) Childhood Obesity Resear	16-994	3600	22,329	0	PT
	Federal Program 93.535 Total			**22,329**	**0**	
93.539	Pphf Capacity Building Assistance to Strengthen Pu		3030	3,757,858	13,970	
	Federal Program 93.539 Total			**3,757,858**	**13,970**	
93.542	Health Promotion and Disease Prevention Research C		3600	478,883	47,829	
	Federal Program 93.542 Total			**478,883**	**47,829**	
93.556	Promoting Safe and Stable Families		3000	6,410,922	0	
93.556		KC263200	3700	58,046	3,300	PT
93.556		KC267300	3700	23,355	0	PT
	Federal Program 93.556 Total			**6,492,323**	**3,300**	
93.563	Child Support Enforcement		3000	110,149,654	26,771,847	
	Federal Program 93.563 Total			**110,149,654**	**26,771,847**	
93.566	Refugee and Entrant Assistance_State Administered		1070	113,378	0	
93.566			3000	15,604,483	440,200	
	Federal Program 93.566 Total			**15,717,861**	**440,200**	
93.568	Low-Income Home Energy Assistance		1030	50,384,435	44,051,589	
	Federal Program 93.568 Total			**50,384,435**	**44,051,589**	
93.569	Community Services Block Grant		1030	8,749,531	8,254,868	
	Federal Program 93.569 Total			**8,749,531**	**8,254,868**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.576	Refugee and Entrant Assistance_Discretionary Grant		3000	568,125	543,782	
93.576		145-111-1S7R	6990	19,550	0	PT
	Federal Program 93.576 Total			**587,675**	**543,782**	
93.584	Refugee and Entrant Assistance_Targeted Assistance		3000	1,443,406	0	
	Federal Program 93.584 Total			**1,443,406**	**0**	
93.586	State Court Improvement Program		0550	665,089	0	
	Federal Program 93.586 Total			**665,089**	**0**	
93.590	Community-Based Child Abuse Prevention Grants		3570	711,092	255,161	
	Federal Program 93.590 Total			**711,092**	**255,161**	
93.597	Grants to States for Access and Visitation Program		3000	184,998	164,199	
	Federal Program 93.597 Total			**184,998**	**164,199**	
93.599	Chafee Education and Training Vouchers Program		3000	708,140	0	
	Federal Program 93.599 Total			**708,140**	**0**	
93.600	Head Start		3570	185,897	0	
93.600			3600	137,591	(3,738)	
93.600		2015100226	3600	121,761	0	PT
93.600		2016030075	3600	265,811	0	PT
93.600		2016030075 AM01	3600	864,457	0	PT
93.600		2016090248 A01	3600	441,107	0	PT
93.600			3700	1,894,363	0	
93.600			6990	24,013,071	0	
93.600		09854	6990	252,788	0	PT
93.600		1550	6990	166,138	0	PT
93.600		Early Headstart	6990	87,534	0	PT
93.600		Head Start-ECEAP	6990	239,034	0	PT
93.600		Headstart	6990	65,404	0	PT
93.600		LOA#9951	6990	106,333	0	PT
	Federal Program 93.600 Total			**28,841,289**	**(3,738)**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.602	Assets for Independence Demonstration Program		3650	151,616	0	
	Federal Program 93.602 Total			**151,616**	**0**	
93.609	The Affordable Care Act ? Medicaid Adult Quality G		3000	64,916	0	
	Federal Program 93.609 Total			**64,916**	**0**	
93.612	Native American Programs	UW BUD# 634491	3600	67,246	0	PT
93.612		WSU003561	3650	13,780	0	PT
	Federal Program 93.612 Total			**81,026**	**0**	
93.617	Voting Access for Individuals With Disabilities_Gr		0850	5,598	5,598	
	Federal Program 93.617 Total			**5,598**	**5,598**	
93.624	Aca - State Innovation Models: Funding for Model		1070	21,989,398	1,004,518	
	Federal Program 93.624 Total			**21,989,398**	**1,004,518**	
93.628	Affordable Care Act Implementn Support ST Demo Int		3000	96,987	0	
	Federal Program 93.628 Total			**96,987**	**0**	
93.630	Developmental Disabilities Basic Support and Advoc		1030	1,180,723	360,103	
	Federal Program 93.630 Total			**1,180,723**	**360,103**	
93.631	Developmental Disabilities Projects of National Si		1030	89,794	62,490	
	Federal Program 93.631 Total			**89,794**	**62,490**	
93.632	University Centers for Excellence in Developmental		3600	546,829	0	
	Federal Program 93.632 Total			**546,829**	**0**	
93.638	Aca-Transforming Clinical Practice Initiative: Pra		3030	3,277,249	1,426,293	
93.638			3600	5,856,473	49,770	
	Federal Program 93.638 Total			**9,133,722**	**1,476,063**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.639	Aca-Transforming Clinical Practice Initiative: Sup	UW BUD# 631313	3600	310,573	0	PT
93.639		UW BUD# 633794	3600	61,908	0	PT
	Federal Program 93.639 Total			**372,481**	**0**	
93.643	Children's Justice Grants to States		3000	293,382	0	
	Federal Program 93.643 Total			**293,382**	**0**	
93.644	Adult Medicaid Quality: Improving Maternal and Inf		1070	70,343	0	
	Federal Program 93.644 Total			**70,343**	**0**	
93.645	Stephanie Tubbs Jones Child Welfare Services Progr		3000	5,530,118	0	
93.645		CONTRACT #1C100800	3700	188,302	0	PT
93.645		LETTER OF AGREEMENT	3700	18	0	PT
	Federal Program 93.645 Total			**5,718,438**	**0**	
93.648	Child Welfare Research Training Or Demonstration	1400328 AM02	3600	135	0	PT
	Federal Program 93.648 Total			**135**	**0**	
93.652	Adoption Opportunities		3600	537,952	311,916	
	Federal Program 93.652 Total			**537,952**	**311,916**	
93.658	Foster Care Title Iv-E		3000	118,626,536	0	
93.658		CONTRACT KC261200	3700	14	0	PT
93.658		KC261400	3700	1,176,797	85,257	PT
	Federal Program 93.658 Total			**119,803,347**	**85,257**	
93.659	Adoption Assistance		3000	49,063,033	0	
	Federal Program 93.659 Total			**49,063,033**	**0**	
93.667	Social Services Block Grant		3000	41,085,826	0	
	Federal Program 93.667 Total			**41,085,826**	**0**	
93.669	Child Abuse and Neglect State Grants		3000	606,715	0	
	Federal Program 93.669 Total			**606,715**	**0**	
93.671	Family Violence Prevention and Services/Grants for		3000	2,393,315	2,264,379	
	Federal Program 93.671 Total			**2,393,315**	**2,264,379**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.674	Chafee Foster Care Independence Program		3000	3,630,616	3,028,495	
	Federal Program 93.674 Total			**3,630,616**	**3,028,495**	
93.721	ARRA - Health Information Technology Professionals		6990	427,082	0	
	Federal Program 93.721 Total			**427,082**	**0**	
93.733	Capacity Building Assist Strenthen Ph Immuniz		3030	791,016	0	
93.733		1H231P000985-01	3600	140,247	0	PT
	Federal Program 93.733 Total			**931,263**	**0**	
93.734	Empowering Older Adults & Adults With Disabilities		3000	337,818	142,683	
93.734		UW BUD# 637296	3600	3,784	0	PT
	Federal Program 93.734 Total			**341,602**	**142,683**	
93.735	State Public Health Approaches for Ensuring Quitli		3030	261,301	231,077	
	Federal Program 93.735 Total			**261,301**	**231,077**	
93.752	Cancer Prevention and Control Prog		3030	895,267	9,018	
	Federal Program 93.752 Total			**895,267**	**9,018**	
93.753	Child Lead Poisoning Prevention Surveillance Finan		3030	154,810	0	
	Federal Program 93.753 Total			**154,810**	**0**	
93.756	Nutritional and Physical Activity Program Funded S	UW BUD# 635448	3600	23,883	0	PT
	Federal Program 93.756 Total			**23,883**	**0**	
93.757	State and Local Public Health Actions to Prevent O		3030	5,802,212	2,872,059	
93.757		3004111112	3650	9,922	0	PT
	Federal Program 93.757 Total			**5,812,134**	**2,872,059**	
93.758	Preventive Health and Health Services Block Grant		3030	1,759,501	682,060	
	Federal Program 93.758 Total			**1,759,501**	**682,060**	
93.767	Children's Health Insurance Program		1070	115,682,719	0	
93.767			3000	3,448,749	0	
	Federal Program 93.767 Total			**119,131,468**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
93.788	State Targeted Response to the Opioid Crisis Grant		3000	37,439	0	
	Federal Program 93.788 Total			**37,439**	**0**	
93.791	Money Follows the Person Rebalancing Demonstration		3000	18,795,201	233,183	
	Federal Program 93.791 Total			**18,795,201**	**233,183**	
93.800	Organized Approaches to Increase Colorectal Cancer		3030	1,199,781	848,547	
	Federal Program 93.800 Total			**1,199,781**	**848,547**	
93.808	Increasing the Implementation of Evidence-Based CA		3030	246,949	90,000	
	Federal Program 93.808 Total			**246,949**	**90,000**	
93.810	Paul Coverdell National Acute Stroke Program Natio		3030	547,188	121,150	
	Federal Program 93.810 Total			**547,188**	**121,150**	
93.815	Domestic Ebola Supplement to the Epidemiology and		3030	797,126	326,617	
	Federal Program 93.815 Total			**797,126**	**326,617**	
93.817	Hospital Preparedness Program (Hpp) Ebola Prepared		3030	2,636,762	2,529,261	
	Federal Program 93.817 Total			**2,636,762**	**2,529,261**	
93.822	Health Careers Opportunity Program		3600	457,257	0	
	Federal Program 93.822 Total			**457,257**	**0**	
93.870	Maternal, Infant and Early Childhood Home Visitin		3570	2,016,361	1,693,775	
	Federal Program 93.870 Total			**2,016,361**	**1,693,775**	
93.876	Antimicrobial Resistance Surveillance in Retail Fo		3030	124,427	0	
	Federal Program 93.876 Total			**124,427**	**0**	
93.881	The Health Insurance Enforcement and Consumer Prot		1600	4,975	0	
	Federal Program 93.881 Total			**4,975**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.884	Grants for Primary Care Training and Enhancement		3600	687,678	87,288	
	Federal Program 93.884 Total			**687,678**	**87,288**	
93.889	National Bioterrorism Hospital Preparedness Progra		3030	4,651,376	2,603,673	
	Federal Program 93.889 Total			**4,651,376**	**2,603,673**	
93.913	Grants to States for Operation of Offices of Rural		3030	169,930	36,863	
	Federal Program 93.913 Total			**169,930**	**36,863**	
93.917	HIV Care Formula Grants		3030	1,466,362	0	
	Federal Program 93.917 Total			**1,466,362**	**0**	
93.924	Ryan White HIV/AIDS Dental Reimbursements\Communit		3600	29,999	0	
	Federal Program 93.924 Total			**29,999**	**0**	
93.939	HIV Prevention Activities_Non-Governmental Organiz		3600	986,431	232,878	
	Federal Program 93.939 Total			**986,431**	**232,878**	
93.940	HIV Prevention Activities_Health Department Based		3030	2,967,365	126,290	
	Federal Program 93.940 Total			**2,967,365**	**126,290**	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immuno		3030	2,267,124	0	
	Federal Program 93.944 Total			**2,267,124**	**0**	
93.945	Assistance Programs for Chronic Disease Prevention		3030	1,013,954	10,714	
93.945		11313SUB	3600	995	0	PT
93.945		11554SUB	3600	4,517	0	PT
93.945		WFUHS 114516	3600	10,607	0	PT
93.945		WFUHS 114527 AMEND 1	3600	56,148	0	PT
	Federal Program 93.945 Total			**1,086,221**	**10,714**	
93.946	Cooperative Agreements to Support State-Based Safe		3030	213,264	0	
	Federal Program 93.946 Total			**213,264**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.958	Block Grants for Community Mental Health Services		3000	14,239,269	5,392,989	
	Federal Program 93.958 Total			**14,239,269**	**5,392,989**	
93.959	Block Grants for Prevention and Treatment of Subst		3000	36,904,047	11,474,554	
	Federal Program 93.959 Total			**36,904,047**	**11,474,554**	
93.969	Pphf Geriatric Education Centers		3600	844,595	237,332	
	Federal Program 93.969 Total			**844,595**	**237,332**	
93.977	Preventive Health Services_Sexually Transmitted DI		3030	2,774,567	30,278	
93.977			3600	872,966	19,420	
93.977		13010103000000ST	3600	124,229	0	PT
	Federal Program 93.977 Total			**3,771,762**	**49,698**	
93.991	Preventive Health and Health Services Block Grant	15-07-1-01-113-0 AM01	3600	15,155	0	PT
	Federal Program 93.991 Total			**15,155**	**0**	
93.994	Maternal and Child Health Services Block Grant to		3030	8,139,099	6,449,395	
	Federal Program 93.994 Total			**8,139,099**	**6,449,395**	
93.U01	HHS - Unknown CFDA Number		3600	7,021,452	0	
	Federal Program 93.U01 Total			**7,021,452**	**0**	
93.U02	HHS - Unknown CFDA Number	UWPPG-13599	3600	719,067	0	PT
	Federal Program 93.U02 Total			**719,067**	**0**	
93.U03	HHS - Unknown CFDA Number	HHSN27200012 MOD06	3600	606,289	0	PT
	Federal Program 93.U03 Total			**606,289**	**0**	
93.U04	HHS - Unknown CFDA Number		3600	(709)	0	
	Federal Program 93.U04 Total			**(709)**	**0**	
93.U05	HHS - Unknown CFDA Number	000500918T008SC003AM01	3600	239,862	0	PT
	Federal Program 93.U05 Total			**239,862**	**0**	
93.U06	HHS - Unknown CFDA Number		3600	950,924	0	
	Federal Program 93.U06 Total			**950,924**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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.U07	HHS - Unknown CFDA Number	686K836	3600	212,164	0	PT
93.U07		686K862HHSN26120120003	3600	22,971	0	PT
	Federal Program 93.U07 Total			**235,135**	**0**	
93.U08	HHS - Unknown CFDA Number		3600	657,548	0	
	Federal Program 93.U08 Total			**657,548**	**0**	
93.U09	HHS - Unknown CFDA Number	HHSN27200013	3600	169,886	0	PT
	Federal Program 93.U09 Total			**169,886**	**0**	
93.U10	HHS - Unknown CFDA Number		3600	773,937	0	
	Federal Program 93.U10 Total			**773,937**	**0**	
93.U11	HHS - Unknown CFDA Number		3600	8,066,509	5,939,540	
	Federal Program 93.U11 Total			**8,066,509**	**5,939,540**	
93.U12	HHS - Unknown CFDA Number	UW630870	3600	155,442	0	PT
	Federal Program 93.U12 Total			**155,442**	**0**	
93.U13	HHS - Unknown CFDA Number	1010240_UWA	3600	141,957	0	PT
	Federal Program 93.U13 Total			**141,957**	**0**	
93.U14	HHS - Unknown CFDA Number		3600	93,353	0	
	Federal Program 93.U14 Total			**93,353**	**0**	
93.U15	HHS - Unknown CFDA Number		3600	41,196	0	
	Federal Program 93.U15 Total			**41,196**	**0**	
93.U16	HHS - Unknown CFDA Number	UWPPG-13599	3600	129,163	0	PT
	Federal Program 93.U16 Total			**129,163**	**0**	
93.U17	HHS - Unknown CFDA Number		3600	2,885,568	0	
	Federal Program 93.U17 Total			**2,885,568**	**0**	
93.U18	HHS - Unknown CFDA Number		3600	2,690,987	1,820,192	
	Federal Program 93.U18 Total			**2,690,987**	**1,820,192**	
93.U19	HHS - Unknown CFDA Number		3600	(8,906)	0	
	Federal Program 93.U19 Total			**(8,906)**	**0**	
93.U20	HHS - Unknown CFDA Number		3600	1,179,005	344,354	
	Federal Program 93.U20 Total			**1,179,005**	**344,354**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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.U21	HHS - Unknown CFDA Number	UW BUD# 631735	3600	28,491	0	PT
	Federal Program 93.U21 Total			**28,491**	**0**	
93.U22	HHS - Unknown CFDA Number		3600	1,102,910	4,331	
	Federal Program 93.U22 Total			**1,102,910**	**4,331**	
93.U24	HHS - Unknown CFDA Number	UW BUD# 637836	3600	26,120	0	PT
	Federal Program 93.U24 Total			**26,120**	**0**	
93.U25	HHS - Unknown CFDA Number		3600	11,416	0	
	Federal Program 93.U25 Total			**11,416**	**0**	
93.U26	HHS - Unknown CFDA Number	UW BUD# 632909	3600	22,698	0	PT
	Federal Program 93.U26 Total			**22,698**	**0**	
93.U27	HHS - Unknown CFDA Number	UW BUD# 631106	3600	2,427	0	PT
	Federal Program 93.U27 Total			**2,427**	**0**	
93.U28	HHS - Unknown CFDA Number	000500918T004SC005AM00	3600	(911)	(590)	PT
	Federal Program 93.U28 Total			**(911)**	**(590)**	
93.U29	HHS - Unknown CFDA Number	0024031-6 AM03	3600	141,310	0	PT
93.U29		0024031-6 AM04	3600	100,739	0	PT
	Federal Program 93.U29 Total			**242,049**	**0**	
93.U31	HHS - Unknown CFDA Number	UW BUD# 633024	3600	(6,286)	0	PT
	Federal Program 93.U31 Total			**(6,286)**	**0**	
93.U32	HHS - Unknown CFDA Number	HHSN268201500021C	3600	9,045	0	PT
93.U32		HHSN268201500021C (AA)	3600	12,599	0	PT
93.U32		HHSN268201500021C (I)	3600	10,733	0	PT
93.U32		HHSN268201500021C (X)	3600	23,993	0	PT
93.U32		HHSN268201500021CPH35	3600	21,023	0	PT
	Federal Program 93.U32 Total			**77,393**	**0**	
93.U33	HHS - Unknown CFDA Number	45676 MOD01	3600	32,623	0	PT
	Federal Program 93.U33 Total			**32,623**	**0**	
93.U34	HHS - Unknown CFDA Number	0000848434	3600	24,645	0	PT
	Federal Program 93.U34 Total			**24,645**	**0**	
93.U35	HHS - Unknown CFDA Number	OPTION PERIOD 1	3600	175,858	0	PT
	Federal Program 93.U35 Total			**175,858**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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.U36	HHS - Unknown CFDA Number	UWNMR-13598-4	3600	47,907	0	PT
93.U36		UWNMR-13599	3600	91,073	0	PT
93.U36		UWPPG-13598-4	3600	269,625	0	PT
	Federal Program 93.U36 Total			**408,605**	**0**	
93.U37	HHS - Unknown CFDA Number	2015-32	3600	24,358	0	PT
	Federal Program 93.U37 Total			**24,358**	**0**	
93.U38	HHS - Unknown CFDA Number	CC FORM SUB UW#2	3600	319,663	0	PT
93.U38		SUBCONTRACT UW#2	3600	171,121	81,143	PT
	Federal Program 93.U38 Total			**490,784**	**81,143**	
93.U39	HHS - Unknown CFDA Number	0000882865	3600	8,310	0	PT
	Federal Program 93.U39 Total			**8,310**	**0**	
93.U40	HHS - Unknown CFDA Number	000500918-T010-SC013	3600	6,152	0	PT
	Federal Program 93.U40 Total			**6,152**	**0**	
93.U41	HHS - Unknown CFDA Number	000500918-T011-005	3600	4,528	0	PT
	Federal Program 93.U41 Total			**4,528**	**0**	
93.U42	HHS - Unknown CFDA Number	000500918-T013-011	3600	4,584	0	PT
	Federal Program 93.U42 Total			**4,584**	**0**	
93.U43	HHS - Unknown CFDA Number	0000865655 AM01	3600	4,059	0	PT
93.U43		0000865655HHSN26820160	3600	10,929	0	PT
	Federal Program 93.U43 Total			**14,988**	**0**	
93.U44	HHS - Unknown CFDA Number	2015157233	3600	13,989	0	PT
93.U44		2015181380 TO01 MOD4	3600	2,133	0	PT
93.U44		HHSN272200800004C-UW	3600	149,707	0	PT
	Federal Program 93.U44 Total			**165,829**	**0**	
93.U45	HHS - Unknown CFDA Number	PROJ80784HHSA29020100	3600	98,981	0	PT
	Federal Program 93.U45 Total			**98,981**	**0**	
93.U46	HHS - Unknown CFDA Number	P1090 PO#2002565212	3600	7,241	0	PT
	Federal Program 93.U46 Total			**7,241**	**0**	
93.U47	HHS - Unknown CFDA Number	4594 MOD01	3600	135,337	0	PT
	Federal Program 93.U47 Total			**135,337**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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.U48	HHS - Unknown CFDA Number	000509388T004001AM01	3600	110,266	0	PT
	Federal Program 93.U48 Total			**110,266**	**0**	
93.U49	HHS - Unknown CFDA Number	0049347-1 AM01	3600	18,099	0	PT
	Federal Program 93.U49 Total			**18,099**	**0**	
93.U50	HHS - Unknown CFDA Number	1004354_UWA AM01	3600	85,324	0	PT
93.U50		1004354_UWA AM03	3600	185,980	0	PT
	Federal Program 93.U50 Total			**271,304**	**0**	
93.U51	HHS - Unknown CFDA Number		3600	167	0	
	Federal Program 93.U51 Total			**167**	**0**	
93.U52	HHS - Unknown CFDA Number	10039141-04	3600	16,389	0	PT
	Federal Program 93.U52 Total			**16,389**	**0**	
93.U53	HHS - Unknown CFDA Number	1008695_UW	3600	1,550	0	PT
93.U53		1008888_UW AM02	3600	40,611	0	PT
93.U53		1009898_UWA	3600	37,576	0	PT
93.U53		1010409_UWA	3600	64,172	0	PT
	Federal Program 93.U53 Total			**143,909**	**0**	
93.U54	HHS - Unknown CFDA Number	AM02	3600	176,127	0	PT
93.U54		UW BUD# 633174	3600	10,865	0	PT
93.U54		UW BUD# 633450	3600	5,640	0	PT
93.U54		UW633172	3600	96,910	0	PT
	Federal Program 93.U54 Total			**289,542**	**0**	
93.U55	HHS - Unknown CFDA Number	MOD08	3600	26,378	0	PT
	Federal Program 93.U55 Total			**26,378**	**0**	
93.U56	HHS - Unknown CFDA Number	000501394-005 AM02	3600	1,441	0	PT
93.U56		000501394-005 AMO3	3600	7,971	0	PT
	Federal Program 93.U56 Total			**9,412**	**0**	
93.U57	HHS - Unknown CFDA Number	102018-1	3600	25,628	0	PT
	Federal Program 93.U57 Total			**25,628**	**0**	
93.U58	HHS - Unknown CFDA Number	1600258POSR00004052AM	3600	27,932	0	PT

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.U58	HHS - Unknown CFDA Number	TASK 1, PO# SR00004028	3600	605	0	PT
93.U58		TASK114466POSR00004414	3600	3,565	0	PT
93.U58		TASK1413375POSR000040	3600	2,097	0	PT
93.U58		TASK1414471POSR000044	3600	1,971	0	PT
93.U58		TASK214467POSR0000441	3600	30,170	0	PT
93.U58		TASK313369POSR0000405	3600	43,171	0	PT
93.U58		TASK314468POSR0000441	3600	126,985	0	PT
93.U58		TASK714469POSR0000441	3600	52,650	0	PT
93.U58		TASK913373POSR0000404	3600	16,721	0	PT
93.U58		TASK914470POSR0000441	3600	32,513	0	PT
93.U58		TO713371POSR00004050	3600	16,639	0	PT
	Federal Program 93.U58 Total			**355,019**	**0**	
93.U59	HHS - Unknown CFDA Number	16JTSK0203 MOD01	3600	47,164	0	PT
	Federal Program 93.U59 Total			**47,164**	**0**	
93.U60	HHS - Unknown CFDA Number	RS20122159-06 AM002	3600	109,244	(83)	PT
	Federal Program 93.U60 Total			**109,244**	**(83)**	
93.U61	HHS - Unknown CFDA Number	416495-G AM02	3600	38,373	0	PT
	Federal Program 93.U61 Total			**38,373**	**0**	
93.U62	HHS - Unknown CFDA Number	416504	3600	(4,195)	0	PT
	Federal Program 93.U62 Total			**(4,195)**	**0**	
93.U63	HHS - Unknown CFDA Number	200201587699PO00012000	3600	25,576	0	PT
	Federal Program 93.U63 Total			**25,576**	**0**	
93.U64	HHS - Unknown CFDA Number	220778 MOD03	3600	3,526	0	PT
	Federal Program 93.U64 Total			**3,526**	**0**	
93.U65	HHS - Unknown CFDA Number	TO02PROJ602002MOD02	3600	8,763	0	PT
93.U65		TO02PROJ602002MOD03	3600	26,706	0	PT
	Federal Program 93.U65 Total			**35,469**	**0**	
93.U66	HHS - Unknown CFDA Number	30024294913	3600	11,276	0	PT
	Federal Program 93.U66 Total			**11,276**	**0**	
93.U67	HHS - Unknown CFDA Number	349-BEAUFORT AM01	3600	55,253	0	PT
	Federal Program 93.U67 Total			**55,253**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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.U68	HHS - Unknown CFDA Number	47346	3600	104,876	0	PT
93.U68		47676	3600	4,707	0	PT
	Federal Program 93.U68 Total			**109,583**	**0**	
93.U69	HHS - Unknown CFDA Number	5 TP1AH000106-02-00	3600	96,934	0	PT
	Federal Program 93.U69 Total			**96,934**	**0**	
93.U70	HHS - Unknown CFDA Number	603118	3600	54,513	0	PT
	Federal Program 93.U70 Total			**54,513**	**0**	
93.U71	HHS - Unknown CFDA Number	76887872 AM01	3600	21,495	0	PT
	Federal Program 93.U71 Total			**21,495**	**0**	
93.U72	HHS - Unknown CFDA Number	80781	3600	22,832	0	PT
	Federal Program 93.U72 Total			**22,832**	**0**	
93.U73	HHS - Unknown CFDA Number	9009627-011_UWA	3600	7,803	0	PT
	Federal Program 93.U73 Total			**7,803**	**0**	
93.U74	HHS - Unknown CFDA Number	9920160064 AM01	3600	53,102	0	PT
	Federal Program 93.U74 Total			**53,102**	**0**	
93.U75	HHS - Unknown CFDA Number	ADDENDUM 1	3600	26,320	0	PT
	Federal Program 93.U75 Total			**26,320**	**0**	
93.U76	HHS - Unknown CFDA Number		3600	96,669	0	
	Federal Program 93.U76 Total			**96,669**	**0**	
93.U77	HHS - Unknown CFDA Number		3600	36,898	0	
	Federal Program 93.U77 Total			**36,898**	**0**	
93.U78	HHS - Unknown CFDA Number		3600	26,495	9,702	
	Federal Program 93.U78 Total			**26,495**	**9,702**	
93.U79	HHS - Unknown CFDA Number	NO.10042359-02	3600	79,157	0	PT
	Federal Program 93.U79 Total			**79,157**	**0**	
93.U80	HHS - Unknown CFDA Number	P9825 / P9881	3600	9,094	0	PT
	Federal Program 93.U80 Total			**9,094**	**0**	
93.U81	HHS - Unknown CFDA Number	PO 1000757594	3600	21,467	0	PT
	Federal Program 93.U81 Total			**21,467**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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.U82	HHS - Unknown CFDA Number	S6020 TO# 05	3600	13,098	0	PT
	Federal Program 93.U82 Total			**13,098**	**0**	
93.U83	HHS - Unknown CFDA Number	SP003377960044358UWAS	3600	271	0	PT
	Federal Program 93.U83 Total			**271**	**0**	
93.U84	HHS - Unknown CFDA Number	UW635330	3600	64,530	0	PT
	Federal Program 93.U84 Total			**64,530**	**0**	
93.U85	HHS - Unknown CFDA Number		3600	367	0	
	Federal Program 93.U85 Total			**367**	**0**	
93.U86	HHS - Unknown CFDA Number	602042	3600	84,603	0	PT
	Federal Program 93.U86 Total			**84,603**	**0**	
93.U87	HHS - Unknown CFDA Number	UW611868	3600	203,020	0	
	Federal Program 93.U87 Total			**203,020**	**0**	
93.U88	HHS - Unknown CFDA Number	UW610597	3600	1,893	0	
93.U88		160608	3650	39,366	0	PT
	Federal Program 93.U88 Total			**41,259**	**0**	
93.U89	HHS - Unknown CFDA Number	UW675538	3600	1,800	0	
93.U89		2003370134	3650	28,889	0	PT
	Federal Program 93.U89 Total			**30,689**	**0**	
93.U91	HHS - Unknown CFDA Number	UW620005	3600	484	0	
93.U91		46181	3650	160,268	0	PT
93.U91		KC25816	3650	18,212	0	PT
	Federal Program 93.U91 Total			**178,964**	**0**	
93.U92	HHS - Unknown CFDA Number	WSU003306	3650	56,915	0	PT
	Federal Program 93.U92 Total			**56,915**	**0**	
93.U93	HHS - Unknown CFDA Number	WSU003418	3650	37,307	0	PT
	Federal Program 93.U93 Total			**37,307**	**0**	
93.U94	HHS - Unknown CFDA Number	WSU003495	3650	21,379	0	PT
	Federal Program 93.U94 Total			**21,379**	**0**	
Dept of Health & Human Services Total				**1,014,834,406**	**287,348,519**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	59,717	0	
94.002			6990	54,073	0	
	Federal Program 94.002 Total			**113,790**	**0**	
94.003	State Commissions		1050	324,311	0	
	Federal Program 94.003 Total			**324,311**	**0**	
94.006	Americorps		1050	12,530,922	3,343,107	
94.006		480200	3600	114,958	0	PT
94.006			3800	604,338	0	
94.006			6990	117,094	0	
	Federal Program 94.006 Total			**13,367,312**	**3,343,107**	
94.009	Training and Technical Assistance		1050	106,618	0	
	Federal Program 94.009 Total			**106,618**	**0**	
94.013	Volunteers in Service to America		3800	8,964	0	
	Federal Program 94.013 Total			**8,964**	**0**	
94.021	Volunteer Generation Fund		1050	332,246	325,946	
	Federal Program 94.021 Total			**332,246**	**325,946**	
Corp for National & Community Service Total				**14,253,241**	**3,669,053**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1,529,976	1,436	
95.001		9001500076	3600	34,505	0	PT
95.001		90030000939-01	3600	23,593	0	PT
	Federal Program 95.001 Total			**1,588,074**	**1,436**	
95.005	Drug Court Training and Technical Assistance	AM01	3600	(34)	0	PT
	Federal Program 95.005 Total			**(34)**	**0**	
Executive Office of the President Total				**1,588,040**	**1,436**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
97.008	Non-Profit Security Program		2450	149,180	149,180	
	Federal Program 97.008 Total			**149,180**	**149,180**	
97.012	Boating Safety Financial Assistance		4650	2,121,798	0	
	Federal Program 97.012 Total			**2,121,798**	**0**	
97.023	Community Assistance Program State Support Service		4610	171,776	0	
	Federal Program 97.023 Total			**171,776**	**0**	
97.029	Flood Mitigation Assistance		2450	625,115	595,466	
	Federal Program 97.029 Total			**625,115**	**595,466**	
97.036	Disaster Grants - Public Assistance (Presidentiall		2450	29,810,557	29,810,221	
	Federal Program 97.036 Total			**29,810,557**	**29,810,221**	
97.039	Hazard Mitigation Grant		2450	2,675,139	2,252,945	
	Federal Program 97.039 Total			**2,675,139**	**2,252,945**	
97.041	National Dam Safety Program		4610	101,055	0	
	Federal Program 97.041 Total			**101,055**	**0**	
97.042	Emergency Management Performance Grants		2450	7,391,354	4,570,174	
	Federal Program 97.042 Total			**7,391,354**	**4,570,174**	
97.043	State Fire Training Systems Grants		2250	21,217	0	
	Federal Program 97.043 Total			**21,217**	**0**	
97.044	Assistance to Firefighters Grant		2250	238,044	0	
	Federal Program 97.044 Total			**238,044**	**0**	
97.045	Cooperating Technical Partners		3600	176,605	0	
97.045			4610	170,570	0	
97.045			4900	93,629	0	
	Federal Program 97.045 Total			**440,804**	**0**	
97.046	Fire Management Assistance Grant		2450	3,552,238	45,484	
	Federal Program 97.046 Total			**3,552,238**	**45,484**	
97.047	Pre-Disaster Mitigation		2450	86,252	52,001	
97.047		E15-173	3760	3,998	0	PT
	Federal Program 97.047 Total			**90,250**	**52,001**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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		2250	39,612	0	
97.056			4770	562,500	0	
	Federal Program 97.056 Total			**602,112**	**0**	
97.061	Centers for Homeland Security	2015-01722-03	3600	114,011	0	PT
97.061		2015017220215547AM01	3600	132,661	0	PT
97.061		PO484663 AM04	3600	141,857	0	PT
97.061		S11198.06 MOD06	3600	40,929	0	PT
97.061		50503678050	3650	150,409	0	PT
	Federal Program 97.061 Total			**579,867**	**0**	
97.067	Homeland Security Grant Program	K11678-SG85	2250	403	0	PT
97.067		K12007-SG86	2250	277	0	PT
97.067			2450	13,719,235	12,614,266	
	Federal Program 97.067 Total			**13,719,915**	**12,614,266**	
97.110	Severe Repetitive Loss Program		2450	157,945	157,945	
	Federal Program 97.110 Total			**157,945**	**157,945**	
97.U02	Homeland Security - Unknown CFDA Number	505092-78051 AM02	3600	32,880	0	PT
	Federal Program 97.U02 Total			**32,880**	**0**	
97.U04	Homeland Security - Unknown CFDA Number	14-DHS-1100 AM05	3600	289,402	0	PT
	Federal Program 97.U04 Total			**289,402**	**0**	
97.U05	Homeland Security - Unknown CFDA Number		3600	221,911	0	
	Federal Program 97.U05 Total			**221,911**	**0**	
97.U06	Homeland Security - Unknown CFDA Number		3600	608,179	246,274	
	Federal Program 97.U06 Total			**608,179**	**246,274**	
97.U07	Homeland Security - Unknown CFDA Number	150445	3650	165,373	0	PT
	Federal Program 97.U07 Total			**165,373**	**0**	
97.U08	Homeland Security - Unknown CFDA Number	10-1622-2111	4770	592	0	
	Federal Program 97.U08 Total			**592**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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.U09	Homeland Security - Undetermined	15-04659-2311	4770	10,437	0	
	Federal Program 97.U09 Total			**10,437**	**0**	
Dept of Homeland Security Total				**63,777,140**	**50,493,956**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	2,518,990	978,075	
98.001		00008193 AM05	3600	130,471	0	PT
98.001		00008193 AM08	3600	154,085	0	PT
98.001		00449784111052AM03	3600	28,863	0	PT
98.001		3312021492452359LMOD03	3600	9,515	0	PT
98.001		44827833POS9000468AM00	3600	69,801	0	PT
98.001		BPO17014WO001MOD001	3600	47,636	0	PT
98.001		FAA3/UOW/2016 MOD04	3600	20,140	0	PT
98.001		IMA0420162USHINDIUWA	3600	96,934	32,506	PT
98.001			3650	957,287	104,305	
98.001		20140373901	3650	119,032	0	PT
98.001		45136419276	3650	6,646	0	PT
98.001		45136419276A	3650	10,602	0	PT
	Federal Program 98.001 Total			**4,170,002**	**1,114,886**	
98.007	Food for Peace Development Assistance Program (Dap	UNF-17-897	3600	62,662	0	PT
	Federal Program 98.007 Total			**62,662**	**0**	
98.U01	US Agency for Internat Develop - Unknown CFDA Numb	A138-2015-02-UW MOD01	3600	39,342	0	PT
	Federal Program 98.U01 Total			**39,342**	**0**	
98.U02	US Agency for Internat Develop - Unknown CFDA Numb	401UW MOD03	3600	44,920	0	PT
	Federal Program 98.U02 Total			**44,920**	**0**	
98.U03	US Agency for Internat Develop - Unknown CFDA Numb	SH1113 AM12	3600	28,839	0	PT
	Federal Program 98.U03 Total			**28,839**	**0**	
98.U04	US Agency for Internat Develop - Unknown CFDA Numb	ORC11640200529697CRTA	3600	30,530	0	PT
	Federal Program 98.U04 Total			**30,530**	**0**	
U.S. Agency for International Development Total				**4,376,295**	**1,114,886**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	67,593	0	PT
	Federal Program 99.U01 Total			**67,593**	**0**	
	Undetermined Fed Agency Total			**67,593**	**0**	
Federal Programs Not Clustered Total				**3,596,234,078**	**912,697,330**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.001	Agricultural Research_Basic and Applied Research		3600	238,613	0	
10.001			3650	1,919,850	6,965	
	Federal Program 10.001 Total			**2,158,463**	**6,965**	
	Agricultural Research Service Total			**2,158,463**	**6,965**	
10.200	Grants for Agricultural Research, Special Research		3600	909,287	545,322	
10.200			3650	691,277	0	
10.200		20140287810WSU	3650	(687)	0	PT
10.200		20140287818WSU	3650	5,867	0	PT
10.200		20140287820WSU	3650	(3,627)	0	PT
10.200		20140287829WSU	3650	704	0	PT
10.200		20150258701WSU	3650	109,676	0	PT
10.200		20150258715WSU	3650	1,062	0	PT
10.200		20150258717WSU	3650	15,381	0	PT
10.200		20150258718WSU	3650	19,797	0	PT
10.200		20150258726WSU	3650	10,581	0	PT
10.200		20150258736WSUGRA	3650	3,580	0	PT
10.200		20150258737WSUWATERS	3650	11,629	0	PT
10.200		5731FBSMITHGRANATS	3650	1,743	0	PT
10.200		AFE742346	3650	905	0	PT
10.200		BJKP36SB003	3650	15,922	0	PT
10.200		G140261	3650	128,331	0	PT
	Federal Program 10.200 Total			**1,921,428**	**545,322**	
10.202	Cooperative Forestry Research		3600	596,992	0	
10.202			3650	491,512	0	
	Federal Program 10.202 Total			**1,088,504**	**0**	
10.203	Payments to Agricultural Experiment Stations Under		3650	4,310,923	0	
	Federal Program 10.203 Total			**4,310,923**	**0**	
10.207	Animal Health and Disease Research		3650	106,064	0	
	Federal Program 10.207 Total			**106,064**	**0**	
10.212	Small Business Innovation Research	UW BUD# 630751	3600	4,865	0	PT
10.212		UW BUD# 663002	3600	30,607	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.212	Small Business Innovation Research	UW BUD# 669887	3600	(43,933)	0	PT
10.212		11781801	3650	106,318	0	PT
10.212		130318	3650	25,993	0	PT
	Federal Program 10.212 Total			**123,850**	**0**	
10.215	Sustainable Agriculture Research and Education	110892012	3650	1,100	0	PT
10.215		12083302	3650	(4,524)	0	PT
10.215		120833032	3650	12,080	0	PT
10.215		120833036	3650	418	0	PT
10.215		130676002240	3650	69,171	0	PT
10.215		130676021282	3650	7,947	0	PT
10.215		130676022	3650	23,438	0	PT
10.215		130676026	3650	7,437	0	PT
10.215		140867029	3650	96,079	0	PT
10.215		140867032373	3650	12,286	0	PT
10.215		14086704268	3650	42,247	0	PT
10.215		15089300001169	3650	109,385	0	PT
10.215		15089300001266	3650	6,576	0	PT
10.215		15089300001267	3650	24,191	0	PT
10.215		15089300001268	3650	2,451	0	PT
10.215		15089300001271	3650	4,592	0	PT
	Federal Program 10.215 Total			**414,874**	**0**	
10.227	1994 Institutions Research Program	UW BUD# 630823	3600	8,115	0	PT
	Federal Program 10.227 Total			**8,115**	**0**	
10.307	Organic Agriculture Research and Extension Initiat		3650	726,517	304,575	
10.307		14082302	3650	135,908	0	PT
	Federal Program 10.307 Total			**862,425**	**304,575**	
10.310	Agriculture and Food Research Initiative (Afri)		3600	8,534,031	7,245,605	
10.310		416211-UW AM001	3600	6,392	0	PT
10.310		612K032 AM02	3600	74,869	0	PT
10.310		UNR1550PR2013670192136	3600	32,530	0	PT
10.310			3650	10,652,583	2,048,034	
10.310		101474002	3650	155,382	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.310	Agriculture and Food Research Initiative (Afri)	102117659	3650	287,474	0	PT
10.310		20101571807	3650	(5,682)	0	PT
10.310		20101573903	3650	21,928	0	PT
10.310		20122309005	3650	146,572	0	PT
10.310		20140634401	3650	84,148	0	PT
10.310		2563210212002	3650	18,479	0	PT
10.310		29034SUB51751	3650	26,831	0	PT
10.310		30122SUBWSU	3650	298	0	PT
10.310		667077	3650	668	0	PT
10.310		BGK418SB001	3650	114	0	PT
10.310		BJKL03SB002	3650	700,952	0	PT
10.310		BJKP55SB002	3650	23,770	0	PT
10.310		BKK664SB001	3650	13,490	0	PT
10.310		C000315874	3650	231,251	0	PT
10.310		C000464742	3650	27,017	0	PT
10.310		C00544064	3650	50,872	0	PT
10.310		H005365302	3650	18,479	0	PT
10.310		RC104967WSU	3650	158,477	0	PT
10.310		RC105806WSU	3650	704	0	PT
10.310		S110072	3650	366,083	0	PT
10.310		TASK 6	3650	14,847	0	PT
10.310		U0720BA	3650	23,553	0	PT
10.310		US0010000544060	3650	9,617	0	PT
10.310		68001-23230	3760	50,509	0	PT
10.310		202569WWU	3800	29,569	0	PT
	Federal Program 10.310 Total			**21,755,807**	**9,293,639**	
	National Institute of Food and Agriculture Total			**30,591,990**	**10,143,536**	
10.652	Forestry Research		3600	12,482	0	
10.652			3800	1,635	0	
	Federal Program 10.652 Total			**14,117**	**0**	
10.680	Forest Health Protection		3600	8,288	0	
10.680		A106307 (WA-007)	3600	(8)	0	PT
10.680			3650	34,082	0	
10.680			4900	358,620	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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Agriculture

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.680	Forest Health Protection		4950	158,668	0	
	Federal Program 10.680 Total			**559,650**	**0**	
	Forest Service Total			**573,767**	**0**	
Dept of Agriculture Total				**33,324,220**	**10,150,501**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.417	Sea Grant Support		3600	3,579,557	381,603	
	Federal Program 11.417 Total			**3,579,557**	**381,603**	
11.420	Coastal Zone Management Estuarine Research Reserve		4610	801,636	0	
	Federal Program 11.420 Total			**801,636**	**0**	
11.427	Fisheries Development and Utilization Research and		3600	197,972	0	
11.427		NA15NMF4270318 AM01	3600	60,630	0	PT
11.427		UW BUD# 635260	3600	204,485	0	PT
11.427			4770	114,104	0	
	Federal Program 11.427 Total			**577,191**	**0**	
11.431	Climate and Atmospheric Research		3600	1,272,754	6,380	
11.431		16-04 AM01	3600	58,859	0	PT
11.431		NA291A-B	3600	26,457	0	PT
11.431		NA291A-B AM01	3600	63,853	0	PT
	Federal Program 11.431 Total			**1,421,923**	**6,380**	
11.432	National Oceanic and Atmospheric Administration (N		3600	20,133,016	57,834	
	Federal Program 11.432 Total			**20,133,016**	**57,834**	
11.467	Meteorologic and Hydrologic Modernization Developm		2450	563,394	411,707	
	Federal Program 11.467 Total			**563,394**	**411,707**	
11.468	Applied Meteorological Research		3600	214,516	0	
	Federal Program 11.468 Total			**214,516**	**0**	
11.472	Unallied Science Program	12-85-10 AM05	3600	105,473	0	PT
11.472		1304	3600	20,414	0	PT
11.472		1402	3600	28,790	0	PT
11.472		1408	3600	13,201	0	PT
11.472		1509B AM01	3600	64,391	0	PT
11.472		1511B	3600	18,155	0	PT
11.472		1515B AM01	3600	38,173	0	PT
11.472		1525	3600	86,487	0	PT
11.472		1532	3600	1,063	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Commerce

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.472	Unallied Science Program	1533	3600	120,251	0	PT
11.472		1603PRIMENA15NMF4720	3600	60,988	0	PT
11.472		1609	3600	11,515	0	PT
11.472		1615	3600	26,225	0	PT
11.472		17-75-08	3600	44,058	0	PT
11.472		A92-02A	3600	6,547	0	PT
11.472		A93-02A	3600	63,544	0	PT
11.472		A94-00A	3600	42,529	0	PT
11.472		F6423 AM01	3600	88,424	0	PT
11.472		G82/F5182-01 AM02	3600	(467)	0	PT
11.472		PROJECT #1421	3600	1,265	0	PT
11.472		1427C	3800	48,279	0	PT
11.472		1533	3800	29,244	0	PT
11.472			4770	599,132	0	
	Federal Program 11.472 Total			**1,517,681**	**0**	
	National Oceanic and Atmospheric Administration (N Total			**28,808,914**	**857,524**	
11.609	Measurement and Engineering Research and Standards		3600	2,572	0	
11.609			3650	(11)	0	
11.609			3700	28,922	0	
	Federal Program 11.609 Total			**31,483**	**0**	
	National Institute of Standards and Technology (Ni Total			**31,483**	**0**	
Dept of Commerce Total				**28,840,397**	**857,524**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.114	Collaborative Research and Development		4610	68,524	0	
	Federal Program 12.114 Total			**68,524**	**0**	
	Department of the Army, Office of the Chief of Eng Total			**68,524**	**0**	
12.300	Basic and Applied Scientific Research		3600	23,439,071	605,218	
12.300		00009483	3600	23,673	0	PT
12.300		1141207-236198 AM12	3600	(1)	0	PT
12.300		1141221-293180 AM04	3600	18,855	0	PT
12.300		2 GG007783 AM10	3600	164,024	0	PT
12.300		557493 AM04	3600	(170)	0	PT
12.300		60647113-107808 AM07	3600	183,685	0	PT
12.300		7855910699N00014161261	3600	265,124	0	PT
12.300		A101081 AM04	3600	99,976	0	PT
12.300		G-22069-1 AM01	3600	127,227	0	PT
12.300			3650	829,288	0	
12.300		126522001	3650	71	0	PT
12.300			3800	211,277	0	
12.300			4770	566,924	0	
	Federal Program 12.300 Total			**25,929,024**	**605,218**	
12.350	Department of Defense HIV/AIDS Prevention Program		3600	329,386	0	
	Federal Program 12.350 Total			**329,386**	**0**	
	Department of the Navy, Office of the Chief of Nav Total			**26,258,410**	**605,218**	
12.351	Basic Scientific Research - Combating Weapons of		3600	2,884,766	0	
12.351		UTA11-000762 AM05	3600	(2,252)	0	PT
12.351			3650	1,151,065	32,673	
12.351		SUB0000083	3650	67,263	0	PT
	Federal Program 12.351 Total			**4,100,842**	**32,673**	
	Office of the Secretary of Defense Total			**4,100,842**	**32,673**	
12.420	Military Medical Research and Development		3600	10,142,837	3,202,350	
12.420		0000814873 AM01	3600	36,050	0	PT
12.420		0000814873 AM02	3600	125,847	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.420	Military Medical Research and Development	0000814876 AM2	3600	116,172	0	PT
12.420		0000843084 AM01	3600	14,376	0	PT
12.420		0000843085 AM01	3600	9,148	0	PT
12.420		0000863149 AM01	3600	115,505	0	PT
12.420		0258-0701-4609	3600	2,243	0	PT
12.420		0258-0701-4609 AM1	3600	5,782	0	PT
12.420		10033316	3600	25	0	PT
12.420		10291495 AM011	3600	17,627	0	PT
12.420		10291495 AM012	3600	149,008	78,351	PT
12.420		12-18717-99-01-G1	3600	52,220	0	PT
12.420		201114	3600	78	0	PT
12.420		2016.003	3600	68,000	0	PT
12.420		3003179988 AM02	3600	26,066	0	PT
12.420		3003179988 AM03	3600	123,788	0	PT
12.420		3003346129 AM03	3600	32,819	0	PT
12.420		3093 / PO #851000	3600	754	0	PT
12.420		364271-SUB 2 A6	3600	28,134	0	PT
12.420		535819PRW81XWH1110639	3600	8,837	0	PT
12.420		8455SC AM01	3600	50,159	0	PT
12.420		ARM333AM04W81XWH11	3600	(11,652)	0	PT
12.420		CHAO2022-01	3600	43,045	0	PT
12.420		MSRC-FY-16-01 MOD01	3600	351,594	35,945	PT
12.420		PO 2002505331	3600	2,595	0	PT
12.420		PO# 2002478756	3600	37,040	0	PT
12.420		PO#2000859125 MOD05	3600	(155)	0	PT
12.420		PO#2000859125 MOD08	3600	9,195	0	PT
12.420		PT108802-SC104833 AM03	3600	22,521	0	PT
12.420		PT108802-SC104833 AM05	3600	92,876	0	PT
12.420		PT108802SC104833S1AM0	3600	119,210	(1,174)	PT
12.420		R01477 AM06	3600	143,465	82,065	PT
12.420		RM128A-B	3600	32,563	0	PT
12.420		T659929	3600	5,001	0	PT
12.420		UFDSP00010722 AM01	3600	85,230	0	PT
12.420		VUMC37447 MOD03	3600	90	0	PT
12.420			3650	850,537	13,982	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.420	Military Medical Research and Development	8442SC	3650	272,437	0	PT
12.420			3700	118,622	0	
	Federal Program 12.420 Total			**13,299,689**	**3,411,519**	
	U.S. Army Medical Command Total			**13,299,689**	**3,411,519**	
12.431	Basic Scientific Research		3600	2,774,936	562,769	
12.431		16-S07	3600	5,642	0	PT
12.431		201301077-03 AM07	3600	144,587	0	PT
12.431		2014-2015-009	3600	(298)	0	PT
12.431		3003766303 AM01	3600	74,837	0	PT
12.431		5710003984	3600	554	0	PT
12.431		C13J11497J00210AM05	3600	120,314	0	PT
12.431		C13J11497J00210AM06	3600	13,986	0	PT
12.431		R01884	3600	2,521	0	PT
12.431			3650	269,605	30,683	
12.431		20150616603	3650	109,178	0	PT
12.431		S15216	3650	32,208	0	PT
	Federal Program 12.431 Total			**3,548,070**	**593,452**	
	U.S. Army Materiel Command Total			**3,548,070**	**593,452**	
12.630	Basic, Applied, and Advanced Research in Science A		3600	163,215	0	
12.630		0220160028 AM01	3600	179,795	43,918	PT
12.630		N000141420002	6990	71,666	0	PT
	Federal Program 12.630 Total			**414,676**	**43,918**	
	Office of the Secretary of Defense Total			**414,676**	**43,918**	
12.800	Air Force Defense Resch Sciences Program		3600	5,533,017	2,516,866	
12.800		1150128-346283 AM05	3600	68,758	0	PT
12.800		2 (GG006552) AM04	3600	14	0	PT
12.800		5710004246	3600	3,541	0	PT
12.800		60814399-114411 AM05	3600	115,777	0	PT
12.800		61129790-119334 AM02	3600	144,232	0	PT
12.800		707824-874J AM02	3600	152,634	0	PT
12.800		R01868	3600	18,551	0	PT
12.800		SP0022325PROJ0007154A	3600	238,831	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.800	Air Force Defense Resch Sciences Program	UTA15-001301 AM02	3600	56,152	0	PT
12.800		UW BUD# 666087	3600	55,389	0	PT
12.800		UW BUD# 668748	3600	(275)	0	PT
12.800			3650	301,443	0	
12.800			3800	88,308	0	
	Federal Program 12.800 Total			**6,776,372**	**2,516,866**	
	Department of the Air Force, Materiel Command Total			**6,776,372**	**2,516,866**	
12.902	Information Security Grant Program		3600	793,652	72,012	
	Federal Program 12.902 Total			**793,652**	**72,012**	
	National Security Agency Total			**793,652**	**72,012**	
12.910	Research and Technology Development		3600	2,878,236	937,619	
12.910		14544 MOD03	3600	101,680	0	PT
12.910		251658 AM05	3600	10,861	0	PT
12.910		28-M1702181	3600	35,999	0	PT
12.910		67102239 AM01	3600	333,956	0	PT
12.910		UTA15-001252 AM02	3600	117,190	0	PT
12.910		WA00394311/OSP2016165	3600	63,886	0	PT
12.910			3650	470,753	33,004	
	Federal Program 12.910 Total			**4,012,561**	**970,623**	
	Advanced Research Projects Agency Total			**4,012,561**	**970,623**	
12.RD	DOD - Unknown CFDA Number	C130156FED	2250	189,904	0	
12.RD		Multiple	3600	41,186,816	677,456	
12.RD		117773 MOD03	3600	(2)	0	PT
12.RD		1295-S-TA153 AM01	3600	61,015	0	PT
12.RD		15020-504519-DS	3600	30,441	0	PT
12.RD		15024	3600	23,945	0	PT
12.RD		16027N6247311D22250054	3600	5,792	0	PT
12.RD		17-8400-09-C1 MOD01	3600	57,847	0	PT
12.RD		191-16-C-0003 MOD1	3600	15,249	0	PT
12.RD		1990377350157AM04REV	3600	50,982	0	PT
12.RD		2001977042 MOD05	3600	36,192	0	PT
12.RD		2002927679	3600	30,465	0	PT
12.RD		2016-1147	3600	203,579	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.RD	DOD - Unknown CFDA Number	2385404WSHPO238004020	3600	23,220	0	PT
12.RD		27-001450 MOD03	3600	302,657	0	PT
12.RD		3(GG011207) AM01	3600	284,937	0	PT
12.RD		3115-SC001 AM02	3600	62,021	0	PT
12.RD		3115-SC001, AMEND # 03	3600	105,748	0	PT
12.RD		741-UW-2015 AM01	3600	14,401	0	PT
12.RD		930600-4	3600	556,449	0	PT
12.RD		AFITS-UW-001	3600	39,092	0	PT
12.RD		AM01	3600	15,475	0	PT
12.RD		AM05	3600	122,575	0	PT
12.RD		BD517407A AM03	3600	29,073	0	PT
12.RD		CONTRACT # 132791	3600	13,075	0	PT
12.RD		CRFR-009-02-01 MOD03	3600	138,221	0	PT
12.RD		FA8650-12-C5203 AM02	3600	58,784	0	PT
12.RD		G-01606-1	3600	7,441	0	PT
12.RD		HPTI-DRC-SUB2014-PETT	3600	528	0	PT
12.RD		K000886-00-S06 MOD09	3600	88,709	0	PT
12.RD		K000886-00-S06 MOD10	3600	106,941	0	PT
12.RD		LLTK-SSMSP-19 AMO3	3600	32,023	0	PT
12.RD		N006060601 AM01	3600	1,080,175	0	PT
12.RD		PO # 138890	3600	5,513	0	PT
12.RD		PO # 138890 AM01	3600	12,231	0	PT
12.RD		PO #4207023728	3600	69,307	0	PT
12.RD		PO 191-16-C-0003-A	3600	31,455	0	PT
12.RD		PO#2936118 CO02	3600	117,440	0	PT
12.RD		PO-20110120	3600	(22,472)	0	PT
12.RD		PRIME HR0011-16-C-0116	3600	93,261	0	PT
12.RD		RM102A-B AM06	3600	59,837	0	PT
12.RD		RM119A-A AM03	3600	163,201	0	PT
12.RD		S-10494-01	3600	54,649	0	PT
12.RD		S-953-21-MR014, TO-02	3600	34,563	0	PT
12.RD		S16-17 MOD02	3600	75,290	0	PT
12.RD		S17-033001	3600	27,150	0	PT
12.RD		SBIR01UOW2012060601	3600	(14,211)	0	PT
12.RD		SUB/TASK# SURF II AM03	3600	225,213	0	PT
12.RD		T72595 CO02/CO03	3600	145,469	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

Dept of Defense

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.RD	DOD - Unknown CFDA Number	TAI-16-0815	3600	39,747	0	PT
12.RD		UW BUD# 630056	3600	77,640	0	PT
12.RD		UW BUD# 639884	3600	4,594	0	PT
12.RD		UW632189	3600	36,316	0	PT
12.RD		UW635368	3600	95,054	0	PT
12.RD		UW637678	3600	31,529	0	PT
12.RD		UW669807	3600	179,853	0	PT
12.RD		W81XWH-11-1-0835 AM02	3600	93,879	0	PT
12.RD		W81XWH1020090 MOD03	3600	1,502	0	PT
12.RD		WA-S-2014-015-1 AM02	3600	41,197	0	PT
12.RD		101107	3650	6,000	0	
12.RD		101304	3650	4,966	0	
12.RD		101305	3650	10,000	0	
12.RD		101387	3650	4,593	0	
12.RD		101392	3650	6,147	0	
12.RD		149000002	3650	58,344	0	PT
12.RD		2001520332	3650	78,154	0	PT
12.RD		2002688433	3650	27	0	PT
12.RD		28M1702710	3650	3,032	0	PT
12.RD		3323200201841	3650	33,321	0	PT
12.RD		950621	3650	(3,317)	0	PT
12.RD		ARM211	3650	12,705	0	PT
12.RD		CBSC0616151	3650	87,755	0	PT
12.RD		HU0001161TS01	3650	229,813	0	PT
12.RD		IPA160013	3650	18,394	0	
12.RD		W9113M09C0075	3650	141,842	0	
12.RD		W911NF13C0031	3650	143,351	67,490	
12.RD		W912HQ15C0023	3650	156,972	0	
12.RD		W912HQ15C0076	3650	116,714	0	
12.RD		WSU007	3650	(537)	0	PT
12.RD		W911S8-16-2-0006	4770	66,772	0	
	Federal Program 12.RD Total			**47,828,025**	**744,946**	
	DOD Contract Number Only Provided Total			**47,828,025**	**744,946**	
Dept of Defense Total				**107,100,821**	**8,991,227**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	133,057	0	
	Federal Program 14.008 Total			**133,057**	**0**	
	Office of Policy Development and Research Total			**133,057**	**0**	
	Housing & Urban Development Total			**133,057**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
15.560	Secure Water Act - Research Agreements		3600	18,096	0	
	Federal Program 15.560 Total			**18,096**	**0**	
	Bureau of Reclamation Total			**18,096**	**0**	
15.650	Research Grants (Generic)		3600	41,666	0	
15.650			3650	14,998	0	
15.650			4770	41,906	0	
	Federal Program 15.650 Total			**98,570**	**0**	
15.669	Cooperative Landscapte Conservation		3600	39,256	0	
	Federal Program 15.669 Total			**39,256**	**0**	
	Fish and Wildlife Service Total			**137,826**	**0**	
15.805	Assistance to State Water Resources Research Insti		3650	87,696	0	
	Federal Program 15.805 Total			**87,696**	**0**	
15.807	Earthquake Hazards Reduction Program		3600	1,414,592	0	
15.807		Contract No. 2016.1	3750	508,254	0	
15.807			3800	16,812	0	PT
	Federal Program 15.807 Total			**1,939,658**	**0**	
15.808	U.S. Geological Survey_ Research and Data Collecti		3600	449,253	0	
15.808			3650	69,879	0	
15.808			3700	42,026	0	
15.808			4610	58,448	0	
	Federal Program 15.808 Total			**619,606**	**0**	
15.812	Cooperative Research Units Program		3600	283,470	0	
	Federal Program 15.812 Total			**283,470**	**0**	
	U.S. Geological Survey Total			**2,930,430**	**0**	
15.945	Cooperative Research & Training Pgrom Resources Na		3600	624,343	0	
15.945			3650	134,210	0	
15.945			3750	2,490	0	
15.945			3800	518,717	0	
	Federal Program 15.945 Total			**1,279,760**	**0**	
	National Park Service Total			**1,279,760**	**0**	
	Dept of the Interior Total			**4,366,112**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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	63,883	0	
16.560			3600	868,773	177,322	
16.560		09469	3600	61,992	0	PT
16.560		09904	3600	92,908	0	PT
16.560			3650	286,177	0	
16.560		4972WSUNIJ0055	3650	62,928	0	PT
	Federal Program 16.560 Total			**1,436,661**	**177,322**	
16.562	Criminal Justice Research and Development Graduate		3600	7,523	0	
	Federal Program 16.562 Total			**7,523**	**0**	
	National Institute of Justice Total			**1,444,184**	**177,322**	
Dept of Justice Total				**1,444,184**	**177,322**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
20.108	Aviation Research Grants		3600	15,082	0	
	Federal Program 20.108 Total			**15,082**	**0**	
20.109	Air Transportation Centers of Excellence		3600	665,937	76,741	
20.109			3650	644,669	0	
	Federal Program 20.109 Total			**1,310,606**	**76,741**	
	Federal Aviation Administration (Faa) Total			**1,325,688**	**76,741**	
20.200	Highway Research and Development Program	HR1091AMOD01SUB00009	3600	3,617	0	PT
20.200		HR1091AMOD01SUB00009	3600	22,083	2,529	PT
20.200			3650	386,394	0	
20.200			3700	280,850	0	
	Federal Program 20.200 Total			**692,944**	**2,529**	
	Federal Highway Administration (FHWA) Total			**692,944**	**2,529**	
20.761	Biobased Transportation Research	T0013GA	3650	(8,278)	0	PT
	Federal Program 20.761 Total			**(8,278)**	**0**	
	Federal Motor Carrier Safety Administration Total			**(8,278)**	**0**	
Dept of Transportation Total				**2,010,354**	**79,270**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	39,332	8,014	
	Federal Program 43.003 Total			**39,332**	**8,014**	
43.009	Cross Agency Support		3600	40,000	0	
43.009			3650	44,588	0	
	Federal Program 43.009 Total			**84,588**	**0**	
	National Aeronautic & Space Administration Total			**123,920**	**8,014**	
National Aeronautics & Space Admin Total				**123,920**	**8,014**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	14,878,832	1,799,525	
47.041		00009375, PTE 1612843	3600	71,751	0	PT
47.041		0190 G SA465	3600	136,639	0	PT
47.041		02-S150242 AM02	3600	(799)	0	PT
47.041		1001434807	3600	30,396	0	PT
47.041		2015-04522-04 AM02	3600	35,949	0	PT
47.041		2016-01-PM-USM	3600	1,915	0	PT
47.041		340812	3600	47,111	0	PT
47.041		EEC-144507 AM02	3600	53,735	0	PT
47.041		IIP-1330971	3600	9,450	0	PT
47.041		NSF15-604	3600	89,238	0	PT
47.041		PO# 29150	3600	9,576	0	PT
47.041		R3D381 AM03	3600	77,001	0	PT
47.041		S1738A-A AM01	3600	55,911	0	PT
47.041		UTA14-000587 AM02	3600	77,298	0	PT
47.041		UTA15-000857 AM01	3600	82,793	0	PT
47.041		UW BUD# 633391	3600	3,799	0	PT
47.041		UW BUD# 635063	3600	21,555	0	PT
47.041		UW OSP #A110020	3600	62,644	0	PT
47.041			3650	2,960,335	238,864	
47.041		3003760323	3650	28,249	0	PT
47.041		410151649	3650	7,568	0	PT
47.041		A120044S007	3650	1,012	0	PT
47.041			3800	11,367	0	
47.041		RSP-15040	3800	43,219	0	PT
47.041		260118A	6990	12,082	0	PT
	Federal Program 47.041 Total			**18,808,626**	**2,038,389**	
47.049	Mathematical and Physical Sciences		3600	17,618,124	3,217,089	
47.049		00008651 AM02	3600	53,274	0	PT
47.049		00008789 AM02	3600	27,838	0	PT
47.049		0009390	3600	13,555	0	PT
47.049		1505861(01)	3600	1,804	0	PT
47.049		27418-03741-S01	3600	1,625	0	PT
47.049		7850410756PTEDMR16293	3600	34,391	0	PT
47.049		C14D11736(D01999)AM01	3600	246,213	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Research and Development

National Science Foundation

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.049	Mathematical and Physical Sciences	C14D11736(D01999)AM02	3600	137,002	0	PT
47.049		N51948C AM03	3600	2,898,502	0	PT
47.049		PHY-1219444	3600	4,465	0	PT
47.049		PRIME DMS-1345499	3600	5,523	0	PT
47.049		RC104177UW AM02	3600	142,285	0	PT
47.049		T439664 AM03	3600	27,342	0	PT
47.049		T663470 AM04	3600	103,423	0	PT
47.049			3650	1,950,174	81,774	
47.049			3700	34,406	0	
47.049		#3-8-710-949; 1345499	3700	996	0	PT
47.049			3750	103,554	0	
47.049			3800	695,079	0	
	Federal Program 47.049 Total			**24,099,575**	**3,298,863**	
47.050	Geosciences		3600	18,865,368	617,142	
47.050		07-UWA-SAGE AM04	3600	63,480	0	PT
47.050		14-NSF-1031 AM03	3600	104,590	0	PT
47.050		14386AM03PRNSF1338810	3600	91,640	0	PT
47.050		20(GG009393)AM02	3600	10,076	0	PT
47.050		20B(GG009393)	3600	19,036	0	PT
47.050		20C(GG009393)	3600	365	0	PT
47.050		4 (GG002456) AM10	3600	1,040	0	PT
47.050		55591530 AM02	3600	18,276	0	PT
47.050		61125317-112715 AM01	3600	55,059	0	PT
47.050		80326143 AM01	3600	31,667	0	PT
47.050		97578 AM001	3600	37,307	0	PT
47.050		A101293	3600	141,793	0	PT
47.050		EAR-1325457-UW-1	3600	7,660	0	PT
47.050		G-3624-12 AM06	3600	23,037	0	PT
47.050		GSTCN0106S2 AM08	3600	18,110	(17,966)	PT
47.050		GSTCN0106S2 AM08	3600	19,482	0	PT
47.050		KK1641 AM01	3600	17,192	0	PT
47.050		S1602AM001POP180309	3600	35,808	0	PT
47.050		SA 9-09	3600	4,914,232	0	PT
47.050		SA 9-09 MOD 45	3600	29,094	0	PT
47.050		SA 9-09 MOD 50	3600	783,963	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
47.050	Geosciences	SA 9-09 MOD 58	3600	5,009,652	0	PT
47.050		SUB0000005 AM04	3600	919,231	0	PT
47.050		SUB0000005 AM05	3600	119,445	0	PT
47.050		Z15-13632 MOD01	3600	83,279	0	PT
47.050		Z1621925MOD01PAGS1541	3600	30,484	0	PT
47.050			3650	1,298,303	34,403	
47.050		3002608135	3650	20,034	0	PT
47.050		IBK289SB001	3650	141,239	0	PT
47.050		SUB0000169	3650	5,220	0	PT
47.050		WSU003361	3650	6,800	0	PT
47.050			3750	778,438	0	
47.050		S10-WAR1261833-S2, EAR	3750	112,266	0	PT
47.050		S16-ICER1639709-S2	3750	2,033	0	PT
47.050			3800	478,112	0	
47.050		T350A77/BA-77	3800	1,898	0	PT
47.050			6990	101,593	0	
	Federal Program 47.050 Total			**34,396,302**	**633,579**	
47.070	Computer and Information Science and Engineering		3600	15,580,885	309,050	
47.070		1122507-379498	3600	6,956	0	PT
47.070		1549807 MOD06	3600	190,658	0	PT
47.070		15827	3600	54,141	0	PT
47.070		27338-Z4338001 AMB	3600	94,321	0	PT
47.070		340051-55900 MOD02	3600	108,582	0	PT
47.070		60167194-106431-A AM01	3600	(144,170)	0	PT
47.070		68874 AM01	3600	8,610	0	PT
47.070		POSTDOC002	3600	31,095	0	PT
47.070		POSTDOC002 AM002	3600	232,821	0	PT
47.070		SP0027430PROJ0007182A	3600	107,770	0	PT
47.070		SUBAWARD #15829	3600	38,092	0	PT
47.070			3650	2,320,267	103,648	
47.070		19062062011806	3650	158,016	0	PT
47.070		RC104385WSU	3650	12,069	0	PT
47.070		Z0051A-B	3650	52,439	0	PT
47.070		15-203230-00-00	3800	51,234	0	PT
	Federal Program 47.070 Total			**18,903,786**	**412,698**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
47.074	Biological Sciences		3600	7,040,329	29,208	
47.074		14-02 AM01	3600	66,647	0	PT
47.074		17-025 (1616821)	3600	39,764	0	PT
47.074		202799UW	3600	17,497	0	PT
47.074		478640-19124	3600	709	0	PT
47.074		61-2075UW AM03	3600	185	0	PT
47.074		61-2075UW AM06	3600	78,643	0	PT
47.074		61-2075UW AM10	3600	6,874	0	PT
47.074		61-2075UW AM12	3600	47,751	0	PT
47.074		612075UW AM16	3600	336,230	0	PT
47.074		C00050974-2	3600	28,836	0	PT
47.074		S11-274-001	3600	467	0	PT
47.074		S1713A-A AM02	3600	9,979	0	PT
47.074			3650	6,422,412	1,906,777	
47.074		20171	3650	48,206	0	PT
47.074			3750	50,861	0	
47.074		RR167-627/S000812	3750	41,535	0	PT
47.074			3760	95,921	0	
47.074			3800	401,103	0	
47.074			6990	16,160	0	
	Federal Program 47.074 Total			**14,750,109**	**1,935,985**	
47.075	Social, Behavioral, and Economic Sciences		3600	2,649,068	342,440	
47.075		1122280-355037 AM01	3600	13,768	0	PT
47.075		13007301A02PO000134381	3600	9,386	0	PT
47.075		2889604459SO1PTE162863	3600	23,264	0	PT
47.075		PO 10321094-005	3600	(931)	0	PT
47.075		SP27415103774SO1AM01	3600	40,765	0	PT
47.075			3650	460,372	20,673	
47.075		SFI20160914	3650	60,679	0	PT
47.075			3800	231,513	0	
	Federal Program 47.075 Total			**3,487,884**	**363,113**	
47.076	Education and Human Resources		3600	19,104,111	2,775,075	
47.076		0375400001 MOD01	3600	91,063	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
47.076	Education and Human Resources	1554145	3600	129,381	0	PT
47.076		1554735	3600	3,311	0	PT
47.076		2015-01 (1417757)	3600	105,610	0	PT
47.076		2015-1287E	3600	21,663	0	PT
47.076		2016-01	3600	303,913	0	PT
47.076		DRL-1612739 MOD01	3600	99,622	0	PT
47.076		MUSC13-081 AM05	3600	13,136	0	PT
47.076		NSF DRL-1223730	3600	18,807	0	PT
47.076		RC101209UW AM04	3600	954	0	PT
47.076		S1666A-A AM02	3600	22,152	0	PT
47.076		UNIV 58757 AM05	3600	62,296	0	PT
47.076		UW BUD# 630875	3600	51,931	0	PT
47.076			3650	2,171,066	225,182	
47.076		502391	3650	37,364	0	PT
47.076		CCURIYEAR120152016	3650	9,683	0	PT
47.076		CCURIYEARII20162017	3650	24,166	0	PT
47.076		RC101209WSU	3650	(249)	0	PT
47.076		SA0000521	3650	28,045	0	PT
47.076		WSU003046	3650	6,667	0	PT
47.076		WSU003308	3650	27,353	0	PT
47.076			3700	144,012	0	
47.076			3750	230,613	0	
47.076		DUE1125331	3750	31,341	0	PT
47.076			3760	27,792	0	
47.076			3800	1,485,497	0	
47.076		1102362	3800	4,900	0	PT
47.076		NEXTGEN STEM TP-WA	3800	17,097	0	PT
47.076			6990	6,895,374	0	
47.076		1356479-1	6990	24,054	0	PT
47.076		1601587	6990	9,855	0	PT
47.076		1700674	6990	3,203	0	PT
47.076		1T3A	6990	101,436	0	PT
47.076		677551	6990	22,270	0	PT
47.076		763689	6990	13,495	0	PT
47.076		DUE1304405	6990	33,735	0	PT
	Federal Program 47.076 Total			**31,376,719**	**3,000,257**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
47.078	Polar Programs		3600	963,572	112,201	
47.078		FY2011-025-M7 MOD07	3600	43,264	0	PT
47.078			3750	14,348	0	
47.078			3800	29,688	0	
	Federal Program 47.078 Total			**1,050,872**	**112,201**	
47.079	Office of International Science and Engineering		3600	484	0	
47.079		S1315A-C AM08	3600	101,159	0	PT
47.079			3650	49,355	0	
47.079		OISE16627650A	3650	10,761	0	PT
47.079			3750	40,921	0	
	Federal Program 47.079 Total			**202,680**	**0**	
47.080	Office of Cyberinfrastructure		3600	78,076	0	
47.080		120082-00001-286 AM01	3600	28,252	0	PT
47.080		2010-07196-04 AM06	3600	1,680	0	PT
	Federal Program 47.080 Total			**108,008**	**0**	
47.082	ARRA - Trans-NSF Recovery Act Research Supp		3600	1	0	
	Federal Program 47.082 Total			**1**	**0**	
	National Science Foundation Total			**147,184,562**	**11,795,085**	
	National Science Foundation Total			**147,184,562**	**11,795,085**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Research and Development

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	621,867	169,759	
	Federal Program 66.034 Total			**621,867**	**169,759**	
	Office of Air and Radiation Total			**621,867**	**169,759**	
66.509	Science to Achieve Results (Star) Research Program		3600	2,051,209	75,330	
66.509		1080358-364871 AM01	3600	24,882	0	PT
66.509		1080358-364872 AM01	3600	51,222	0	PT
66.509		1080358-364874 AM01	3600	229,630	0	PT
66.509		1080358-364876 AM01	3600	103,969	0	PT
66.509		1080358-364925 AM01	3600	14,196	0	PT
66.509		3RAW5 AM01	3600	18,028	0	PT
66.509		UW BUD# 666526	3600	43,960	0	PT
66.509			3650	492,937	10,000	
66.509		1125215081534	3650	23,167	0	PT
66.509		112521-5081532	3800	54,929	0	PT
	Federal Program 66.509 Total			**3,108,129**	**85,330**	
66.511	Office of Research and Development Consolidated Re	4945-RFA13-1/14-6	3600	65,448	70,549	PT
	Federal Program 66.511 Total			**65,448**	**70,549**	
66.514	Science to Achieve Results (Star) Fellowship Progr		3600	88,724	0	
66.514			3650	14,799	0	
	Federal Program 66.514 Total			**103,523**	**0**	
	Office of Research and Development Total			**3,277,100**	**155,879**	
	Environmental Protection Agency Total			**3,898,967**	**325,638**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	18,601,887	1,848,943	
81.049		1553756 MOD001	3600	123,112	0	PT
81.049		20030705905A6929AM03	3600	24,451	0	PT
81.049		20030705905A6929AM04	3600	101,718	0	PT
81.049		44978 AM003	3600	(52)	0	PT
81.049		889186-874J AM11	3600	211	0	PT
81.049		96339	3600	12,272	0	PT
81.049		A004527504 AM03	3600	40,304	0	PT
81.049		G140-15-W5072 AM02	3600	185,510	0	PT
81.049		UW BUD# 637066	3600	57,607	0	PT
81.049			3650	2,542,634	62,022	
81.049		10216	3650	5,922	0	PT
81.049		12912001	3650	40,431	0	PT
81.049		23009-WS	3650	165,182	0	PT
81.049		2512150123011	3650	152,995	0	PT
81.049		740058874P	3650	155,843	0	PT
81.049		A003127004	3650	67,163	0	PT
81.049		BJKQ05SB001	3650	69,046	0	PT
81.049		E252GTA349	3650	110,754	0	PT
81.049		G11517W6230	3650	79,798	0	PT
81.049		WSU002926	3650	4,637	0	PT
	Federal Program 81.049 Total			**22,541,425**	**1,910,965**	
	Headquarters Office Total			**22,541,425**	**1,910,965**	
81.057	University Coal Research		3600	86,421	22,708	
81.057			3650	26,610	0	
	Federal Program 81.057 Total			**113,031**	**22,708**	
	Office of Fossil Energy Total			**113,031**	**22,708**	
81.086	Conservation Research and Development		3600	584,221	0	
81.086		AM01	3600	57,483	0	PT
81.086		OSE-16-54	3600	5,064	0	PT
81.086		130540001	3650	41,722	0	PT
81.086		20126127	3650	41,007	0	PT
81.086		1997-004-00	3700	9,085	0	PT
81.086		BPA 1997-004-00	3700	107,054	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
81.086	Conservation Research and Development	BPA 2007-246-00	3700	119,478	0	PT
81.086		BPA CONTRACT #75844	3700	17,476	0	PT
	Federal Program 81.086 Total			**982,590**	**0**	
81.087	Renewable Energy Research and Development		3600	1,156,311	99,104	
81.087		1010	3600	102,882	0	PT
81.087		60213273-51077-K AM06	3600	4,282	0	PT
81.087		G0152A-B	3600	132,409	0	PT
81.087		G0152A-B AM03	3600	118,838	0	PT
81.087		MA140025 AM03	3600	175,278	0	PT
81.087		PO# 0007101424 AM2	3600	342,875	0	PT
81.087			3650	264,239	80,950	
81.087		06S170616	3650	21,524	0	PT
81.087		16777	3650	140,746	0	PT
81.087		4010115801	3650	132,227	0	PT
81.087		Q01691	3650	(8,553)	0	PT
81.087			4900	239,811	69,803	
	Federal Program 81.087 Total			**2,822,869**	**249,857**	
	Energy Efficiency and Renewable Energy Total			**3,805,459**	**249,857**	
81.089	Fossil Energy Research and Development		3600	69,970	0	
81.089		LGFCS US DE-FE0023337	3600	88,532	0	PT
81.089		UTA17-000308	3600	11,485	0	PT
81.089			3650	140,088	0	
	Federal Program 81.089 Total			**310,075**	**0**	
	Office of Fossil Energy Total			**310,075**	**0**	
81.104	Environmental Remediation and Waste Processing and		6990	188,643	0	
	Federal Program 81.104 Total			**188,643**	**0**	
	Office of Bilingual Education and Minority Languag Total			**188,643**	**0**	
81.113	Defense Nuclear Nonproliferation Research		3650	222,321	5,156	
	Federal Program 81.113 Total			**222,321**	**5,156**	
	National Nuclear Security Adminisration Total			**222,321**	**5,156**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
81.135	Advanced Research Projects Agency - Energy		3600	1,039,879	277,352	
81.135		3002985435 AM04	3600	9,800	0	PT
81.135		G0135BAAM02DEAR00004	3600	98,525	0	PT
81.135		4012006C	3650	171,293	0	PT
81.135		916520936	3650	170,444	0	PT
	Federal Program 81.135 Total			**1,489,941**	**277,352**	
	Electricity Delivery & Energy Reliab 1000 Total			**1,489,941**	**277,352**	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		2450	641,014	552,700	
81.214			4610	2,983,200	0	
81.214		0201.16.048999	4610	61,856	0	PT
	Federal Program 81.214 Total			**3,686,070**	**552,700**	
	Savannah River Operations Office Total			**3,686,070**	**552,700**	
Dept of Energy Total				**32,356,965**	**3,018,738**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	100,378	0	
	Federal Program 84.022 Total			**100,378**	**0**	
	Office of Postsecondary Education Total			**100,378**	**0**	
84.133	National Institute on Disability and Rehabilitatio		3650	1,148,802	0	
	Federal Program 84.133 Total			**1,148,802**	**0**	
	Office of Special Education and Rehabilitative Ser Total			**1,148,802**	**0**	
84.220	Centers for International Business Education		3600	290,133	0	
	Federal Program 84.220 Total			**290,133**	**0**	
	Office of Postsecondary Education Total			**290,133**	**0**	
84.305	Education Research, Development and Dissemination		3600	1,417,877	433,800	
84.305		0110503230MOD04PO13RR	3600	44,674	0	PT
84.305		0110503230MOD05PO13RR	3600	29,379	0	PT
84.305		03664 MOD02	3600	81,959	0	PT
84.305		03664 MOD04	3600	21,430	0	PT
84.305		29338SUB51803	3600	157	0	PT
84.305		29338SUB51803 AM01	3600	45,659	0	PT
84.305		3423-019337	3600	6,573	0	PT
84.305		5101680 AM01	3600	23,982	0	PT
84.305		A005236402	3600	47,496	0	PT
84.305		GM10155 150694	3600	12,725	0	PT
84.305		UNIV58665AM01PRIOR34	3600	106,070	0	PT
84.305			3650	400,112	101,180	
84.305		411162670	3650	71,056	0	PT
84.305		618101104345	3650	7,113	0	PT
	Federal Program 84.305 Total			**2,316,262**	**534,980**	
	Office of Educational Research and Improvement Total			**2,316,262**	**534,980**	
84.324	Research in Special Education		3600	467,644	192,678	
84.324		0391600101 MOD01	3600	129,686	0	PT
84.324		250911 MOD01#G1500085	3600	175,305	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
84.324	Research in Special Education	G1500085	3600	1,111	0	PT
84.324		RS20120590-15 AM01	3600	1,234	0	PT
84.324		RS20120590-15 AM02	3600	71,842	0	PT
	Federal Program 84.324 Total			**846,822**	**192,678**	
	Office of Special Education and Rehabilitative Ser Total			**846,822**	**192,678**	
Dept of Education Total				**4,702,397**	**727,658**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	(536)	0	
	Federal Program 93.061 Total			**(536)**	**0**	
	Centers for Disease Control and Prevention Total			**(536)**	**0**	
93.077	Family Smoking Preventn & Tobacco Cont Reg Resrch		3600	506,289	0	
	Federal Program 93.077 Total			**506,289**	**0**	
	National Institutes of Health Total			**506,289**	**0**	
93.103	Food and Drug Administration_Research		3600	190,794	44,525	
93.103		159920158330PRIME4R01F	3600	13,399	0	PT
93.103		416769-G	3600	8,802	0	PT
93.103		416950GURFAOGR510532	3600	53,763	0	PT
93.103		M17A12608 (A10947)	3600	37,592	0	PT
93.103			3650	141,540	0	
93.103			4950	1,625,115	0	
	Federal Program 93.103 Total			**2,071,005**	**44,525**	
	Food and Drug Administration Total			**2,071,005**	**44,525**	
93.113	Environmental Health		3600	8,310,882	568,854	
93.113		00000544 AM05	3600	12,869	0	PT
93.113		00000910	3600	13,403	0	PT
93.113		00000910 AM01	3600	4,473	0	PT
93.113		00008559AM03POBB00480	3600	41,315	0	PT
93.113		1001472440 AM02	3600	210,032	0	PT
93.113		1019929 AM03	3600	83,317	0	PT
93.113		2002301818 AM04	3600	146,436	0	PT
93.113		2003249885	3600	3,229	0	PT
93.113		3RY74 AM01	3600	23,231	0	PT
93.113		80001140	3600	42,381	0	PT
93.113		UW BUD# 634134	3600	124,000	0	PT
93.113		UW BUD# 634383	3600	105,140	0	PT
93.113		WU-15-190 MOD01	3600	1,459	0	PT
93.113		WU13183MOD5PO2917435	3600	35,239	0	PT
93.113		WU16168PO2928661AAM0	3600	32,390	0	PT
93.113			3650	1,536,613	0	
	Federal Program 93.113 Total			**10,726,409**	**568,854**	

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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
93.121	Oral Diseases and Disorders Research		3600	5,246,380	581,281	
93.121		000412838-059	3600	105,760	0	PT
93.121		01029162	3600	65,354	0	PT
93.121		11242SUB	3600	78,673	0	PT
93.121		11291SUBPR5R01DE02243	3600	7,385	0	PT
93.121		11399SUB	3600	150,833	0	PT
93.121		11399SUB MOD01	3600	2,540	0	PT
93.121		11411SUB7R01DE02522902	3600	93,174	0	PT
93.121		11503SUB	3600	3,535	0	PT
93.121		11527SUB	3600	5,695	0	PT
93.121		1350 G SA445 AM03	3600	161,767	0	PT
93.121		1350 G TD145 AM01	3600	69,918	0	PT
93.121		1350 G UB393	3600	40,502	0	PT
93.121		416624 AM01	3600	119,590	0	PT
93.121		43408029 AM04	3600	131,052	0	PT
93.121		OOS100254-UW AM6	3600	74,066	0	PT
93.121		P004221601 AM01	3600	18,465	0	PT
93.121		RES510204 AM01	3600	21,532	0	PT
93.121		RES511283	3600	58,388	0	PT
93.121		ULRF 13-1116	3600	31,835	0	PT
93.121		UW BUD# 633652	3600	50	0	PT
93.121		UW BUD# 638455	3600	172,031	0	PT
93.121		UW-15501	3600	142,039	0	PT
93.121		UWPC-15542-B	3600	91,881	0	PT
93.121		UWPC-15542-C	3600	53,219	0	PT
	Federal Program 93.121 Total			**6,945,664**	**581,281**	
	National Institutes of Health Total			**17,672,073**	**1,150,135**	
93.135	Centers for Research and Demonstration for Health		3600	2,363,142	400,978	
93.135		5105707	3600	6,708	0	PT
93.135		5U48DP005010027418AM0	3600	3,501	0	PT
93.135		7418 AM02	3600	2,428	0	PT
	Federal Program 93.135 Total			**2,375,779**	**400,978**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.136	Injury Prevention and Control Research and State A		3600	90,970	75,677	
93.136		FP00001573_SA001	3600	24,145	0	PT
	Federal Program 93.136 Total			**115,115**	**75,677**	
	Centers for Disease Control and Prevention Total			**2,490,894**	**476,655**	
93.142	Niehs Hazardous Waste Worker Health and Safety Tra	2105 G HB431 AM05	3600	4,398	0	PT
93.142		2105 G TA258	3600	19,770	0	PT
93.142		2105 G TA258 AM01	3600	280,616	0	PT
93.142		UW BUD# 675369	3600	63,905	0	PT
	Federal Program 93.142 Total			**368,689**	**0**	
93.143	Niehs Superfund Hazardous Substances_Basic Researc		3600	2,015,070	72,255	
93.143		15102 MOD01	3600	1,188	0	PT
	Federal Program 93.143 Total			**2,016,258**	**72,255**	
	National Institutes of Health Total			**2,384,947**	**72,255**	
93.155	Rural Health Research Centers		3600	694,595	0	
93.155		UA9RH26027-03-01	3600	5,503	0	PT
	Federal Program 93.155 Total			**700,098**	**0**	
	Health Resources and Services Administration Total			**700,098**	**0**	
93.172	Human Genome Research		3600	14,162,246	2,236,530	
93.172		00009075 AM01	3600	142,988	0	PT
93.172		111595	3600	8,397	0	PT
93.172		2016151695	3600	300,911	0	PT
93.172		2016185814	3600	10,449	0	PT
93.172		207438 AM05	3600	226,438	0	PT
93.172		4500001599 AM003	3600	21,691	0	PT
93.172		82210316	3600	163,495	0	PT
93.172		9936SC	3600	78,361	0	PT
93.172		A00343914RFS2016063MO	3600	7,900	0	PT
93.172		BD5217911U01HG0093950	3600	1,806	0	PT
93.172		OOS100285-UW AM06	3600	453,052	0	PT
93.172		TBI AM03	3600	40,096	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.172	Human Genome Research	UM1-UWASH-1	3600	66,198	0	PT
93.172		UM1-UWASH-2.2 AM02	3600	107,246	0	PT
93.172		VUMC57005 AM01	3600	343,952	0	PT
93.172		WA00494110/OSP2017080	3600	69,124	0	PT
93.172		WA00540620/OSP2017191	3600	39,492	0	PT
93.172		WU-16-203 AM01	3600	9,772	0	PT
93.172		WU-16-370 MOD01	3600	818,413	0	PT
93.172		WU-17-152/PO#2928168C	3600	218,948	0	PT
93.172		WU-17-414	3600	99,371	0	PT
93.172		WU15329AM01PO2927550	3600	60,826	0	PT
	Federal Program 93.172 Total			**17,451,172**	**2,236,530**	
93.173	Research Related to Deafness and Communication DIS		3600	7,200,763	268,751	
93.173		1004469_UWA MOD01	3600	953	0	PT
93.173		1005685_UWA AM02	3600	5,717	0	PT
93.173		184791/207424 AM04	3600	1,248	0	PT
93.173		R01782 AM03	3600	35,853	0	PT
93.173		SP0011426PROJ0003112AM	3600	2,325	0	PT
93.173		SP0034193-PROJ0009132	3600	53,206	0	PT
93.173		UNIV58647 AM02	3600	226,423	0	PT
93.173			3650	615,092	78,372	
	Federal Program 93.173 Total			**8,141,580**	**347,123**	
	National Institutes of Health Total			**25,592,752**	**2,583,653**	
93.186	National Research Service Award in Primary Care Me		3600	47,418	0	
	Federal Program 93.186 Total			**47,418**	**0**	
	Health Resources and Services Administration Total			**47,418**	**0**	
93.213	Research and Training in Complementary and Alterna		3600	3,911,673	1,467,215	
93.213		2014101502 MOD03	3600	5,106	0	PT
93.213		2016144649	3600	20,804	0	PT
93.213		2034787	3600	112,936	0	PT
93.213			3650	46,814	0	
93.213		125087	3650	5,436	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.213	Research and Training in Complementary and Alterna		3750	152,014	0	
	Federal Program 93.213 Total			**4,254,783**	**1,467,215**	
	National Institutes of Health Total			**4,254,783**	**1,467,215**	
93.225	National Research Service Awards_Health Services R		3600	428,733	0	
	Federal Program 93.225 Total			**428,733**	**0**	
93.226	Research on Healthcare Costs, Quality and Outcomes		3600	4,065,947	384,342	
93.226		1005779_UWA AM01	3600	2,876	0	PT
93.226		11319SUB	3600	13,934	0	PT
93.226		11486SUB	3600	24,508	0	PT
93.226		2015137183 MOD01	3600	33,140	0	PT
93.226		2015180723	3600	40,836	0	PT
93.226		2016126899 MOD02	3600	195,946	102,543	PT
93.226		2016144659	3600	20,400	0	PT
93.226		2016174387 MOD01	3600	104,343	0	PT
93.226		2017113683	3600	26,067	0	PT
93.226		5106820	3600	56,501	0	PT
93.226		60040293UW AM-A03	3600	9,240	0	PT
93.226		AHRQ-001	3600	10,736	0	PT
93.226		AM06	3600	37,184	0	PT
93.226		FP047367-B AM05	3600	28,080	0	PT
93.226		UW BUD# 632030	3600	39,274	0	PT
93.226		WA00405155OSP2016050A	3600	4,911	0	PT
93.226		WA00474255/OSP2017049	3600	47,485	0	PT
93.226			3650	136,544	0	
	Federal Program 93.226 Total			**4,897,952**	**486,885**	
	Agency for Health Care Policy and Research Total			**5,326,685**	**486,885**	
93.233	National Center on Sleep Disorders Research	108591 AM01	3600	50,066	0	PT
93.233		113170 AM03	3600	10,574	0	PT
93.233		113170 AM04	3600	(398)	0	PT
93.233			3650	496,391	30,004	
93.233		15002499	3650	18,173	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.233	National Center on Sleep Disorders Research	20130078701	3650	14,667	0	PT
93.233		565843	3650	11,480	0	PT
	Federal Program 93.233 Total			**600,953**	**30,004**	
	National Institutes of Health Total			**600,953**	**30,004**	
93.239	Policy Research and Evaluation Grants	708K094	3600	30,927	0	PT
	Federal Program 93.239 Total			**30,927**	**0**	
	Office of the Secretary Total			**30,927**	**0**	
93.242	Mental Health Research Grants		3600	19,717,468	1,388,568	
93.242		0000863417	3600	88,169	0	PT
93.242		0255-6413-4609	3600	1,240	0	PT
93.242		10955SUB MOD 3	3600	142,942	0	PT
93.242		10955SUB MOD02	3600	102,109	0	PT
93.242		113065-0617-02B MOD1	3600	117,108	0	PT
93.242		12-NIH-1091 AM06	3600	110,803	0	PT
93.242		14-716-UW AM03	3600	79,427	0	PT
93.242		16-3015 AMEND 2	3600	30,060	0	PT
93.242		16122117 AM02	3600	56,100	0	PT
93.242		2000 G TD994 AM01	3600	13,930	0	PT
93.242		2000 G UC645	3600	7,811	0	PT
93.242		201121762-03 AM06	3600	492,942	0	PT
93.242		2015-3228 AM02	3600	9,909	0	PT
93.242		2017104621	3600	38,633	0	PT
93.242		223004 A.01 AM01	3600	47,097	0	PT
93.242		227381AM011R01MH10930	3600	78,344	0	PT
93.242		227997 AM04	3600	202,790	0	PT
93.242		5033749 AM03	3600	6,745	0	PT
93.242		568643	3600	21,620	0	PT
93.242		568643 AM01	3600	1,820	0	PT
93.242		60166636 AM002	3600	98,747	0	PT
93.242		67277131 AM01	3600	150,734	0	PT
93.242		7945SC AM03	3600	32,014	0	PT
93.242		8925SC AM01	3600	32,833	0	PT
93.242		9427SC AM01	3600	3,840	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.242	Mental Health Research Grants	M15A12179 (A10304)	3600	8,140	0	PT
93.242		M16A12223 (A10393)	3600	559	0	PT
93.242		M16A12223A10703AM02	3600	736,266	0	PT
93.242		MH106510-UW MOD01	3600	17,650	0	PT
93.242		NIH-3P-UW-01	3600	5,990	1,229	PT
93.242		NIH-3P-UW-02 MOD02	3600	62,566	6,860	PT
93.242		PO#GENFD0001282071	3600	5,753	0	PT
93.242		R752	3600	(66)	0	PT
93.242		R752 AM01	3600	124,948	0	PT
93.242		R939	3600	7,544	0	PT
93.242		T570202 (T453149) AM05	3600	266,965	217,351	PT
93.242		T668138 AM04	3600	118,044	0	PT
93.242		T740482	3600	813	0	PT
93.242		TUL-HSC-487-13/14 AM02	3600	41,399	0	PT
93.242		UW BUD# 632998	3600	2,313	0	PT
93.242		UW BUD# 636241	3600	26,169	0	PT
93.242		WU-12-281-MOD-7 AM07	3600	9,739	0	PT
93.242			3650	510,345	140,667	
93.242		0000505700	3650	92,633	0	PT
	Federal Program 93.242 Total			**23,723,005**	**1,754,675**	
	National Institutes of Health Total			**23,723,005**	**1,754,675**	
93.262	Occupational Safety and Health Program		3600	4,863,846	683,880	
93.262		1008844_UWA	3600	75,367	0	PT
93.262		16-2-PS	3600	21,784	0	PT
93.262		500326-78050 MOD03	3600	20,421	0	PT
93.262			3650	161,231	0	
93.262		1005580WSU	3650	14,517	0	PT
93.262		1005580WSUBUTTERFIEL	3650	24,864	0	PT
93.262		1270491	3650	6,549	0	PT
93.262		300160104	3650	11,396	0	PT
93.262		300180309	3650	21,613	0	PT
93.262		5106952	3650	599	0	PT
93.262		SUB REC #3001-612-01	3700	239,907	144,894	PT
	Federal Program 93.262 Total			**5,462,094**	**828,774**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
	Centers for Disease Control and Prevention Total			**5,462,094**	**828,774**	
93.273	Alcohol Research Programs		3600	8,636,716	810,808	
93.273		1002432_UWA AM03	3600	67,653	0	PT
93.273		1002432_UWA AM04	3600	11,396	0	PT
93.273		11236SUB MOD02	3600	9,913	0	PT
93.273		11511SUB	3600	23,846	0	PT
93.273		4332-UW-DHHS-2529	3600	3,635	0	PT
93.273		5569	3600	14,578	0	PT
93.273		6125 PO#579852	3600	1,175	0	PT
93.273		69951-10233 AM03	3600	68,278	0	PT
93.273		9132-8389 AM01	3600	121,442	0	PT
93.273		M17A12574(A10923)	3600	8,382	0	PT
93.273		R-12-0031 AM07	3600	66,922	0	PT
93.273		SA0000512	3600	5,260	0	PT
93.273			3650	1,135,057	437,898	
93.273		1002567WSU	3650	219,965	0	PT
	Federal Program 93.273 Total			**10,394,218**	**1,248,706**	
93.279	Drug Abuse and Addiction Research Programs	B02D50	3000	39,252	0	PT
93.279		B06S60	3000	12,520	0	PT
93.279		B06S70	3000	10,546	0	PT
93.279			3600	14,592,558	1,180,468	
93.279		00001	3600	47,514	0	PT
93.279		0000856278	3600	(3,195)	0	PT
93.279		0000895623	3600	164,940	0	PT
93.279		00390391243543AM03	3600	6,797	0	PT
93.279		10030628 AM05	3600	12,259	0	PT
93.279		1200542AM06POSR000021	3600	11,425	0	PT
93.279		274008-UW AM01	3600	8,969	0	PT
93.279		4457 AM01	3600	36,264	0	PT
93.279		4472 AM03	3600	3,186	0	PT
93.279		559642100311709445AM03	3600	(31)	0	PT
93.279		568775 AM04	3600	135,248	0	PT
93.279		5R01DA025651 MOD05	3600	(4)	0	PT
93.279		61875882AM027P01DA035	3600	220,063	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.279	Drug Abuse and Addiction Research Programs	661877 AM01	3600	(209)	0	PT
93.279		MOD03PRIME5R01DA025	3600	(21)	0	PT
93.279		R1008565 AM01	3600	19,307	0	PT
93.279		R25DA033211 #4472 AM02	3600	9,704	0	PT
93.279		R267 AM02	3600	56,810	0	PT
93.279		R908941 AM03	3600	20,286	0	PT
93.279			3650	853,521	162,523	
93.279		13400212645	3650	143,307	0	PT
93.279		23400212645	3650	6,574	0	PT
93.279		5034602	3650	85,184	0	PT
93.279			3800	192,207	0	
	Federal Program 93.279 Total			**16,684,981**	**1,342,991**	
93.282	Mental Health National Research Service Awards for		3600	553	0	
	Federal Program 93.282 Total			**553**	**0**	
	National Institutes of Health Total			**27,079,752**	**2,591,697**	
93.283	Centers for Disease Control and Prevention_Investi	UW BUD# 633821	3600	361,544	26,803	PT
93.283		UW BUD# 633822	3600	273,779	0	PT
93.283		UW BUD# 634284	3600	8,637	0	PT
	Federal Program 93.283 Total			**643,960**	**26,803**	
	Centers for Disease Control and Prevention Total			**643,960**	**26,803**	
93.286	Discovery and Applied Research for Technological I		3600	7,899,156	351,484	
93.286		135273PTEU54EB007958A	3600	49,235	0	PT
93.286		60041595-47512-A AM04	3600	18,599	0	PT
93.286		A78130 AM01	3600	(1,414)	0	PT
93.286			3650	423,222	0	
	Federal Program 93.286 Total			**8,388,798**	**351,484**	
93.307	Minority Health and Health Disparities Research		3600	1,617,532	287,621	
93.307		1(GG011834-01) AM01	3600	10,926	0	PT
93.307		2015140008 MOD03	3600	38,571	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
93.307	Minority Health and Health Disparities Research	227351	3600	7,153	0	PT
93.307		227351 AM02	3600	2,703	0	PT
93.307		N004207301 AM03	3600	8,699	0	PT
93.307		SR-2016-13	3600	44,131	35,878	PT
93.307			3650	1,705,808	450,258	
93.307		2017033	3650	30,961	0	PT
93.307		RS2015231801	3650	13,898	0	PT
	Federal Program 93.307 Total			**3,480,382**	**773,757**	
93.310	Trans-NIH Research Support		3600	8,312,940	733,719	
93.310		15A10000291201AM01	3600	16,193	0	PT
93.310		4102-77445	3600	32,628	0	PT
93.310		500468-78050	3600	113,988	0	PT
93.310		56102235500000695AM05	3600	206,776	0	PT
93.310		6366-S01 MOD02	3600	79,199	0	PT
93.310		6366-S03 MOD01	3600	21,038	0	PT
93.310		800059	3600	15,124	0	PT
93.310		800060	3600	33,912	0	PT
93.310		PO NO 5-52738	3600	65,711	0	PT
93.310			3650	4,949	0	
	Federal Program 93.310 Total			**8,902,458**	**733,719**	
93.350	National Center for Advancing Translational Scienc		3600	15,148,684	3,176,568	
93.350		A93420 AM01	3600	18,128	0	PT
93.350		NOR0002 AM01	3600	176,373	0	PT
	Federal Program 93.350 Total			**15,343,185**	**3,176,568**	
93.351	Research Infrastructure Programs		3600	18,776,860	104,511	
93.351		1008419UWA1R24OD02132	3600	35,202	0	PT
93.351		3200000583-16-239 AM01	3600	83,378	0	PT
93.351			3650	212,570	5,136	
	Federal Program 93.351 Total			**19,108,010**	**109,647**	
93.352	Construction Support		3600	949,645	0	
	Federal Program 93.352 Total			**949,645**	**0**	
93.361	Nursing Research		3600	2,409,615	386,324	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.361	Nursing Research	1215008 AM08	3600	33,038	0	PT
93.361		2016-158	3600	4,109	0	PT
93.361		2017-029 PAR-15-337	3600	3,581	0	PT
93.361		203-8769	3600	(8,894)	0	PT
93.361		2035670	3600	23,001	0	PT
93.361		2035919	3600	3,222	0	PT
93.361		2035922	3600	8,409	0	PT
93.361		3RZ321R01NR01524101A1	3600	(235)	0	PT
93.361		3RZ32AMEND15R01NR01	3600	141,602	0	PT
93.361		5600848534 AM4	3600	39,289	0	PT
93.361		5106247	3650	10,752	0	PT
	Federal Program 93.361 Total			**2,667,489**	**386,324**	
93.393	Cancer Cause and Prevention Research		3600	11,165,443	2,223,119	
93.393		0000843712 AM02	3600	14,160	0	PT
93.393		0000843716 AM02	3600	9,510	0	PT
93.393		0000844742 AM01	3600	42,623	0	PT
93.393		0000845123	3600	7,316	0	PT
93.393		0000845125	3600	3,490	0	PT
93.393		0000845127PR1U01CA1993	3600	2,413	0	PT
93.393		0000845617 AM01	3600	9,143	0	PT
93.393		00008461655U01CA137088	3600	(316)	0	PT
93.393		0000850611	3600	3,183	0	PT
93.393		0000850612	3600	1,126	0	PT
93.393		0000850613	3600	9,653	0	PT
93.393		0000852803 AM01	3600	9,368	0	PT
93.393		0000853128	3600	12,996	0	PT
93.393		0000854661	3600	169,020	0	PT
93.393		0000859538 AM02	3600	53,591	0	PT
93.393		0000869435	3600	12,764	0	PT
93.393		0000869496	3600	17,889	0	PT
93.393		00008792484U01CA182940	3600	62,064	0	PT
93.393		0000879329	3600	24,368	0	PT
93.393		0000879365	3600	50,173	0	PT
93.393		0000879380	3600	32,393	0	PT
93.393		0000879553	3600	34,425	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.393	Cancer Cause and Prevention Research	0000879555	3600	15,691	0	PT
93.393		0000879556	3600	11,110	0	PT
93.393		0000881870	3600	6,693	0	PT
93.393		0000888496	3600	15,393	0	PT
93.393		0000889472 AM01	3600	11,412	0	PT
93.393		0000889841 AM01	3600	19,417	0	PT
93.393		0000890671	3600	13,315	0	PT
93.393		0000902410	3600	77,894	0	PT
93.393		0000904241	3600	2,719	0	PT
93.393		0000904243	3600	2,458	0	PT
93.393		000508050-006 AMA02	3600	(1)	0	PT
93.393		1006132_UWA AM01	3600	228,949	0	PT
93.393		1006132_UWA AM02	3600	47,908	0	PT
93.393		11042SUB MOD01	3600	10,477	0	PT
93.393		11042SUB MOD02	3600	95,139	0	PT
93.393		115-9341-UW-02 AM01	3600	5,913	0	PT
93.393		116071-5089696	3600	3,364	0	PT
93.393		116071-5089696 AM02	3600	182,920	0	PT
93.393		16-837 AM03	3600	51,358	0	PT
93.393		17-093	3600	31,066	0	PT
93.393		2269691U01CA19933601	3600	8,872	0	PT
93.393		226969AM015U01CA19933	3600	50,437	0	PT
93.393		321072PO961593RSUBAM	3600	150,996	0	PT
93.393		44956	3600	5,189	0	PT
93.393		C00053910-1	3600	15,701	0	PT
93.393		RNG200623-UW-02 AMO02	3600	23,889	0	PT
93.393			3650	106,658	7,471	
	Federal Program 93.393 Total			**12,941,732**	**2,230,590**	
93.394	Cancer Detection and Diagnosis Research		3600	7,117,391	1,637,987	
93.394		0000843914	3600	4,673	0	PT
93.394		0000846679	3600	18,332	0	PT
93.394		0000854977	3600	6,891	0	PT
93.394		0000865387	3600	115,801	0	PT
93.394		0000868924	3600	28,422	0	PT
93.394		0000869941	3600	79,454	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	0000871228 AM01	3600	201,979	0	PT
93.394		00008713855P01CA091955	3600	1,808	0	PT
93.394		0000877168	3600	114,410	0	PT
93.394		0000889913	3600	6,990	0	PT
93.394		0000899794	3600	6,429	0	PT
93.394		0000904422	3600	64	0	PT
93.394		0000906151	3600	7,058	0	PT
93.394		11241SUB	3600	(78)	0	PT
93.394		11391SUB	3600	20,962	0	PT
93.394		16030350-03 AM01	3600	8,123	0	PT
93.394		16122147-03 AM02	3600	78,366	0	PT
93.394		161262/161256	3600	31	0	PT
93.394		1671, AMENDMENT 1	3600	38,226	0	PT
93.394		569007	3600	7,680	0	PT
93.394		5710004063 AM01	3600	480,068	0	PT
93.394		66102055500000433AM05	3600	6,428	0	PT
93.394		9770SC	3600	45,335	0	PT
93.394		K001416-00-S01 MOD2	3600	257,413	0	PT
93.394		N002338901 AM5	3600	23,343	0	PT
93.394		RES509934 MOD02	3600	150	0	PT
93.394		T598828	3600	27,905	0	PT
93.394		W000420810PO1001081261	3600	(61)	0	PT
93.394		W000893975PO1001713589	3600	92,738	0	PT
93.394		X130120WASH AM01	3600	5,356	0	PT
93.394			3650	27,008	0	
	Federal Program 93.394 Total			**8,828,695**	**1,637,987**	
93.395	Cancer Treatment Research		3600	3,129,476	600,583	
93.395		0000755851 AM04	3600	26,611	0	PT
93.395		0000821555	3600	(4,686)	0	PT
93.395		0000831752 AM03	3600	1,501	0	PT
93.395		0000832627	3600	(949)	0	PT
93.395		0000834633	3600	(1,750)	0	PT
93.395		0000838692	3600	(295)	0	PT
93.395		0000840349	3600	35,485	0	PT
93.395		0000840352	3600	1,242	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.395	Cancer Treatment Research	0000840356 AM02	3600	2,193	0	PT
93.395		0000840357	3600	729	0	PT
93.395		0000841392	3600	565	0	PT
93.395		0000842821 AM001	3600	11,884	0	PT
93.395		00008433595U01CA154967	3600	15,407	0	PT
93.395		0000843416 AM05	3600	1,243,304	83	PT
93.395		0000852517 AM01	3600	1,534	0	PT
93.395		0000853451	3600	23,475	0	PT
93.395		0000854063	3600	21,181	0	PT
93.395		0000857569	3600	1,984	0	PT
93.395		0000857570 AM01	3600	63,359	0	PT
93.395		0000859909	3600	38,357	0	PT
93.395		0000859909 AM01	3600	43,869	0	PT
93.395		0000866481	3600	167,340	0	PT
93.395		0000866481 AM01	3600	4,065	0	PT
93.395		0000871622	3600	3,138	0	PT
93.395		0000875225	3600	11,987	0	PT
93.395		0000878736 AM01	3600	63,604	0	PT
93.395		0000882388	3600	155,458	0	PT
93.395		0000883615	3600	35,111	0	PT
93.395		0000899335	3600	7,418	0	PT
93.395		0307702S01	3600	18,370	0	PT
93.395		1004041_UW AM03	3600	22,719	0	PT
93.395		11512SUB	3600	23,403	0	PT
93.395		11539SUB	3600	4,709	0	PT
93.395		11540SUB	3600	2,964	0	PT
93.395		2016-01#A113106	3600	39,539	0	PT
93.395		2016.0002	3600	44,160	0	PT
93.395		229411 AM02	3600	57,605	0	PT
93.395		9009627-003_UWA	3600	6,619	0	PT
93.395		9009627_UWA AM02	3600	87,993	0	PT
93.395		9009627_UWA AM03	3600	20,324	0	PT
93.395		BIQSFPCOGAALL08B1MR	3600	70,683	0	PT
93.395		C00055658-1 AM01	3600	35,713	0	PT
93.395		CHECK 1928	3600	13,727	0	PT
93.395		FP15221_SUB383_03 AM02	3600	22,718	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.395	Cancer Treatment Research	FP17296_SUB01_02 AM02	3600	112,630	0	PT
93.395		R01 CA 189163 AM09	3600	4,901	0	PT
93.395		U10CA18082001WASH1A	3600	10,059	0	PT
93.395		U10CA18082001WASH2A	3600	10,000	0	PT
93.395		U10CA18082002WASH3A	3600	9,995	0	PT
93.395		U10CA18082002WASH3A	3600	4,174	0	PT
93.395		UNI19876901PO64511155A	3600	43,772	0	PT
93.395		UNI19876902AM02PO6512	3600	20,859	0	PT
93.395		UOFWASHYR1AMKOHYR	3600	7,000	0	PT
93.395		UW-NSABP P1 AM04	3600	2,741	0	PT
93.395			3650	374,681	98,350	
93.395		11515SUB	3650	101,079	0	PT
	Federal Program 93.395 Total			**6,275,734**	**699,016**	
93.396	Cancer Biology Research		3600	1,929,349	0	
93.396		0000863494P4R01CA17684	3600	14,177	0	PT
93.396		0000896527	3600	7,524	0	PT
93.396		01028036 AM02	3600	(1,803)	0	PT
93.396		01028786 AM03	3600	207,103	0	PT
93.396		01028790 AM03	3600	206,971	0	PT
93.396		378116	3600	11,262	0	PT
93.396		UWCMNIH10402251AM06	3600	9,399	0	PT
93.396		WA00329124RFS2016027A	3600	64,572	0	PT
93.396			3650	61,249	0	
	Federal Program 93.396 Total			**2,509,803**	**0**	
93.397	Cancer Centers Support Grants	0000782902 AM03	3600	39,500	0	PT
93.397		0000783707 AM02	3600	(2,184)	0	PT
93.397		0000822968 AM01	3600	14,778	0	PT
93.397		00008239825P50CA097186	3600	1,933	0	PT
93.397		0000839925 AM01	3600	2,661	0	PT
93.397		0000843207	3600	14,911	0	PT
93.397		0000843208	3600	23,644	0	PT
93.397		0000848013 AM01	3600	64,314	0	PT
93.397		0000848023 AM01	3600	5,284	0	PT
93.397		0000848032 AM01	3600	1,840	0	PT
93.397		0000851939	3600	22,582	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	0000852077	3600	31,597	0	PT
93.397		0000852220	3600	1,096	0	PT
93.397		0000853008 AM1	3600	6,566	0	PT
93.397		0000857267	3600	69,280	0	PT
93.397		0000857269	3600	15,730	0	PT
93.397		0000857271	3600	60,623	0	PT
93.397		0000857274	3600	255,974	0	PT
93.397		0000857276	3600	113,198	0	PT
93.397		0000857277	3600	76,141	0	PT
93.397		0000857574	3600	14,249	0	PT
93.397		0000857693	3600	28,160	0	PT
93.397		0000857695	3600	21,576	0	PT
93.397		0000859681	3600	14,571	0	PT
93.397		0000859682	3600	7,744	0	PT
93.397		0000859685	3600	80,263	0	PT
93.397		00008596865P30CA015704	3600	26,410	0	PT
93.397		0000859687	3600	66,133	0	PT
93.397		0000860953	3600	9,424	0	PT
93.397		0000861670 AM01	3600	42,740	0	PT
93.397		0000865292	3600	28,502	0	PT
93.397		00008652935P30CA015704	3600	26,891	0	PT
93.397		0000867274	3600	3,975	0	PT
93.397		0000867275	3600	34,041	0	PT
93.397		0000867277	3600	227	0	PT
93.397		0000867278	3600	18	0	PT
93.397		00008672795P30CA015704	3600	45,682	0	PT
93.397		00008672805P30CA015704	3600	27,734	0	PT
93.397		0000868056	3600	22,644	0	PT
93.397		0000868057	3600	24,506	0	PT
93.397		0000868066	3600	69,207	0	PT
93.397		00008694995P30CA015704	3600	12,800	0	PT
93.397		0000869671 AM01	3600	14,211	0	PT
93.397		0000870162	3600	7,854	0	PT
93.397		0000870582	3600	5,498	0	PT
93.397		0000870583	3600	31,600	0	PT
93.397		0000871014	3600	26,027	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	0000871885	3600	3,974	0	PT
93.397		0000872719	3600	33,629	0	PT
93.397		0000872748	3600	35,830	0	PT
93.397		0000876755	3600	14,060	0	PT
93.397		0000877139	3600	13,428	0	PT
93.397		0000877775 AM01	3600	79,796	0	PT
93.397		0000877776	3600	106,619	0	PT
93.397		0000878549	3600	7,948	0	PT
93.397		0000880873	3600	32,523	0	PT
93.397		0000883578	3600	44,790	0	PT
93.397		0000883583	3600	292,799	0	PT
93.397		0000883594	3600	13,611	0	PT
93.397		0000883595	3600	116,198	0	PT
93.397		0000883601	3600	45,740	0	PT
93.397		0000883609	3600	87,803	0	PT
93.397		0000884201	3600	14,022	0	PT
93.397		0000887974	3600	16,470	0	PT
93.397		0000893888	3600	12,996	0	PT
93.397		0000894199	3600	53,534	0	PT
93.397		0000894201	3600	70,872	0	PT
93.397		0000894202	3600	59,122	0	PT
93.397		0000894205	3600	22,049	0	PT
93.397		0000894206	3600	14,697	0	PT
93.397		0000894470	3600	93,171	0	PT
93.397		0000894471	3600	190,140	0	PT
93.397		00008997275P30CA015704	3600	14,593	0	PT
93.397		0000899729	3600	6,958	0	PT
93.397		0000899773	3600	34,399	0	PT
93.397		0000899858	3600	47,686	0	PT
93.397		0000899887	3600	25,083	0	PT
93.397		0000899901	3600	45,760	0	PT
93.397		0000900077	3600	607	0	PT
93.397		0000900195	3600	12,305	0	PT
93.397		0000900210	3600	4,804	0	PT
93.397		0000901262	3600	120,464	0	PT
93.397		0000902442	3600	5,426	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	0000902884	3600	11,595	0	PT
93.397		0000903481	3600	8,975	0	PT
93.397		UW BUD# 632746	3600	10,067	0	PT
93.397			3650	251,580	0	
	Federal Program 93.397 Total			**3,588,278**	**0**	
93.398	Cancer Research Manpower		3600	2,485,036	49,731	
93.398		3R25TW009710-01S1	3600	1	0	PT
	Federal Program 93.398 Total			**2,485,037**	**49,731**	
93.399	Cancer Control		3600	75,665	69,165	
93.399		3002149613 MOD06	3600	20,271	0	PT
93.399		3002149613 MOD07	3600	53,588	0	PT
93.399		RES510272	3600	3,955	0	PT
93.399		UW-NSABP P1 AM05	3600	134,733	0	PT
	Federal Program 93.399 Total			**288,212**	**69,165**	
	National Institutes of Health Total			**95,757,458**	**10,217,988**	
93.508	Affordable Care Act Tribal Maternal,Infant & Early	A71880 MOD06	3600	32,046	0	PT
	Federal Program 93.508 Total			**32,046**	**0**	
93.564	Child Support Enforcement Research		3000	594,997	0	
	Federal Program 93.564 Total			**594,997**	**0**	
	Administration for Children and Families Total			**627,043**	**0**	
93.610	Health Care Innovation Awards (Hcia)	UW BUD# 669370	3600	59,506	0	PT
	Federal Program 93.610 Total			**59,506**	**0**	
	Centers for Medicare and Medicaid Services Total			**59,506**	**0**	
93.647	Social Services Research and Demonstration		3600	197,669	0	
	Federal Program 93.647 Total			**197,669**	**0**	
	Administration for Children and Families Total			**197,669**	**0**	
93.837	Cardiovascular Diseases Research		3600	45,164,915	13,898,767	
93.837		0000872675 AM01	3600	98,262	0	PT
93.837		0000880883	3600	607,981	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.837	Cardiovascular Diseases Research	000505311-001	3600	(4,895)	0	PT
93.837		000508553-001	3600	22,149	0	PT
93.837		000509971-001	3600	37,000	0	PT
93.837		000509971-001 AM A03	3600	88,581	0	PT
93.837		000512650-001	3600	21,212	0	PT
93.837		000512650-001 AM01	3600	6,215	0	PT
93.837		00319741246181AM02	3600	47,555	0	PT
93.837		0045050 (126180-2)	3600	10,711	0	PT
93.837		00504701273911AM01	3600	213,063	0	PT
93.837		0053032 (128996-1)	3600	8,719	0	PT
93.837		0255-7875-4609 AM01	3600	118,407	0	PT
93.837		0255-7885-4609 AM3	3600	17,081	0	PT
93.837		06934200001AMENDMENT	3600	28,367	0	PT
93.837		1(GG010998-03) AM02	3600	74,902	0	PT
93.837		1005000-UW AM03	3600	61,855	0	PT
93.837		1005697_UW AM01	3600	13,693	0	PT
93.837		101330A AM04	3600	97,440	0	PT
93.837		101330A PO# SR00003732	3600	23,382	0	PT
93.837		112042019-7665825	3600	(97)	0	PT
93.837		1120420207708024AMEND	3600	115,929	0	PT
93.837		11351SUB	3600	138,912	0	PT
93.837		11351SUB M01	3600	168,389	0	PT
93.837		11488SUB	3600	41,757	0	PT
93.837		15060903-04	3600	(1,722)	0	PT
93.837		177494/218214/226028	3600	7,203	0	PT
93.837		20105301_U WASH	3600	(62)	0	PT
93.837		2011D000881	3600	4,431	0	PT
93.837		203-8487	3600	33,511	0	PT
93.837		3(GG0110462-02)	3600	39,888	0	PT
93.837		3003106193 AM02	3600	16,612	0	PT
93.837		320000073517036PTE7R01	3600	3,907	0	PT
93.837		3610650473002AM03P0309	3600	78,749	0	PT
93.837		3610650473002POP030916	3600	(6,518)	0	PT
93.837		382200755-0319A AM03	3600	67,220	0	PT
93.837		38220755-0319A AM004	3600	22,159	0	PT
93.837		566406	3600	(111)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.837	Cardiovascular Diseases Research	60043933 UW	3600	4,305	0	PT
93.837		60054856 AM01	3600	50,891	0	PT
93.837		60054857	3600	70,968	0	PT
93.837		60054857/PO#RF01467282	3600	5,870	0	PT
93.837		60059645 AM1	3600	3,718	0	PT
93.837		7738SCAM055UM1HL1190	3600	258,518	0	PT
93.837		827-UW-2015 AM02	3600	18,010	0	PT
93.837		9102SC AM02	3600	240,166	0	PT
93.837		9648SC	3600	59,486	0	PT
93.837		HH4023 AM03	3600	84,740	0	PT
93.837		M13A11482A08800AM05	3600	(2,916)	0	PT
93.837		M14A11810(A09626) AM03	3600	108,416	0	PT
93.837		M17A12470 (A10701)	3600	101,179	0	PT
93.837		M17A12470(A11073) AM01	3600	21,091	0	PT
93.837		OOS030150_UOW	3600	115,465	0	PT
93.837		P005559502	3600	16,152	0	PT
93.837		P005875701	3600	8,544	0	PT
93.837		PS#224978 MOD03	3600	27,836	0	PT
93.837		RES511188	3600	17,203	0	PT
93.837		SBIR NOVUSON	3600	27,374	0	PT
93.837		SPS162060SITE070AM04	3600	415	0	PT
93.837		UW BUD# 630889	3600	159,651	0	PT
93.837		UW BUD# 660839	3600	8,094	0	PT
93.837		UW BUD# 669766	3600	15,669	0	PT
93.837		UW OSP #A108938	3600	71,040	0	PT
93.837		VUMC 59443	3600	24,316	0	PT
93.837		VUMC 59733	3600	374,183	0	PT
93.837		VUMC58612	3600	29,538	0	PT
93.837		WFUHS 114487 AM01	3600	140,571	0	PT
93.837		WFUHS 114797 AM01	3600	26,913	0	PT
93.837		WFUHS 116827	3600	21,253	0	PT
93.837		WU-17-310	3600	51,698	0	PT
93.837		WU162675R01HL11830503	3600	54,321	0	PT
93.837			3650	2,853,219	1,214,527	
93.837		3011860	3650	42,669	0	PT
93.837		KA150030KA1022	3650	28,042	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.837	Cardiovascular Diseases Research	RS2012229608	3650	11,213	0	PT
93.837		RS2012229612	3650	78,657	0	PT
	Federal Program 93.837 Total			**52,715,230**	**15,113,294**	
93.838	Lung Diseases Research		3600	5,209,377	474,459	
93.838		0000758955 AM05	3600	278,214	0	PT
93.838		0000760233 AM05	3600	(1,533)	0	PT
93.838		0035200 (128136-3)	3600	81,511	0	PT
93.838		0041577 AM01	3600	71,192	0	PT
93.838		1(GG007619-03)	3600	37,625	0	PT
93.838		1(GG007619-04) AM1	3600	23,242	0	PT
93.838		1090409-334683 AM03	3600	239,875	0	PT
93.838		2(GG007668-01)	3600	2,525	0	PT
93.838		2(GG012782)	3600	8,629	0	PT
93.838		2032352 AM04	3600	93,579	0	PT
93.838		228413MOD015U01HL1230	3600	1,996	0	PT
93.838		228540PRIME5U01HL1230	3600	44,595	21,886	PT
93.838		229886 MOD01	3600	4,206	0	PT
93.838		49854772 AM02	3600	122,397	0	PT
93.838		4GG01091902SAPOG11196	3600	44,937	0	PT
93.838		8893SC AM01	3600	78,921	0	PT
93.838		MOD02PRIME5U01HL1230	3600	371,550	224,525	PT
93.838		WAS-183185	3600	2,483	0	PT
	Federal Program 93.838 Total			**6,715,321**	**720,870**	
93.839	Blood Diseases and Resources Research		3600	5,087,163	791,593	
93.839		0000791419 AM03	3600	41,761	0	PT
93.839		0000846587	3600	1,228	0	PT
93.839		0000846587 AM01	3600	14,346	0	PT
93.839		0000866878	3600	149,017	0	PT
93.839		0000879169	3600	181,219	0	PT
93.839		0000895631	3600	102,146	0	PT
93.839		000502659-001 AM02	3600	4,238	0	PT
93.839		11288SUB MOD2	3600	51,082	0	PT
93.839		113440 AM001	3600	55,678	0	PT
93.839		11371SUBMOD14R01HL11	3600	22,144	0	PT
93.839		11577SUB	3600	73,422	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	75103107 AM02	3600	678,824	0	PT
93.839		802-UW-2016	3600	40,641	0	PT
93.839		863604PRIME5R01HL1265	3600	7,895	0	PT
93.839		AM01	3600	10,287	0	PT
93.839		UW BUD# 631569	3600	3,930	0	PT
93.839		UW-15014-B MOD01	3600	210,566	0	PT
93.839			3800	28,204	0	
	Federal Program 93.839 Total			**6,763,791**	**791,593**	
93.846	Arthritis, Musculoskeletal and Skin Diseases Resea		3600	7,906,815	614,242	
93.846		UW BUD# 669777	3600	1,680	0	PT
93.846			3650	1,538,267	138,380	
	Federal Program 93.846 Total			**9,446,762**	**752,622**	
93.847	Diabetes, Digestive, and Kidney Diseases Extramura		3600	24,869,269	3,063,309	
93.847		000010541R01DK11329801	3600	10,750	0	PT
93.847		0000892712	3600	19,513	0	PT
93.847		0000892720	3600	5,446	0	PT
93.847		0047227	3600	11,645	0	PT
93.847		0047227 (126609-2)	3600	(65,589)	0	PT
93.847		0047227 (127494-1)	3600	40,190	0	PT
93.847		0047227 (127494-2)	3600	675,314	0	PT
93.847		0255-7481-4609 AM01	3600	(96,315)	0	PT
93.847		0255-7481-4609 AM03	3600	292,022	12,430	PT
93.847		0255-7513-4609 AM03	3600	50,659	0	PT
93.847		08786003-316585 AM04	3600	20,643	0	PT
93.847		10019509-04 AM07	3600	42,297	0	PT
93.847		10019509-04, AM06	3600	(1)	0	PT
93.847		1004965_UWA AM01	3600	92	0	PT
93.847		1004965_UWA AM02	3600	48,805	0	PT
93.847		1004965UWAMARCOVINA	3600	3,399	0	PT
93.847		109748 AM04	3600	16,162	0	PT
93.847		11-1041Z02D AM04	3600	5,064	0	PT
93.847		11096SUB MOD 1	3600	14,537	0	PT
93.847		11096SUB MOD 2	3600	146,490	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	11097SUB	3600	16,756	0	PT
93.847		11097SUB MOD02	3600	81,032	0	PT
93.847		111345 AMEND 2	3600	7,011	0	PT
93.847		11326SUB	3600	910	0	PT
93.847		11334SUB MOD01	3600	25,371	0	PT
93.847		11481SUB	3600	921,380	0	PT
93.847		13-D14 AM01	3600	30,675	0	PT
93.847		137645	3600	45,804	0	PT
93.847		14-D17	3600	257,414	0	PT
93.847		16-924 AM01	3600	21,354	0	PT
93.847		1987203-15	3600	35,275	34,908	PT
93.847		1987203-15 AM03	3600	10,302	0	PT
93.847		1987203-15 AM05	3600	57,657	0	PT
93.847		1987203-15 AM05	3600	191,305	23,346	PT
93.847		2014-3113 AM03	3600	70,022	0	PT
93.847		206423	3600	9,250	0	PT
93.847		224804AM025R01DK10149	3600	49,231	0	PT
93.847		226142 AM01	3600	(2,495)	0	PT
93.847		226142 AM02	3600	30,220	0	PT
93.847		25034-87 AM01	3600	1,906	0	PT
93.847		3003481941 AM01	3600	53	0	PT
93.847		3004111805 AM01	3600	13,261	0	PT
93.847		310859AM03POP0549427	3600	14,432	0	PT
93.847		310859AM03POP0561166	3600	19,819	0	PT
93.847		3209280512-P AM02	3600	17,380	0	PT
93.847		38947675 AM004	3600	283,690	0	PT
93.847		5007632-SERV AM05	3600	9,283	0	PT
93.847		5013848-SERV	3600	33,149	0	PT
93.847		5033574 AM04	3600	6,986	0	PT
93.847		5033711 AM01	3600	17,426	0	PT
93.847		5034378AM035U01DK0922	3600	5,002	0	PT
93.847		5601076008 AM01	3600	1,523	0	PT
93.847		566916	3600	963	0	PT
93.847		569145 AM03	3600	27,283	0	PT
93.847		569505 AM01	3600	6,927	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	5696375U01DK10689202	3600	60,430	0	PT
93.847		597-SUB AM01	3600	2,267	0	PT
93.847		600100 C.02	3600	(264)	0	PT
93.847		610038 C.03	3600	12,968	0	PT
93.847		6163-1005-00-AD MOD01	3600	34,014	0	PT
93.847		6163-1005-00-Z MOD 3	3600	466,018	0	PT
93.847		6163-1005-00-Z MOD01	3600	7,301	0	PT
93.847		6163-100500-AD MOD02	3600	100,087	0	PT
93.847		6163-1017-00-AM	3600	23,217	0	PT
93.847		6163-1017-00-AM, MOD01	3600	24,390	0	PT
93.847		625-SUB	3600	7,974	2,215	PT
93.847		650002 A.01 AM01	3600	17,106	0	PT
93.847		709-SUB AM02	3600	97,475	0	PT
93.847		778-SUB	3600	31,753	8,323	PT
93.847		8002SC AM03	3600	236,141	0	PT
93.847		8379SC AM01	3600	1,114	0	PT
93.847		8379SC AM02	3600	17,597	0	PT
93.847		9456SCPTE1R01DK109008	3600	34,763	0	PT
93.847		CS113409_UOW AM01	3600	40,023	0	PT
93.847		FY15106101	3600	(2,672)	0	PT
93.847		GENFD0001169476 AM01	3600	194,451	0	PT
93.847		GMO-160218 AM01	3600	252	0	PT
93.847		GMO-161129 AM01	3600	63,842	0	PT
93.847		GMO-170915	3600	252	0	PT
93.847		GMO161128PORGC000000	3600	8,403	0	PT
93.847		GMO161129PORGC000000	3600	(1,153)	0	PT
93.847		KS141-UW-5	3600	454,575	0	PT
93.847		M15A11842 AM02	3600	135,937	0	PT
93.847		M17A12561(A10910)	3600	16,242	0	PT
93.847		OOS030112_UOW	3600	6,893	0	PT
93.847		RES508618 AM04	3600	17,599	0	PT
93.847		RES509454 AM02	3600	7,201	0	PT
93.847		RES509472 AM01	3600	11,994	0	PT
93.847		RES509472 AM02	3600	33,415	0	PT
93.847		RES510022 AM02	3600	1,149	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	RES511127	3600	275,700	0	PT
93.847		RSTFD0000655460	3600	185,619	0	PT
93.847		S-DPP-1718-JC02	3600	201,402	0	PT
93.847		S-DPP1617-JB02	3600	307,056	0	PT
93.847		SONOMOTIONSBIRAGRE	3600	45,506	0	PT
93.847		UW BUD# 632488	3600	13,677	0	PT
93.847		UW BUD# 636393	3600	97,783	0	PT
93.847		UW BUD# 636394	3600	24,542	0	PT
93.847		UW BUD# 636401	3600	5,035	0	PT
93.847		UW BUD# 636413	3600	17,787	0	PT
93.847		UW BUD# 636416	3600	10,793	0	PT
93.847		UW BUD# 636423	3600	2,978	0	PT
93.847		UW BUD# 638097	3600	99,878	0	PT
93.847		VUMC 42466 AM03	3600	(892)	0	PT
93.847		VUMC42466	3600	2,567	0	PT
93.847		VUMC42466 AM001	3600	178,625	0	PT
93.847		VUMC60682	3600	41,697	0	PT
93.847		W000649521PO1001385931	3600	12,130	0	PT
93.847		WFUHS 114580 AM01	3600	175,219	0	PT
93.847		WFUHS 118247	3600	112,903	0	PT
93.847		WU-15-112-MOD-3 AM03	3600	47,629	0	PT
93.847			3650	2,632,098	622,922	
93.847		561624	3650	4,399	0	PT
93.847		FY17001016	3650	3,918	0	PT
93.847		R01DK108765S001	3650	102,612	0	PT
	Federal Program 93.847 Total			**35,191,364**	**3,767,453**	
93.853	Extramural Research Programs in the Neurosciences		3600	21,554,674	2,743,278	
93.853		0010073A AM02	3600	41,063	0	PT
93.853		0010073AAM035R01NS087	3600	11,395	0	PT
93.853		0030451 (128555-3)	3600	17,660	0	PT
93.853		0030451 AM04	3600	30,311	0	PT
93.853		010085-135574 AM01	3600	1,590	0	PT
93.853		01028180 AM04	3600	28,804	0	PT
93.853		0255-6613-4609 AM03	3600	219,626	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.853	Extramural Research Programs in the Neurosciences	0255-6613-4609 AM04	3600	66,553	0	PT
93.853		0255-6614-4609 AM05	3600	242,385	0	PT
93.853		1(GG012006-01)	3600	1,806	0	PT
93.853		111178-5088518 AM02	3600	78,563	0	PT
93.853		11360SUB	3600	55,093	0	PT
93.853		11360SUB AM01	3600	10,888	0	PT
93.853		11360SUB MOD01	3600	14,167	0	PT
93.853		11480SUB	3600	54,799	0	PT
93.853		168471PO667K995AM01	3600	3	0	PT
93.853		2 (GG008136-02)	3600	1,729	0	PT
93.853		21B-1097692 AM01	3600	211,200	0	PT
93.853		4500002301	3600	16,640	0	PT
93.853		567147	3600	5,754	0	PT
93.853		567147 AM01	3600	27,004	0	PT
93.853		60030115 UW AM05	3600	(4,775)	0	PT
93.853		60043694 UW	3600	27,905	0	PT
93.853		61311382-124387 AM01	3600	65,275	0	PT
93.853		61311385-124387 AM01	3600	260,330	4,615	PT
93.853		61362928-124387	3600	215,900	0	PT
93.853		6495SC AM08	3600	7,364	0	PT
93.853		7891SC	3600	(21,836)	0	PT
93.853		7891SC AM03	3600	21,836	0	PT
93.853		7891SC AM04	3600	19,927	0	PT
93.853		7891SC AM05	3600	288,216	0	PT
93.853		7891SC MOD02	3600	7,107	0	PT
93.853		9008715_HMC AM04	3600	3,997	0	PT
93.853		9670SC AM01	3600	402,474	0	PT
93.853		N004688501 AM001	3600	1,475	0	PT
93.853		N004688501 AM02	3600	7,026	0	PT
93.853		N004689401 MOD02	3600	112	0	PT
93.853		NS044163UNIVOFWAAM0	3600	19,933	0	PT
93.853		NS044163UNIVOFWAAM0	3600	43,499	0	PT
93.853		P0033442 AM02	3600	42,343	0	PT
93.853		SA-33842	3600	3,025	0	PT
93.853		SA-33842 AM01	3600	22,313	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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
93.853	Extramural Research Programs in the Neurosciences	SA15008-UW PO#39073	3600	16,609	0	PT
93.853		SUB0000037 AM01	3600	(6,747)	0	PT
93.853		SUB0000037 AMO4	3600	229,085	0	PT
93.853		T234837 AM04	3600	225,514	0	PT
93.853		T270085 AM05	3600	5,872	0	PT
93.853		T662120 AM09	3600	2,874	0	PT
93.853		T662120 AM10	3600	21,587	0	PT
93.853		U01NS091951-135574 AM2	3600	4,789	0	PT
93.853		UW BUD# 633444	3600	156,680	0	PT
93.853		WAS-187276-02 AM02	3600	2,000	0	PT
93.853			3650	986,103	154,988	
93.853		1005874WSU	3650	46,853	0	PT
93.853		127704001	3650	97,459	0	PT
	Federal Program 93.853 Total			**25,913,831**	**2,902,881**	
93.855	Allergy and Infectious Diseases Research		3600	61,652,006	10,386,263	
93.855		0000841007 AM01	3600	16,350	0	PT
93.855		0000841012	3600	5,410	0	PT
93.855		0000841668 AM02	3600	123,493	0	PT
93.855		0000844570	3600	7,733	0	PT
93.855		0000846680 AM01	3600	62,999	0	PT
93.855		0000851169	3600	7,853	0	PT
93.855		0000851480	3600	277,961	0	PT
93.855		0000851480 AM03	3600	367,118	0	PT
93.855		0000852255	3600	(1,326)	0	PT
93.855		00008525425UM1AI068615	3600	62,502	0	PT
93.855		0000852674	3600	157,250	0	PT
93.855		0000852751 AM01	3600	227,997	0	PT
93.855		0000852765	3600	3,552	0	PT
93.855		0000853478	3600	200,439	0	PT
93.855		0000853481	3600	133,130	0	PT
93.855		0000853512	3600	6,367	0	PT
93.855		0000854760 AM01	3600	267,383	0	PT
93.855		0000854761 AM01	3600	143,624	0	PT
93.855		0000855050	3600	26,115	0	PT
93.855		0000856430 AM01	3600	60,124	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	0000858200	3600	1,325	0	PT
93.855		0000858277	3600	34,822	0	PT
93.855		0000859888	3600	108,384	0	PT
93.855		0000860703 AM01	3600	36,644	0	PT
93.855		0000860704	3600	30,621	0	PT
93.855		0000865524	3600	116,771	0	PT
93.855		0000865524 AM01	3600	92,297	0	PT
93.855		0000865719	3600	118,630	0	PT
93.855		0000867040 AM01	3600	212,143	0	PT
93.855		0000870411 AM01	3600	50,726	0	PT
93.855		0000871892	3600	186,945	0	PT
93.855		0000875388	3600	1,187	0	PT
93.855		0000879582	3600	23,911	0	PT
93.855		0000879635	3600	22,731	0	PT
93.855		0000882903	3600	87,086	0	PT
93.855		0000883691	3600	35,781	0	PT
93.855		0000885594	3600	301,123	0	PT
93.855		0000887425	3600	39,892	0	PT
93.855		0000887549	3600	201,568	0	PT
93.855		0000887601	3600	4,692	0	PT
93.855		0000887685	3600	6,111	0	PT
93.855		0000887761	3600	12,420	0	PT
93.855		0000887953	3600	223,549	0	PT
93.855		0000888014	3600	36,518	0	PT
93.855		0000888188	3600	189,500	0	PT
93.855		0000888210	3600	334,926	0	PT
93.855		0000888298	3600	51,970	0	PT
93.855		0000888403	3600	1,107,863	0	PT
93.855		0000888628	3600	238,104	0	PT
93.855		0000890971	3600	235,886	0	PT
93.855		0000891079	3600	76,592	0	PT
93.855		0000891675	3600	227,238	0	PT
93.855		0000891987	3600	85,746	0	PT
93.855		0000892218	3600	36,991	0	PT
93.855		0000892559	3600	1,154,013	0	PT
93.855		0000892600	3600	156,177	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	0000894741	3600	132,538	0	PT
93.855		0000894982	3600	19,298	0	PT
93.855		0000895374	3600	154,488	0	PT
93.855		0000896023	3600	339,996	0	PT
93.855		0000897130	3600	12,933	0	PT
93.855		0000898278	3600	37,737	0	PT
93.855		00009006295R37AI038518	3600	88,493	0	PT
93.855		000397076-012 AM08	3600	46,057	0	PT
93.855		000397076-012 AM08	3600	106,232	19,635	PT
93.855		000421524-002 AM005	3600	73,259	0	PT
93.855		000503356SP002016A01	3600	29,075	0	PT
93.855		000503356SP002016AM03	3600	83,865	0	PT
93.855		000504515SP001002AMA01	3600	5	0	PT
93.855		000510836-006	3600	178,246	0	PT
93.855		000510836-006 A01	3600	592,042	0	PT
93.855		0109805S16 AMA01	3600	24,399	0	PT
93.855		0109805S17AM01PTE4U01	3600	11,312	0	PT
93.855		0121301S01	3600	130,516	0	PT
93.855		0121401S01	3600	137,116	0	PT
93.855		0121701S02	3600	68,907	0	PT
93.855		10330SUB MOD05	3600	19,544	0	PT
93.855		10590SUB MOD03	3600	32,189	0	PT
93.855		10592SUB MOD06	3600	46,412	12,554	PT
93.855		10972SUB MOD02	3600	33,764	0	PT
93.855		10972SUB MOD03	3600	6,693	0	PT
93.855		109927 MOD04	3600	140,451	0	PT
93.855		109927 MOD05	3600	210,913	0	PT
93.855		10995SUB MOD01	3600	51,526	0	PT
93.855		10995SUB MOD05	3600	176,328	0	PT
93.855		110007 AM04	3600	15,136	0	PT
93.855		110007 AM05	3600	19,838	0	PT
93.855		110208 MOD04	3600	269,560	0	PT
93.855		110238 AM02	3600	7,068	0	PT
93.855		110238 AM03	3600	9,628	0	PT
93.855		110668	3600	39,989	0	PT
93.855		11069SUBMOD025R01AI10	3600	8,873	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	11070SUB MOD02	3600	23,301	0	PT
93.855		111670 MOD01	3600	59,024	0	PT
93.855		111670 MOD02	3600	80,925	0	PT
93.855		11229SUB MOD01	3600	12,262	0	PT
93.855		11229SUB MOD02	3600	9,994	0	PT
93.855		112668 AM02	3600	200,226	0	PT
93.855		11415SUB	3600	47,172	0	PT
93.855		11431SUBPR4R01AI100989	3600	236,693	0	PT
93.855		11576SUB	3600	60,293	0	PT
93.855		1559 G TA522 AM04	3600	181,418	0	PT
93.855		16-351	3600	69,115	0	PT
93.855		18907	3600	10,148	0	PT
93.855		189925/218470	3600	1,917	0	PT
93.855		2001317198 MOD 08	3600	(13,075)	0	PT
93.855		2002131141 MOD03	3600	12,123	0	PT
93.855		2003036376	3600	524,277	0	PT
93.855		201223949-01 AM05	3600	156,045	0	PT
93.855		201303042-08	3600	8,547	0	PT
93.855		22206063 AM02	3600	195,632	0	PT
93.855		2R42AI116114-02 AM01	3600	238,143	0	PT
93.855		3210515228	3600	3,608	0	PT
93.855		4642	3600	91,797	0	PT
93.855		4670 (1U19AI120249)	3600	335,486	0	PT
93.855		490K066 AM03	3600	3,285	0	PT
93.855		5033047 MOD03	3600	4,457	0	PT
93.855		5101969 AM01	3600	97,166	0	PT
93.855		5103106	3600	93,765	0	PT
93.855		5105098	3600	332,585	0	PT
93.855		5107081	3600	81,772	0	PT
93.855		51U01AI115520-03_UW_Y3	3600	29,865	0	PT
93.855		568523	3600	10,552	0	PT
93.855		569316	3600	268,782	0	PT
93.855		578K071 AM01	3600	9,539	0	PT
93.855		5U01AI11552002UWY2	3600	43,291	0	PT
93.855		5UM1AI106701-03	3600	109,438	0	PT
93.855		5UM1AI106701-04	3600	178,284	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	60052605 AM04	3600	102,838	0	PT
93.855		6610100083	3600	83,841	0	PT
93.855		694K201 AM001	3600	109,413	0	PT
93.855		73440803 AM001	3600	28,523	0	PT
93.855		8233 MOD1	3600	137,645	0	PT
93.855		8327	3600	88,235	0	PT
93.855		8538 MOD01	3600	59,824	0	PT
93.855		9264SC	3600	(6,746)	0	PT
93.855		9264SC AM01	3600	107,563	0	PT
93.855		9390 AM02	3600	91,857	0	PT
93.855		9447	3600	115,964	0	PT
93.855		9493	3600	45,651	0	PT
93.855		9506SC	3600	27,783	0	PT
93.855		971/0080.0173 AM08	3600	9,265	0	PT
93.855		971/0080.0173 AM09	3600	14,246	0	PT
93.855		A121128	3600	21,000	0	PT
93.855		A122227	3600	14,000	0	PT
93.855		FP059178-B AM01	3600	13,195	0	PT
93.855		FY14ITN052 AM01	3600	(315)	0	PT
93.855		GMO 130301 AM04	3600	95,821	0	PT
93.855		GMO130301 AM03	3600	141,718	0	PT
93.855		GR700507UW AM01	3600	11,520	0	PT
93.855		GR700507UW AM02	3600	59,317	0	PT
93.855		H004614601 AM01	3600	36,231	0	PT
93.855		IDG_UW_02	3600	216,798	0	PT
93.855		IN4689724UW AM08	3600	64,692	0	PT
93.855		LDR 01 MOD 02	3600	20,876	0	PT
93.855		PO# 14-267 AM01	3600	1,784	0	PT
93.855		PO# 14-267 AM03	3600	840,133	0	PT
93.855		PO#2002131144	3600	20,005	0	PT
93.855		PO17001138	3600	23,299	0	PT
93.855		PRIME# R44AI089290	3600	51,388	0	PT
93.855		RES5105305U01AI1156420	3600	4,237	0	PT
93.855		RES510939	3600	620,564	0	PT
93.855		RES511738	3600	72,478	0	PT
93.855		SP0026886PROJ0007064A	3600	(6,741)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	SUL1847-02 AM03	3600	169,624	0	PT
93.855		T1461603	3600	(311,362)	0	PT
93.855		T683917 AM01	3600	124,279	0	PT
93.855		UFDSP00010839AM01R21	3600	31,256	0	PT
93.855		UW OSP #A96847	3600	2,971	0	PT
93.855			3650	4,197,291	53,289	
93.855		11307SUB	3650	(88)	0	PT
93.855		11310SUB	3650	(9,677)	0	PT
93.855		11464SUB	3650	260,990	0	PT
93.855		11465SUB	3650	78,802	0	PT
93.855		157717157715	3650	62,277	0	PT
93.855		5106846	3650	167,255	0	PT
93.855		ABK855 SB 001	3650	27,960	0	PT
93.855		H004942302	3650	221,406	0	PT
	Federal Program 93.855 Total			**85,212,127**	**10,471,741**	
93.859	Biomedical Research and Research Training		3600	33,246,566	2,469,673	
93.859		0000838327 AM01	3600	(1,566)	0	PT
93.859		0000838464	3600	6,764	0	PT
93.859		0000841785	3600	(384)	0	PT
93.859		0000869753	3600	11,518	0	PT
93.859		0000872625 AM01	3600	126,129	0	PT
93.859		0000874471	3600	12,296	0	PT
93.859		0000874922	3600	153,708	0	PT
93.859		067648-00001 AM01	3600	23,514	0	PT
93.859		12_8036_UWASH_01	3600	4,144	0	PT
93.859		12_8036_UWASH_02	3600	15,026	0	PT
93.859		15520410513040804BMOD	3600	160,368	0	PT
93.859		15520420513040804BMOD	3600	122,920	0	PT
93.859		2002735434 AM02	3600	16,679	0	PT
93.859		2002735434 AM03	3600	16,546	0	PT
93.859		2015.0001 AM02	3600	79,486	0	PT
93.859		2016-3369	3600	69,331	0	PT
93.859		3002887843 AM04	3600	116,670	0	PT
93.859		3003101111 AM03	3600	10,576	0	PT
93.859		48299071 AM03	3600	44,741	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	5103989	3600	90,293	0	PT
93.859		PRIME 1R44GM113438-01	3600	7,430	0	PT
93.859		R0303171	3600	21,575	0	PT
93.859		R960652	3600	9,247	0	PT
93.859		R960652 AM02	3600	181,702	0	PT
93.859		UFDSP00010190 AM03	3600	72,769	0	PT
93.859		UFDSP00010832	3600	(2,706)	0	PT
93.859		VUMC 55495	3600	21,303	0	PT
93.859		VUMC 55495 AM01	3600	204,580	0	PT
93.859			3650	1,829,622	25,876	
93.859		1R01GM11125401	3650	122,788	0	PT
93.859		257109WSU	3650	169,689	0	PT
93.859		54076616	3650	57,800	0	PT
93.859		FY15652002	3650	20,197	0	PT
93.859		WU17182	3650	73,685	16,476	PT
93.859			3700	98,325	0	
93.859			3800	200,809	0	
	Federal Program 93.859 Total			**37,414,140**	**2,512,025**	
93.865	Child Health and Human Development Extramural Rese		3600	19,035,229	2,726,288	
93.865		0000879552	3600	6,419	0	PT
93.865		000512823-004	3600	225,352	0	PT
93.865		0019692(125895-2) AM02	3600	32,392	0	PT
93.865		00196921258952AM01	3600	93,802	0	PT
93.865		0051592 (128416-3)	3600	5,505	0	PT
93.865		0907780101	3600	49,959	0	PT
93.865		10893SUB MOD04	3600	3,889	0	PT
93.865		10988SUB MOD03	3600	11,946	0	PT
93.865		11312SUB MOD02	3600	125,008	0	PT
93.865		11348SUB MOD01	3600	12,830	0	PT
93.865		11349SUB	3600	11,240	0	PT
93.865		11362SUB MOD1	3600	12,224	0	PT
93.865		11614SUB	3600	44,381	0	PT
93.865		130474	3600	152	0	PT
93.865		138406	3600	91,462	0	PT
93.865		16-088	3600	24,484	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1920 G RA131 AM03	3600	51,186	0	PT
93.865		1920 G UA066	3600	58,630	0	PT
93.865		201224693-05	3600	72,652	0	PT
93.865		201224693-05 AM1	3600	18,954	0	PT
93.865		2016158525	3600	32,620	0	PT
93.865		2016158527 MOD01	3600	84,246	0	PT
93.865		3003294837 AM03	3600	143,478	0	PT
93.865		3003879380 AM02	3600	22,733	0	PT
93.865		361155-UW AM001	3600	29,221	0	PT
93.865		5 R01 HD 061400-05	3600	3,684	0	PT
93.865		5033193	3600	14,506	0	PT
93.865		5104622	3600	358,827	0	PT
93.865		5600716840 AM04	3600	(2,889)	0	PT
93.865		7000000288	3600	258,689	0	PT
93.865		77319-10682	3600	23,814	0	PT
93.865		8703SC AM01	3600	14,431	0	PT
93.865		8703SC AM02	3600	74,403	0	PT
93.865		F7432-02 AM04	3600	1,631	0	PT
93.865		KK1602 AM01	3600	59,007	0	PT
93.865		R01 HD 061400-05	3600	84,545	0	PT
93.865		RC103679UW AM02	3600	1,195	0	PT
93.865		RNG200508-2-UW AM01	3600	13,904	0	PT
93.865		S-MFM1516-JB13	3600	52,029	0	PT
93.865		S-MFM1617-JB13	3600	8,524	0	PT
93.865		UW BUD# 632311	3600	5,434	0	PT
93.865		UW BUD# 632577	3600	42,882	0	PT
93.865		WU-17-103 PO#2928116C	3600	107,999	0	PT
93.865			3650	1,909,303	315,714	
93.865		3453212003508	3650	131,845	0	PT
93.865		5600653614	3650	(11,247)	0	PT
93.865		660K155	3650	8,668	0	PT
	Federal Program 93.865 Total			**23,461,178**	**3,042,002**	
93.866	Aging Research		3600	18,704,318	2,442,435	
93.866		00000817 AMEND 1	3600	16,418	0	PT
93.866		00000826 AM02	3600	115,469	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	00000844 AM01	3600	325,103	0	PT
93.866		0000868841	3600	195,198	0	PT
93.866		00009010535R01AG048209	3600	36,990	0	PT
93.866		0012200 (122381-6)AM05	3600	21,853	0	PT
93.866		0052914 (127841-4)	3600	21,817	0	PT
93.866		115640	3600	52,904	0	PT
93.866		1540R22 AM 04	3600	49,243	0	PT
93.866		1558 G TA326 AM002	3600	114,521	0	PT
93.866		2 (GG010623) AM02	3600	11,296	0	PT
93.866		203-5796	3600	529,152	0	PT
93.866		3003801558 AM04	3600	475,921	0	PT
93.866		3003801558 AM05	3600	109,891	0	PT
93.866		3004154937	3600	9,999	0	PT
93.866		30340SUB52029UOFWASH	3600	135,863	0	PT
93.866		31594E AM02	3600	4,116	0	PT
93.866		4500001378 AM04	3600	68,045	0	PT
93.866		4500002063 AM001	3600	12,309	0	PT
93.866		4500002121 AM002	3600	82,422	0	PT
93.866		5005011-SERV AM05	3600	2,005	0	PT
93.866		5005011SERVAM045R01A	3600	17,246	0	PT
93.866		568785100478771466801	3600	50,147	0	PT
93.866		571400, AM02	3600	15,805	0	PT
93.866		61271806-124384	3600	125,079	0	PT
93.866		61314414-124531	3600	365,057	0	PT
93.866		61344876-124384	3600	134,471	0	PT
93.866		667605	3600	21,482	0	PT
93.866		9499SC	3600	11,220	0	PT
93.866		AG006781-28-UW	3600	264,437	0	PT
93.866		AG006781-28-UW MOD01	3600	608,360	0	PT
93.866		C00049862-1	3600	20,630	0	PT
93.866		FY16.001.015	3600	(13)	0	PT
93.866		PE148A-UW-1 AM02	3600	10	0	PT
93.866		RC105335G AM01	3600	71,949	0	PT
93.866		UNR-17-36	3600	303,027	0	PT
93.866		UOW-178544-01 AM02	3600	29,769	0	PT
93.866		VUMC 40785	3600	55,044	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	VUMC 40785 AM01	3600	4,781	0	PT
93.866		WA00474330/OSP2017056	3600	21,365	0	PT
93.866		WFUHS 112971	3600	11,166	0	PT
93.866		WFUHS 115048 AM03	3600	29,843	0	PT
93.866		WFUHS 441337	3600	14,377	0	PT
93.866		WFUHS110918GRAHAMA	3600	25,000	25,000	PT
93.866			3650	972,283	92,980	
93.866		765335874P	3650	114,174	0	PT
93.866		FY16001015	3650	281,706	0	PT
	Federal Program 93.866 Total			**24,663,268**	**2,560,415**	
93.867	Vision Research		3600	13,128,272	869,310	
93.867		00007517 AM07	3600	47,273	0	PT
93.867		00009470PRIMEU01EY025	3600	22,695	0	PT
93.867		1 (GG011737) AM03	3600	25,244	0	PT
93.867		1002605_UW AM03	3600	68,636	0	PT
93.867		2002745508 AM02	3600	896	0	PT
93.867		2002745508 AM03	3600	1,300	0	PT
93.867		2002745508 AM04	3600	348	0	PT
93.867		39543216 AM03	3600	47,439	0	PT
93.867		N640615302 AM08	3600	6,237	0	PT
93.867		PROTOCOL #U SITE 47	3600	17,904	0	PT
93.867		UWAEY023533 AM03	3600	(50)	0	PT
93.867			3650	27,235	0	
	Federal Program 93.867 Total			**13,393,429**	**869,310**	
93.879	Medical Library Assistance		3600	3,047,324	337,906	
93.879		00404781240953AMO3	3600	30,461	0	PT
93.879		298692 AM01	3600	1,316	0	PT
93.879		PO#0000633810	3600	(171)	0	PT
93.879		RSTFD0000691705 AM01	3600	80,999	0	PT
	Federal Program 93.879 Total			**3,159,929**	**337,906**	
	National Institutes of Health Total			**324,050,370**	**43,842,112**	
93.933	Demonstration Projects for Indian Health	2017-003	3600	43,604	0	PT
93.933		2017-004	3600	95,258	0	PT
93.933		560101-20-415	3600	40,199	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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
93.933	Demonstration Projects for Indian Health	C16-293	3600	19,370	0	PT
93.933		SCF2013-087 Y3	3600	20,927	0	PT
	Federal Program 93.933 Total			**219,358**	**0**	
	Indian Health Service Total			**219,358**	**0**	
93.989	International Research and Research Training		3600	2,669,361	510,782	
93.989		819CHS0502	3600	44,531	0	PT
93.989		A1056245D43TW00976302	3600	(70)	0	PT
93.989		A105624A116704AMEND1	3600	62,136	0	PT
93.989		A105850 AM01	3600	26,625	0	PT
93.989		A116705 AM02	3600	115,026	0	PT
93.989		P-HERT YEAR 1	3600	5,329	0	PT
93.989		P-HERT YEAR 2	3600	224,239	0	PT
93.989		VUMC 40785 AM02	3600	(10,452)	0	PT
93.989		VUMC 40785 AM04	3600	(1,186)	0	PT
	Federal Program 93.989 Total			**3,135,539**	**510,782**	
	National Institutes of Health Total			**3,135,539**	**510,782**	
	Dept of Health & Human Services Total			**542,634,042**	**66,084,158**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	(292)	0	PT
	Federal Program 96.007 Total			**(292)**	**0**	
	Social Security Administration Total			**(292)**	**0**	
Social Security Administration Total				**(292)**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	2,600	0	PT
98.RD		20140022312	3650	40,721	0	PT
98.RD		20150078901	3650	1,383,713	0	PT
98.RD		410600008000044906	3650	31,788	0	PT
98.RD		RC102095B1005	3650	29,194	0	PT
98.RD		RC102095BHEAR	3650	86,108	0	PT
98.RD		RC102095BHEARDKENYA	3650	36,424	0	PT
98.RD		WSU002887	3650	(961)	0	PT
98.RD		WSU003526	3650	1,769	0	PT
98.RD		WSU003527	3650	5,794	0	PT
	Federal Program 98.RD Total			**1,617,150**	**0**	
	US Agency for International Development Total			**1,617,150**	**0**	
	U.S. Agency for International Development Total			**1,617,150**	**0**	
Research and Development Total				**909,736,856**	**102,215,135**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1,599,115	0	
84.007			3650	1,112,997	0	
84.007			3700	517,908	0	
84.007			3750	315,876	0	
84.007			3760	255,740	0	
84.007			6990	3,989,042	0	
	Federal Program 84.007 Total			**7,790,678**	**0**	
84.033	Federal Work-Study Program		3600	2,012,787	0	
84.033			3700	555,407	0	
84.033			3750	369,332	0	
84.033			3760	350,075	0	
84.033			3800	486,980	0	
84.033			6990	3,663,185	0	
	Federal Program 84.033 Total			**7,437,766**	**0**	
84.038	Federal Perkins Loan Program_Federal Capital Contr		3600	48,349,341	0	OL
84.038			3600	(385,639)	0	OL
84.038			3650	19,416,374	0	OL
84.038			3650	1,931,102	0	OL
84.038			3700	(103,912)	0	OL
84.038			3700	4,870,378	0	OL
84.038			3750	6,315,522	0	OL
84.038			3750	118,926	0	OL
84.038			3760	3,878,575	0	OL
84.038			3760	(311,343)	0	OL
84.038			3800	8,513,602	0	OL
84.038			3800	34,659	0	OL
84.038			6990	124,775	0	OL
84.038			6990	1,483,395	0	OL
	Federal Program 84.038 Total			**94,235,755**	**0**	
84.063	Federal Pell Grant Program		3600	46,259,426	0	
84.063			3650	33,959,647	0	
84.063			3700	18,655,621	0	
84.063			3750	17,582,041	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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	8,028,641	0	
84.063			3800	16,046,822	0	
84.063			6990	176,522,466	0	
	Federal Program 84.063 Total			**317,054,664**	**0**	
84.268	Federal Direct Student Loans		3600	284,557,185	0	
84.268			3650	169,058,787	0	
84.268			3700	57,130,992	0	
84.268			3750	65,419,046	0	
84.268			3760	21,044,370	0	
84.268			3800	64,137,117	0	
84.268			6990	115,882,212	0	
	Federal Program 84.268 Total			**777,229,709**	**0**	
84.379	Teacher Education Assistance for College and Highe		3650	80,066	0	
84.379			3750	106,863	0	
84.379			3760	4,964	0	
	Federal Program 84.379 Total			**191,893**	**0**	
Dept of Education Total				**1,203,940,465**	**0**	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

State of Washington
Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1,991,479	0	OL
93.264			3600	(541,519)	0	OL
93.264			3650	1,441,889	0	OL
93.264			3650	375,077	0	OL
	Federal Program 93.264 Total			**3,266,926**	**0**	
93.342	Health Professions Student Loans, Including Primar		3600	(240,501)	0	OL
93.342			3600	11,177,553	0	OL
93.342			3650	315,800	0	OL
93.342			3650	1,816,882	0	OL
	Federal Program 93.342 Total			**13,069,734**	**0**	
93.364	Nursing Student Loans		3600	2,401,761	0	OL
93.364			3600	(77,533)	0	OL
93.364			3650	751,047	0	OL
93.364			3650	120,750	0	OL
	Federal Program 93.364 Total			**3,196,025**	**0**	
	Dept of Health & Human Services Total			**19,532,685**	**0**	
	Student Financial Assistance Total			**1,223,473,150**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	1,379,841,478	0	NC
10.551			3000	406	0	
	Federal Program 10.551 Total			**1,379,841,884**	**0**	
10.561	State Administrative Matching Grants for the Suppl		3000	107,367,145	7,756,456	
10.561		116-BFET-15/16	6990	66,752	0	PT
	Federal Program 10.561 Total			**107,433,897**	**7,756,456**	
Dept of Agriculture Total				**1,487,275,781**	**7,756,456**	
SNAP Total				**1,487,275,781**	**7,756,456**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	421,801	395,985	
	Federal Program 10.565 Total			**421,801**	**395,985**	
10.568	Emergency Food Assistance Program (Administrative		4950	1,732,063	1,501,851	
	Federal Program 10.568 Total			**1,732,063**	**1,501,851**	
10.569	Emergency Food Assistance Program (Food Commoditie		4950	13,064,768	13,064,768	NC
	Federal Program 10.569 Total			**13,064,768**	**13,064,768**	
Dept of Agriculture Total				**15,218,632**	**14,962,604**	
Food Distribution Total				**15,218,632**	**14,962,604**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	55,436,123	55,436,123	
	Federal Program 10.553 Total			**55,436,123**	**55,436,123**	
10.555	National School Lunch Program		3500	199,939,730	199,939,730	
10.555			3500	29,507,514	29,507,514	NC
	Federal Program 10.555 Total			**229,447,244**	**229,447,244**	
10.556	Special Milk Program for Children		3500	217,390	217,390	
	Federal Program 10.556 Total			**217,390**	**217,390**	
10.559	Summer Food Service Program for Children		3500	5,981,583	5,861,059	
	Federal Program 10.559 Total			**5,981,583**	**5,861,059**	
Dept of Agriculture Total				**291,082,340**	**290,961,816**	
Child Nutrition Total				**291,082,340**	**290,961,816**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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		4770	7,434,897	0	
	Federal Program 15.605 Total			**7,434,897**	**0**	
15.611	Wildlife Restoration and Basic Hunter Education		4770	13,927,886	0	
	Federal Program 15.611 Total			**13,927,886**	**0**	
Dept of the Interior Total				**21,362,783**	**0**	
Fish and Wildlife Total				**21,362,783**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	13,232,800	0	
	Federal Program 17.207 Total			**13,232,800**	**0**	
17.801	Disabled Veterans' Outreach Program (DVOP)		5400	3,278,215	0	
	Federal Program 17.801 Total			**3,278,215**	**0**	
17.804	Local Veterans' Employment Representative Program		5400	1,343,747	0	
	Federal Program 17.804 Total			**1,343,747**	**0**	
Dept of Labor Total				**17,854,762**	**0**	
Employment Service Total				**17,854,762**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	15,619,896	15,407,007	
17.258		5310-WFC-WIA-A-DW	6990	6,557	0	PT
	Federal Program 17.258 Total			**15,626,453**	**15,407,007**	
17.259	WIA/WIOA Youth Activities		5400	17,162,864	15,033,973	
17.259		15-EVCC-X-292-Youth	6990	3,401	0	PT
17.259		16-EVCC-X-310-Youth	6990	37,331	0	PT
17.259		16-EVCC-X-320-Youth	6990	14,802	0	PT
17.259		TC237941260A20	6990	26,382	0	PT
	Federal Program 17.259 Total			**17,244,780**	**15,033,973**	
17.278	WIA/WIOA Dislocated Worker Formula Grants		5400	18,756,197	18,324,942	
	Federal Program 17.278 Total			**18,756,197**	**18,324,942**	
Dept of Labor Total				**51,627,430**	**48,765,922**	
WIOA Total				**51,627,430**	**48,765,922**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	5,049,243	1,722,511	
	Federal Program 20.500 Total			**5,049,243**	**1,722,511**	
20.507	Federal Transit Formula Grants		4050	11,825,828	0	
	Federal Program 20.507 Total			**11,825,828**	**0**	
20.525	State of Good Repair Grants Program		4050	8,226,840	0	
	Federal Program 20.525 Total			**8,226,840**	**0**	
20.526	Bus and Bus Facilities Formula Program		4050	162,415	162,415	
	Federal Program 20.526 Total			**162,415**	**162,415**	
Dept of Transportation Total				**25,264,326**	**1,884,926**	
Federal Transit Total				**25,264,326**	**1,884,926**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	4,739,625	2,917,346	
	Federal Program 20.600 Total			**4,739,625**	**2,917,346**	
20.616	National Priority Safety Programs		2280	5,631,203	5,631,203	
	Federal Program 20.616 Total			**5,631,203**	**5,631,203**	
Dept of Transportation Total				**10,370,828**	**8,548,549**	
Highway Safety Total				**10,370,828**	**8,548,549**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	226,180,154	223,298,912	
84.027		327397	3600	30,864	0	PT
84.027		1211500004/1211500005	3750	27,880	0	PT
84.027		1211600006/1211600007	3750	164,811	0	PT
	Federal Program 84.027 Total			**226,403,709**	**223,298,912**	
84.173	Special Education Preschool Grants		3500	7,097,636	6,678,232	
84.173		387398	3600	4,071	0	PT
	Federal Program 84.173 Total			**7,101,707**	**6,678,232**	
Dept of Education Total				**233,505,416**	**229,977,144**	
Special Education (IDEA) Total				**233,505,416**	**229,977,144**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

TRIO

Dept of Education

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.042	TRIO Student Support Services		3600	690,699	0	
84.042			3650	691,090	0	
84.042			3750	251,733	0	
84.042			3760	353,023	0	
84.042			6990	6,537,782	0	
	Federal Program 84.042 Total			**8,524,327**	**0**	
84.044	TRIO Talent Search		3600	302,678	0	
84.044			6990	919,610	0	
	Federal Program 84.044 Total			**1,222,288**	**0**	
84.047	TRIO Upward Bound		3600	734,351	0	
84.047			3650	1,091,335	0	
84.047			3760	809,407	0	
84.047			6990	1,990,403	0	
	Federal Program 84.047 Total			**4,625,496**	**0**	
84.066	TRIO Educational Opportunity Centers		3750	233,454	0	
84.066			6990	152,920	0	
	Federal Program 84.066 Total			**386,374**	**0**	
84.217	TRIO Mcnair Post-Baccalaureate Achievement		3600	219,195	0	
84.217			3650	208,889	0	
84.217			3700	243,788	0	
84.217			3750	192,029	0	
	Federal Program 84.217 Total			**863,901**	**0**	
Dept of Education Total				**15,622,386**	**0**	
TRIO Total				**15,622,386**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	8,845,582	8,287,033	
	Federal Program 93.044 Total			**8,845,582**	**8,287,033**	
93.045	Special Programs for the Aging Title III, Part C N		3000	10,432,868	10,432,868	
	Federal Program 93.045 Total			**10,432,868**	**10,432,868**	
93.053	Nutrition Services Incentive Program		3000	2,307,825	2,307,825	
	Federal Program 93.053 Total			**2,307,825**	**2,307,825**	
Dept of Health & Human Services Total				**21,586,275**	**21,027,726**	
Aging Total				**21,586,275**	**21,027,726**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	120,228,015	0	
93.575			3570	48,866,062	7,539,774	
	Federal Program 93.575 Total			**169,094,077**	**7,539,774**	
93.596	Child Care Mandatory and Matching Funds of the Chi		3570	78,955,263	0	
	Federal Program 93.596 Total			**78,955,263**	**0**	
Dept of Health & Human Services Total				**248,049,340**	**7,539,774**	
CCDF Total				**248,049,340**	**7,539,774**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	3,501,580	0	
	Federal Program 93.775 Total			**3,501,580**	**0**	
93.777	State Survey and Certification of Health Care Prov		3000	12,485,886	0	
93.777			3030	2,454,885	0	
	Federal Program 93.777 Total			**14,940,771**	**0**	
93.778	Medical Assistance Program		1050	200,315	0	
93.778			1070	5,541,108,201	12,546,482	
93.778			3000	2,727,610,611	40,211,804	
	Federal Program 93.778 Total			**8,268,919,127**	**52,758,286**	
Dept of Health & Human Services Total				**8,287,361,478**	**52,758,286**	
Medicaid Total				**8,287,361,478**	**52,758,286**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	2,317,616	0	
	Federal Program 10.665 Total			**2,317,616**	**0**	
Dept of Agriculture Total				**2,317,616**	**0**	
Forest Service Schools and Roads Total				**2,317,616**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	51,786,506	0	
	Federal Program 96.001 Total			**51,786,506**	**0**	
	Social Security Administration Total			**51,786,506**	**0**	
Disability Insurance/SSI Total				**51,786,506**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	100,070,925	0	
20.205		06910	3650	38,569	0	PT
20.205		1001326	3650	73,667	0	PT
20.205		WSU201601	3650	120,091	0	PT
20.205			4050	561,362,792	188,653,678	
	Federal Program 20.205 Total			**661,666,044**	**188,653,678**	
20.219	Recreational Trails Program		4670	2,028,645	1,375,509	
	Federal Program 20.219 Total			**2,028,645**	**1,375,509**	
20.224	Federal Lands Access Program		4050	2,003,969	0	
	Federal Program 20.224 Total			**2,003,969**	**0**	
	Dept of Transportation Total			**665,698,658**	**190,029,187**	
	Highway Planning and Construction Total			**665,698,658**	**190,029,187**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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		6990	32,322	0	
	Federal Program 11.307 Total			**32,322**	**0**	
Dept of Commerce Total				**32,322**	**0**	
Economic Development Total				**32,322**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	5,222,614	4,967,624	
20.513		GCB1649	4050	21,080	0	PT
	Federal Program 20.513 Total			**5,243,694**	**4,967,624**	
20.516	Job Access and Reverse Commute		4050	57,691	57,691	
	Federal Program 20.516 Total			**57,691**	**57,691**	
20.521	New Freedom Program		4050	507,255	450,382	
	Federal Program 20.521 Total			**507,255**	**450,382**	
Dept of Transportation Total				**5,808,640**	**5,475,697**	
Transit Services Programs Total				**5,808,640**	**5,475,697**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	309,064,572	0	
93.558		145-111-1S6P	6990	659,391	0	PT
	Federal Program 93.558 Total			**309,723,963**	**0**	
	Dept of Health & Human Services Total			**309,723,963**	**0**	
TANF Total				**309,723,963**	**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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Health Center Program

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		3600	80,488	0	
93.224		CHS4086 AM01	3600	49,695	15,231	PT
	Federal Program 93.224 Total			**130,183**	**15,231**	
	Dept of Health & Human Services Total			**130,183**	**15,231**	
Health Center Program Total				**130,183**	**15,231**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	29,829,027	28,834,168	
	Federal Program 66.458 Total			**29,829,027**	**28,834,168**	
Environmental Protection Agency Total				**29,829,027**	**28,834,168**	
Clean Water State Revolving Fund Total				**29,829,027**	**28,834,168**	

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 Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

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	22,600,737	14,756,277	
	Federal Program 66.468 Total			**22,600,737**	**14,756,277**	
	Environmental Protection Agency Total			**22,600,737**	**14,756,277**	
	Drinking Water State Revolving Fund Total			**22,600,737**	**14,756,277**	

Total Federal Assistance	**17,543,553,513**	**1,938,206,228**	

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.

Table of Contents

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.

  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.

- 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* (April 2017). 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
  Community Facilities Loans and Grants
  HOPE VI
  Hurricane Sandy Relief
  CDBG – Disaster Recovery Grants – Pub L. No. 113-2
  Maternal, Infant, and Early Childhood Home Visiting

Note B2: Reporting Entity - The state reporting entity is fully described in Note 1A to the state's financial statements. The Schedule includes the activity of all federal assistance programs administered by the state during fiscal year ending June 30, 2017. All component units are excluded from the schedule and are subject to separate audits in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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 $1,310,241.33 was recovered for state central service costs during fiscal year ending June 30, 2017.

- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C to the Schedule.

- 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.

Note B4: <u>Presentation Comments</u>

- 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, 2017:

  10.557 - Special Supplemental Nutrition Program for WIC.. $22,409,479
  (Infant formula rebates provided by private companies)

  93.917 - HIV Care.. $1,353,349
  (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, 2017:

  20.205 Debt service costs for Referendum 49 bonds.. $3,649,036

- State agency numbers used in the Schedule can be referenced, either by number (listed numerically) or name of the agency (listed alphabetically), in the Appendix.

Note C: **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, 2017 include:

State of Washington/Employer Funded..	$990,310,610
Federal Funds…………………………………………………………	154,880,166
Total	$1,145,190,776

Note D: **Non-monetary Assistance Inventory**

As described previously in Note B3, non-monetary assistance is reported in the Schedule. As of June 30, 2017, the state held the following inventories of non-monetary assistance:

Food Commodities (10.565 and 10.569)	$ 4,469,216

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 Fiscal Year Ended
June 30, 2017
(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	9009000063	21,409
07.U02	2250	Cowlitz County Sheriff's Office	K12446-TF25	2,581
10.170	6990	HumanLinks ABA 21 Acres	11907778	4,841
10.172	3600	21 ACRES CENTER	UW BUD# 634190	-24,378
10.172	3600	21 ACRES CENTER	UW BUD# 634194	21,030
10.200	3650	CO ST UNIV	AFE742346	905
10.200	3650	CO ST UNIV	G140261	128,331
10.200	3650	RUTGERS ST UNIV OF NJ FED FLOW	5731FBSMITHGRANATS	1,743
10.200	3650	UNIV OF CA DAVIS	20140287810WSU	-687
10.200	3650	UNIV OF CA DAVIS	20140287818WSU	5,867
10.200	3650	UNIV OF CA DAVIS	20140287820WSU	-3,627
10.200	3650	UNIV OF CA DAVIS	20140287829WSU	704
10.200	3650	UNIV OF CA DAVIS	20150258701WSU	109,676
10.200	3650	UNIV OF CA DAVIS	20150258715WSU	1,062
10.200	3650	UNIV OF CA DAVIS	20150258717WSU	15,381
10.200	3650	UNIV OF CA DAVIS	20150258718WSU	19,797
10.200	3650	UNIV OF CA DAVIS	20150258726WSU	10,581
10.200	3650	UNIV OF CA DAVIS	20150258736WSUGRA	3,580
10.200	3650	UNIV OF CA DAVIS	20150258737WSUWATERSP	11,629
10.200	3650	UNIV OF ID FED	BJKP36SB003	15,922
10.212	3600	EDENSPACE SYSTEMS CORPORATION	UW BUD# 630751	4,865
10.212	3600	ENERTECHNIX INC	UW BUD# 663002	30,607
10.212	3600	ENERTECHNIX INC	UW BUD# 669887	-43,933
10.212	3650	TROUTLODGE INC FED FLOW	11781801	106,318
10.212	3650	WA BIO-OILS INC	130318	25,993
10.215	3650	UT ST UNIV - FED FLOW	110892012	1,100
10.215	3650	UT ST UNIV - FED FLOW	12083302	-4,524
10.215	3650	UT ST UNIV - FED FLOW	120833032	12,080

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.215	3650	UT ST UNIV - FED FLOW	120833036	418
10.215	3650	UT ST UNIV - FED FLOW	130676002240	69,171
10.215	3650	UT ST UNIV - FED FLOW	130676021282	7,947
10.215	3650	UT ST UNIV - FED FLOW	130676022	23,438
10.215	3650	UT ST UNIV - FED FLOW	130676026	7,437
10.215	3650	UT ST UNIV - FED FLOW	140867029	96,079
10.215	3650	UT ST UNIV - FED FLOW	140867032373	12,286
10.215	3650	UT ST UNIV - FED FLOW	14086704268	42,247
10.215	3650	UT ST UNIV - FED FLOW	15089300001169	109,385
10.215	3650	UT ST UNIV - FED FLOW	15089300001266	6,576
10.215	3650	UT ST UNIV - FED FLOW	15089300001267	24,191
10.215	3650	UT ST UNIV - FED FLOW	15089300001268	2,451
10.215	3650	UT ST UNIV - FED FLOW	15089300001271	4,592
10.227	3600	DINE COLLEGE	UW BUD# 630823	8,115
10.303	3650	NORTH DAKOTA STATE UNIVERSITY	FAR0021477	8,645
10.303	3650	OR ST UNIV FED	C0477AA	7,622
10.304	3650	UNIV OF CA FED	20122390204	-682
10.304	3650	UNIV OF CA FED	20160379404	30,159
10.307	3650	UT ST UNIV - FED FLOW	14082302	135,908
10.308	3650	UNIV OF GA FED FLOW	RR7224188644577	47,422
10.309	3600	KANSAS STATE UNIVERSITY	S15187 MOD 1	16,975
10.309	3650	CORNELL UNIV FED FLOW	7399910422	206,891
10.309	3650	CORNELL UNIV FED FLOW	7961110753	58,804
10.309	3650	MI ST UNIV	RC104285L	403,165
10.309	3650	MI ST UNIV	RC106347WSU	4,758
10.309	3650	NC ST UNIV - FED FLOW	2011160914	65,555
10.309	3650	NC ST UNIV - FED FLOW	2012178503	99,904
10.309	3650	NC ST UNIV - FED FLOW	2016149806	57,027

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.309	3650	NC ST UNIV - FED FLOW	2016150101	4,707
10.309	3650	NC ST UNIV - FED FLOW	2017039813	53,127
10.309	3650	UNIV OF AR	UAAES9111103	1,850
10.309	3650	UNIV OF AZ	404490	92,761
10.309	3650	UNIV OF CA DAVIS	20140375704	53,140
10.309	3650	UNIV OF FL FED FLOW	UFDSP00010606	61,249
10.309	3650	UNIV OF TN FED FLOW	8500042730	464,736
10.309	3650	UNIV OF WI MADISON	350K873	-9,867
10.309	3650	UNIV OF WI MADISON	428K072	7,343
10.310	3600	KENT STATE UNIVERSITY	416211-UW AM001	6,392
10.310	3600	UNIVERSITY OF NEVADA RENO	UNR1550PR2013670192136	32,530
10.310	3600	UNIVERSITY OF WISCONSIN MADISON	612K032 AM02	74,869
10.310	3650	BATTELLE MEMORIAL INSTITUTE	US0010000544060	9,617
10.310	3650	BAYLOR COLLEGE OF MED FED	101474002	155,382
10.310	3650	BAYLOR COLLEGE OF MED FED	102117659	287,474
10.310	3650	MI ST UNIV	RC104967WSU	158,477
10.310	3650	MI ST UNIV FED FLOW	RC105806WSU	704
10.310	3650	OR ST UNIV FED	TASK 6	14,847
10.310	3650	OR ST UNIV FED	U0720BA	23,553
10.310	3650	TX A&M RSCH FNDN FED FLOW	S110072	366,083
10.310	3650	UNIV OF CA DAVIS	20101571807	-5,682
10.310	3650	UNIV OF CA DAVIS	20101573903	21,928
10.310	3650	UNIV OF CA DAVIS	20122309005	146,572
10.310	3650	UNIV OF ID FED	BGK418SB001	114
10.310	3650	UNIV OF ID FED	BJKL03SB002	700,952
10.310	3650	UNIV OF ID FED	BJKP55SB002	23,770
10.310	3650	UNIV OF ID FED	BKK664SB001	13,490
10.310	3650	UNIV OF IL FED FLOW	20140634401	84,148

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.310	3650	UNIV OF MN FED FLOW	H005365302	18,479
10.310	3650	UNIV OF NE FED	2563210212002	18,479
10.310	3650	UNIV OF VT FED FLOWTHR	29034SUB51751	26,831
10.310	3650	UNIV OF VT FED FLOWTHR	30122SUBWSU	298
10.310	3650	UNIVERSITY OF MIAMI	667077	668
10.310	3650	UNIVERSITY OF MISSOURI	C000315874	231,251
10.310	3650	UNIVERSITY OF MISSOURI	C000464742	27,017
10.310	3650	UNIVERSITY OF MISSOURI	C00544064	50,872
10.310	3760	NIFA	68001-23230	50,509
10.310	3800	University of Notre Dame	202569WWU	29,569
10.311	3600	NORTHWEST NATURAL RESOURCE GROUP	UW BUD# 632494	4,388
10.311	3650	VIVA FARMS	ORSO130291	4,237
10.311	6990	VIVA FARMS	2016-70017-25348	33,708
10.312	3650	UNIV OF HI RES CORP FED FLOW	MA120037	304,767
10.328	3650	UNIV OF ID	BLK246SB003	11,207
10.328	3650	VIVA FARMS	ORSO128916	4,635
10.329	3650	CORNELL UNIV FED FLOW	7652310725	5,638
10.329	3650	OR ST UNIV FED	C0483AA	12,178
10.329	3650	UNIV OF CA DAVIS	SA14230924	26,346
10.331	6990	Rural Business Development	17-ADX-267	14,912
10.460	3650	VIVA FARMS	OGRD126820	9,132
10.460	3650	VIVA FARMS	ORSO129135	14,624
10.500	3650	KS ST UNIV	S16053	10,607
10.500	3650	KS ST UNIV	S16136	8,656
10.500	3650	KS ST UNIV	S17103	19,421
10.500	3650	KS ST UNIV	S17160	5,126
10.500	3650	KS ST UNIV	S17175	8,259
10.500	3650	MI ST UNIV	RC103176AZ	660

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
10.500	3650	PURDUE UNIV	8000066753	-2,452
10.500	3650	PURDUE UNIV	8000072175	89,181
10.500	3650	UT ST UNIV - FED FLOW	130677002	1,049
10.500	3650	UT ST UNIV - FED FLOW	130677006	5,305
10.561	6990	SBCTC-BFET 50%	116-BFET-15/16	66,752
10.575	3650	CLARK COUNTY HEALTH DEPT	HDC781	5,143
10.604	3650	NATIONAL POTATO PROMOTION BOAR	130329001	21,310
10.604	3650	NATIONAL POTATO PROMOTION BOAR	WSUT13GXKSF01YR03	7,032
10.604	3650	WA APPLE COMM	WAC141520	409,226
10.604	3650	WA RED RASPBERRY COMM	ORSO130051	7,105
10.680	3600	SLOW THE SPREAD FOUNDATION	A106307 (WA-007)	-8
10.960	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	6027 PO 430712	29,112
10.U02	3600	SEALASKA CORPORATION	MOD 2	3,496
10.U24	3650	NATL PROCESSED RASPBERRY CNCL	201519	357
10.U31	3650	COTTON INCORPORATED	WSU002142	123,375
10.U33	3650	COTTON INCORPORATED	WSU003470	47,548
11.011	3600	*UNIVERSITY OF ALASKA FAIRBANKS	UAF 16-0036	49,483
11.012	3600	*UNIVERSITY OF ALASKA FAIRBANKS	UAF 15-0085 AM01	12,711
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2300-82 AM02	3,417
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2400-63	4,640
11.012	3600	SOUTHEASTERN UNIVERSITIES RSCH ASSOC INC	2013-014 AM05	16,359
11.427	3600	PACIFIC SHELLFISH INSTITUTE	NA15NMF4270318 AM01	60,630
11.427	3600	TULALIP TRIBES	UW BUD# 635260	204,485
11.431	3600	*OREGON STATE UNIVERSITY	NA291A-B	26,457
11.431	3600	*OREGON STATE UNIVERSITY	NA291A-B AM01	63,853
11.431	3600	TEXAS A&M UNIVERSITY-CORPUS CHRISTI	16-04 AM01	58,859
11.437	3600	*PACIFIC ST MARINE FISHERIES COMMISION	15-85C AM02	-8,844
11.437	3600	*PACIFIC ST MARINE FISHERIES COMMISION	16-104G	89,570

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
11.437	3600	ALASKA FISHERIES SCIENCE CENTER	17-57G	60,549
11.437	3600	PACIFIC ST MARINE FISHERIES COMMISION	17-04G AM01	26,517
11.437	4770	Pacific States Marine Fisheries Commission	15-36G	17,489
11.437	4770	Pacific States Marine Fisheries Commission	15-48G	159,444
11.437	4770	Pacific States Marine Fisheries Commission	15-95G	80,105
11.437	4770	Pacific States Marine Fisheries Commission	16-133G	12
11.437	4770	Pacific States Marine Fisheries Commission	16-35G	201,440
11.437	4770	Pacific States Marine Fisheries Commission	16-38G	6,516
11.437	4770	Pacific States Marine Fisheries Commission	16-52G	164,797
11.437	4770	Pacific States Marine Fisheries Commission	16-59G	10,982
11.437	4770	Pacific States Marine Fisheries Commission	17-102G	53,463
11.437	4770	Pacific States Marine Fisheries Commission	17-13G	672,095
11.437	4770	Pacific States Marine Fisheries Commission	17-18G	146,613
11.437	4770	Pacific States Marine Fisheries Commission	17-30G	18,536
11.437	4770	Pacific States Marine Fisheries Commission	17-41C	61,304
11.437	4770	Pacific States Marine Fisheries Commission	17-56G	15,654
11.437	4770	The Nature Conservancy	WA-S-141207-031	381,815
11.438	3600	*ALASKA DEPARTMENT OF FISH AND GAME	AKSSF-44812/SA-14-018	53,793
11.438	3600	*ALASKA DEPARTMENT OF FISH AND GAME	AKSSF-44914 AM01	49,029
11.438	3600	ALASKA DEPARTMENT OF FISH AND GAME	AKSSF-44913 AM02	232,115
11.438	4770	Columbia River InterTribal Fish Commission	V17-06	16,438
11.439	4770	Pacific States Marine Fisheries Commission	16-116G	8,694
11.439	4770	Pacific States Marine Fisheries Commission	17-08G	92,754
11.441	4770	North Pacific Fishery Mgmt Council	2017-3	37,757
11.441	4770	North Pacific Fishery Mgmt Council	NPFMC# 2016-3	46,476
11.441	4770	Pacific States Marine Fisheries Commission	06-16	102,380
11.452	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1515	257,822
11.463	3600	NATURE CONSERVANCY	WA-S-170307-021	3,659

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
11.463	3650	GLOBAL SCIENCE & TECHNOLOGY	SA13WSU01	12,826
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1304	20,414
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1509B AM01	64,391
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1511B	18,155
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1515B AM01	38,173
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1525	86,487
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1532	1,063
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1533	120,251
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1603PRIMENA15NMF472017	60,988
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1615	26,225
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	F6423 AM01	88,424
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	G82/F5182-01 AM02	-467
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	PROJECT #1421	1,265
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1402	28,790
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1408	13,201
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1609	11,515
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A92-02A	6,547
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A93-02A	63,544
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A94-00A	42,529
11.472	3600	PRINCE WILLIAM SOUND SCIENCE CENTER	12-85-10 AM05	105,473
11.472	3600	PRINCE WILLIAM SOUND SCIENCE CENTER	17-75-08	44,058
11.472	3800	North Pacific Research Board	1533	29,244
11.472	3800	North Pacitic Reararch Board	1427C	48,279
11.482	3650	HUMBOLDT STATE UNIVERSITY	NA15N0S4820075	9,251
11.611	6990	Impact Washington	145-111-1UWA	8,289
11.619	3600	COLORADO STATE UNIVERSITY	G-00745-1 AM02	79,645
11.619	3600	UNIVERSITY OF MASSACHUSETTS LOWELL	S51700000029488	28,809
11.U06	3650	SYNOPTIC DATA CORP	S20170118	9,702

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
11.U09	3700	N. CENTRAL WA ECONOMIC DEV DIST	DOC/EDA #07-83-07272	22,158
12.000	3650	JOHNS HOPKINS BLOOMBERG SCHOOL	2001520332	0
12.300	3600	CARNEGIE MELLON UNIVERSITY	1141207-236198 AM12	-1
12.300	3600	CARNEGIE MELLON UNIVERSITY	1141221-293180 AM04	18,855
12.300	3600	COLORADO STATE UNIVERSITY	G-22069-1 AM01	127,227
12.300	3600	COLUMBIA UNIVERSITY	2 GG007783 AM10	164,024
12.300	3600	CORNELL UNIVERSITY	7855910699N00014161261	265,124
12.300	3600	STANFORD UNIVERSITY	60647113-107808 AM07	183,685
12.300	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00009483	23,673
12.300	3600	UNIVERSITY OF PENNSYLVANIA	557493 AM04	-170
12.300	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101081 AM04	99,976
12.300	3650	SMRU LLC	126522001	71
12.351	3600	UNIVERSITY OF TEXAS AT AUSTIN	UTA11-000762 AM05	-2,252
12.351	3650	PRINCETON UNIV	SUB0000083	67,263
12.420	3600	*OREGON STATE UNIVERSITY	RM128A-B	32,563
12.420	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	10291495 AM011	17,627
12.420	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	10291495 AM012	149,008
12.420	3600	CATHOLIC UNIVERSITY OF AMERICA	364271-SUB 2 A6	28,134
12.420	3600	DENVER RESEARCH INSTITUTE	MSRC-FY-16-01 MOD01	351,594
12.420	3600	DUKE UNIVERSITY	201114	78
12.420	3600	EMORY UNIVERSITY	T659929	5,001
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814873 AM01	36,050
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814873 AM02	125,847
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814876 AM2	116,172
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843084 AM01	14,376
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843085 AM01	9,148
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000863149 AM01	115,505
12.420	3600	H LEE MOFFITT CANCER CENTER & RSCH INST	12-18717-99-01-G1	52,220

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
12.420	3600	HENRY M JACKSON FOUNDATION	3093 / PO #851000	754
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-0701-4609	2,243
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-0701-4609 AM1	5,782
12.420	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2016.003	68,000
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO 2002505331	2,595
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO# 2002478756	37,040
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO#2000859125 MOD05	-155
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO#2000859125 MOD08	9,195
12.420	3600	JOHNS HOPKINS UNIVERSITY	VUMC37447 MOD03	90
12.420	3600	NORTHERN CA INST FOR RESEARCH & EDUC	CHAO2022-01	43,045
12.420	3600	TUFTS UNIVERSITY	ARM333AM04W81XWH111081	-11,652
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455SC AM01	50,159
12.420	3600	UNIVERSITY OF FLORIDA	UFDSP00010722 AM01	85,230
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003179988 AM02	26,066
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003179988 AM03	123,788
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003346129 AM03	32,819
12.420	3600	UNIVERSITY OF MINNESOTA	R01477 AM06	143,465
12.420	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	535819PRW81XWH1110639	8,837
12.420	3600	UNIVERSITY OF UTAH	10033316	25
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM03	22,521
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM05	92,876
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802SC104833S1AM04	119,210
12.420	3650	UNIVERSITY OF CALIFORNIA -	8442SC	272,437
12.431	3600	FLORIDA STATE UNIVERSITY	R01884	2,521
12.431	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	201301077-03 AM07	144,587
12.431	3600	GEORGE WASHINGTON UNIVERSITY	16-S07	5,642
12.431	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003984	554
12.431	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003766303 AM01	74,837

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
12.431	3600	UNIVERSITY OF PUERTO RICO	2014-2015-009	-298
12.431	3600	YALE UNIVERSITY	C13J11497J00210AM05	120,314
12.431	3600	YALE UNIVERSITY	C13J11497J00210AM06	13,986
12.431	3650	KS ST UNIV	S15216	32,208
12.431	3650	UNIV OF IL FED FLOW	20150616603	109,178
12.630	3600	DIGITAL MFG DESIGN INNOVATION INSTITUTE	0220160028 AM01	179,795
12.630	6990	ALMMII	N000141420002	71,666
12.750	3600	GENEVA FOUNDATION	S-1342-01 MOD02	22,127
12.750	3600	HENRY M JACKSON FOUNDATION	3066/PO# 855072 MOD04	425,116
12.800	3600	*NORTHWESTERN UNIVERSITY	SP0022325PROJ0007154AM	238,831
12.800	3600	CARNEGIE MELLON UNIVERSITY	1150128-346283 AM05	68,758
12.800	3600	COLUMBIA UNIVERSITY	2 (GG006552) AM04	14
12.800	3600	FLORIDA STATE UNIVERSITY	R01868	18,551
12.800	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710004246	3,541
12.800	3600	MSNW LLC	UW BUD# 666087	55,389
12.800	3600	STANFORD UNIVERSITY	60814399-114411 AM05	115,777
12.800	3600	STANFORD UNIVERSITY	61129790-119334 AM02	144,232
12.800	3600	TECH-X CORPORATION	UW BUD# 668748	-275
12.800	3600	UNIVERSITY OF NEW MEXICO	707824-874J AM02	152,634
12.800	3600	UNIVERSITY OF TEXAS AUSTIN	UTA15-001301 AM02	56,152
12.910	3600	RAYTHEON BBN	14544 MOD03	101,680
12.910	3600	TEMPLE UNIVERSITY	251658 AM05	10,861
12.910	3600	TEXAS A&M RESEARCH FOUNDATION	28-M1702181	35,999
12.910	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00394311/OSP2016165	63,886
12.910	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	67102239 AM01	333,956
12.910	3600	UNIVERSITY OF TEXAS AUSTIN	UTA15-001252 AM02	117,190
12.RD	3600	*CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2014-015-1 AM02	41,197
12.RD	3600	ADAPTIVE METHODS	3115-SC001 AM02	62,021

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
12.RD	3600	ADAPTIVE METHODS	3115-SC001, AMEND # 03	105,748
12.RD	3600	AIMDYN INC	PRIME HR0011-16-C-0116	93,261
12.RD	3600	AMERICAN BURN ASSOCIATION	W81XWH-11-1-0835 AM02	93,879
12.RD	3600	ARCHIEMD INC	UW BUD# 639884	4,594
12.RD	3600	ARCHIEMD INCORPORATED	UW637678	31,529
12.RD	3600	AZIMUTH CORPORATION	2385404WSHPO238004020	23,220
12.RD	3600	BAE SYSTEMS	930600-4	556,449
12.RD	3600	BLOODWORKS NORTHWEST	741-UW-2015 AM01	14,401
12.RD	3600	CARNEGIE MELLON UNIVERSITY	1990377350157AM04REV	50,982
12.RD	3600	COLORADO STATE UNIVERSITY	G-01606-1	7,441
12.RD	3600	COLUMBIA UNIVERSITY	3(GG011207) AM01	284,937
12.RD	3600	CORTANA CORPORATION	191-16-C-0003 MOD1	15,249
12.RD	3600	CORTANA CORPORATION	PO 191-16-C-0003-A	31,455
12.RD	3600	GENERAL ELECTRIC COMPANY	FA8650-12-C5203 AM02	58,784
12.RD	3600	HIGH PERFORMANCE TECHNOLOGIES INC.	HPTI-DRC-SUB2014-PETTT	528
12.RD	3600	HONEYWELL INTERNATIONAL INC	PO #4207023728	69,307
12.RD	3600	HRL LABORATORIES LLC	15020-504519-DS	30,441
12.RD	3600	INTEGRATED MGMT ADOLESCENT	AM01	15,475
12.RD	3600	JOHNS HOPKINS UNIVERSITY	117773 MOD03	-2
12.RD	3600	JOHNS HOPKINS UNIVERSITY	2001977042 MOD05	36,192
12.RD	3600	JOHNS HOPKINS UNIVERSITY	2002927679	30,465
12.RD	3600	JOHNS HOPKINS UNIVERSITY	CONTRACT # 132791	13,075
12.RD	3600	JOHNS HOPKINS UNIVERSITY	PO # 138890	5,513
12.RD	3600	JOHNS HOPKINS UNIVERSITY	PO # 138890 AM01	12,231
12.RD	3600	JOHNS HOPKINS UNIVERSITY	W81XWH1020090 MOD03	1,502
12.RD	3600	KITWARE INC	K000886-00-S06 MOD09	88,709
12.RD	3600	KITWARE INC	K000886-00-S06 MOD10	106,941
12.RD	3600	LATTICE GOVERNMENT SERVICES	PO-20110120	-22,472

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
12.RD	3600	LATTICE GOVERNMENT SERVICES	SBIR01UOW2012060601	-14,211
12.RD	3600	LONG LIVE THE KINGS	LLTK-SSMSP-19 AMO3	32,023
12.RD	3600	MATRIX RESEARCH INC	CRFR-009-02-01 MOD03	138,221
12.RD	3600	NORTHROP GRUMMAN INFORMATION TECHNOLOGY	PO#2936118 CO02	117,440
12.RD	3600	OREGON STATE UNIVERSITY	RM102A-B AM06	59,837
12.RD	3600	OREGON STATE UNIVERSITY	RM119A-A AM03	163,201
12.RD	3600	PENNSYLVANIA STATE UNIVERSITY	S16-17 MOD02	75,290
12.RD	3600	QUEST INTEGRATED LLC	UW635368	95,054
12.RD	3600	SECURBORATION INC	SUB/TASK# SURF II AM03	225,213
12.RD	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD517407A AM03	29,073
12.RD	3600	SOLUXRA LLC	AM05	122,575
12.RD	3600	SRI INTERNATIONAL INC	27-001450 MOD03	302,657
12.RD	3600	SURVICE ENGINEERING COMPANY	S17-033001	27,150
12.RD	3600	SYSTEM & TECHNOLOGY RESEARCH LLC	2016-1147	203,579
12.RD	3600	TASSO INC	UW BUD# 630056	77,640
12.RD	3600	THE GENEVA FOUNDATION	S-10494-01	54,649
12.RD	3600	THERMOANALYTICS INC	TAI-16-0815	39,747
12.RD	3600	TIERRA DATA INC	15024	23,945
12.RD	3600	TIERRA DATA INC	16027N6247311D22250054	5,792
12.RD	3600	UES INC	S-953-21-MR014, TO-02	34,563
12.RD	3600	UNIVERSAL TECHNOLOGY CORP	17-8400-09-C1 MOD01	57,847
12.RD	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1295-S-TA153 AM01	61,015
12.RD	3600	UNIVERSITY OF MINNESOTA	N006060601 AM01	1,080,175
12.RD	3600	UNIVERSITY OF YORK	UW669807	179,853
12.RD	3600	VCOM3D, INC	AFITS-UW-001	39,092
12.RD	3600	VERITOX, INC./GT ENGINEERING	UW632189	36,316
12.RD	3600	WYLE LABORATORIES	T72595 CO02/CO03	145,469

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
12.RD	3650	CARY INSTITUTE	3323200201841	33,321
12.RD	3650	CH2M HILL INC	950621	-3,317
12.RD	3650	JOHNS HOPKINS BLOOMBERG SCHOOL	2001520332	78,154
12.RD	3650	JOHNS HOPKINS BLOOMBERG SCHOOL	2002688433	27
12.RD	3650	PULSAR INFORMATICS INC	WSU007	-537
12.RD	3650	RENAISSANCE SCIENCES CORP(RSC)	CBSC0616151	87,755
12.RD	3650	SRI INT'L FED FLOW	149000002	58,344
12.RD	3650	TUFTS UNIVERSITY	ARM211	12,705
12.RD	3650	TX A&M UNIV FED	28M1702710	3,032
12.RD	3650	UNIFORMED UNIV HEALTH SCIENCES	HU0001161TS01	229,813
12.U56	3600	KAISER PERMANENTE	RNG200317-UW AM01	22,810
12.U77	3600	DUKE UNIVERSITY	15-USG-1064 MOD03	2
14.239	1480	City of Bellingham	PBEL2017	121,245
14.239	1480	City of Tacoma	HKPTA2017	94,707
14.239	1480	Pierce County	HAPC2017	90,650
14.323	1480	Neighborworks	EHLP GRANT	3,616
15.036	3800	Nooksack Indian Tribe	Robert Mitchell	37,757
15.232	3600	UNIVERSTIY OF IDAHO	GTK601-SB-002	28,468
15.232	3650	UNIVERSITY OF CA - RIVERSIDE	S000769	41,146
15.615	3600	CNMI DEPART OF LAND & NATURAL RESOURCES	595855-OM AM01	22,423
15.615	3600	CNMI DEPART OF LAND & NATURAL RESOURCES	606610-OM	243,779
15.615	3600	DIVISION OF FISH AND WILDLIFE	438401-OC AM09	10,000
15.634	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0502875PRIMEF15AF0023	6,612
15.634	4770	Western Assoc. of Fish & Wildlife Agencies	15-07422	55,570
15.639	3800	Lower Elwha Tribe	McLaughlin	12,521
15.657	3600	CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2015-052-0	24,890
15.657	3760	CTR.FOR N.L.M.	2015-056-0	789
15.668	3600	*UNIVERSITY OF ALASKA FAIRBANKS	UAF 17-0018 PO#506868	199,730

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
15.668	3600	NORTH SLOPE BOROUGH	3605.6355.G051304	11,367
15.807	3800	Cascadia Regional Earthquake Workgr	Contract No. 2016.1	16,812
15.820	3600	*OREGON STATE UNIVERSITY	GS297A-A AM01	14,323
15.820	3600	OREGON STATE UNIVERSITY	GS240B-B AM08	293,496
15.820	3650	OR ST UNIV FED	GS343AA	71,562
15.U02	3600	NATIONAL FISH AND WILDLIFE FOUNDATION	2100.16.051829	16,153
15.U03	3600	GREAT LAKES COMMISSION	4304	34,050
15.U05	3650	COLVILLE CONFEDERATED TRIBES	C16284	1,869
15.U06	3650	COLVILLE CONFEDERATED TRIBES	C16285	3,311
15.U07	3650	COLVILLE CONFEDERATED TRIBES	C16286	2,406
15.U08	3650	COLVILLE CONFEDERATED TRIBES	C16287	1,414
15.U09	3650	COLVILLE CONFEDERATED TRIBES	C16288	5,500
15.U10	3650	COLVILLE CONFEDERATED TRIBES	C16289	5,200
16.203	3600	FAIRLEIGH DICKINSON UNIVERSITY	DOJ00010-03 MOD02	-245
16.540	3600	PENNSYLVANIA COMMISSION ON CRIME	2011/2013-J-01-26108	43,897
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09469	61,992
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09904	92,908
16.560	3650	PA ST UNIV FED FLOW	4972WSUNIJ0055	62,928
16.583	3700	TULALIP TRIBES	OVC 5817-50263-84120	11,447
16.609	3600	WA ASSOC OF SHERIFFS AND POLICE CHIEFS	PSN-2015-003	41,274
16.726	3650	NAT'L 4-H CNCL	2015JUFX0015	237,089
16.726	3650	NAT'L 4-H CNCL	2016JUFX0022	101,325
16.726	3650	NAT'L 4-H CNCL	2016JUFX022	11,134
16.726	3650	WA 4-H FNDN	WSU003040	17,633
16.888	3700	KALISPEL INDIAN COMMUNITY OF THE KALISPEL RES WA	2013-CY-AX-K019	6,406
16.U01	3600	WEST VIRGINIA UNIVERSITY	09-097QQ-UW	148,106
16.U02	3600	UNIVERSITY OF TEXAS MEDICAL BRANCH	PO#UTMBG-0000681910	29,964

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
17.258	6990	WorkForce Central	5310-WFC-WIA-A-DW	6,557
17.259	6990	Workforce Development coucial of Snohomish County	TC237941260A20	26,382
17.259	6990	Workforce Snohomish	15-EVCC-X-292-Youth	3,401
17.259	6990	Workforce Snohomish	16-EVCC-X-310-Youth	37,331
17.259	6990	Workforce Snohomish	16-EVCC-X-320-Youth	14,802
17.261	6990	Everett College	NO NAME#6	385,028
17.268	6990	WA Department of L&I	K3531	57,388
17.270	6990	WDC-King County IMA	14/229-NEGJD	79,368
17.274	6990	Tacoma Goodwill	YB-21734-11-60-A-53	38,032
17.277	6990	WDC-Maritime/MFG	TC-22520	196,608
17.282	6990	Centralia College	TC 26512-14-60-A-53	252,274
17.282	6990	Centralia College	TC-26512-14-60-A-53	286,861
17.282	6990	National Avaiation Consortium	TC237941260A20	81,376
19.009	6990	Study Aboard	145-111-1NAB	50,000
19.014	6990	NOVA	SECAGD16CA1061	175,185
19.029	3600	JSI RESEARCH & TRAINING INST, INC	37188-1064 MOD03	472,640
19.U01	3650	NAT'L ACADEMIES	2000007099	48,800
19.U02	3650	WORLD LEARNING INC	S01SIZ10016CA008	1,918
19.U05	3600	CHEMONICS INTERNATIONAL INC	SUB228PRIMEAIDOAATO140	141,248
19.U06	3600	MANAGEMENT SCIENCES FOR HEALTH INC	SIAPS2011003TO14AM01	33,969
20.200	3600	NATIONAL ACADEMIES OF SCIENCES	HR1091AMOD01SUB0000932	25,700
20.205	3650	ID DEPT OF TRANSPORTATION	WSU201601	120,091
20.205	3650	MINNESOTA DEPT TRANSPORTATION	06910	38,569
20.205	3650	MINNESOTA DEPT TRANSPORTATION	1001326	73,667
20.513	4050	City of Yakima	GCB1649	21,080
20.701	3600	ARIZONA STATE UNIVERSITY	17175PTE69A3551747116	10,483
20.701	3650	UNIV OF AK FAIRBANKS FED FLOW	UAF140103	318,056
20.701	3650	UNIV OF N CAROLINA-CHARLOTTE	2016068804WSU	20,965

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
20.761	3650	OR ST UNIV FED	T0013GA	-8,278
20.U01	3600	RESOURCE SYSTEMS GROUP INC	UW630217	54,108
20.U02	3600	LEIDOS	P010192645	25,469
20.U03	3600	APPLIED RESEARCH ASSOCIATES INC	S-002234-UW-00 MOD03	89,145
20.U04	3600	CAMBRIDGE SYSTEMATICS INC	008500 TO.012 MOD02	5,922
20.U05	3600	CAMBRIDGE SYSTEMATICS INC	008742.007	54,968
20.U07	3600	APPLIED PAVEMENT TECHONOLOGY INC	TOPR 1_15-001-RR01-UW	12,305
20.U08	3600	*UNIVERSITY OF IOWA	1531130001PO1001283139	54,632
20.U09	3600	WESTAT INC	8928S008TASKORDER13MOD	25,149
20.U10	3600	APPLIED PAVEMENT TECHONOLOGY INC	TOPR 3_15-001-RR03-UW	3,803
20.U11	3600	KING COUNTY EXECUTIVE	5909229	3,376
20.U12	3600	NEW YORK UNIVERSITY	F8741-03	2,776
20.U15	3650	VA TECH UNIV	45134519276	1,614
20.U16	3650	VA TECH UNIV	45138519276	144,758
20.U17	3650	APPLIED PAVEMENT TECHNOLOGY IN	ACRPA0264	27,863
20.U18	3650	NAT'L ACADEMIES	HR0949A	3,383
20.U19	3650	NAT'L ACADEMIES	HR1305	183,853
21.U02	1480	Neighborworks	PL114-113X1350	104,100
27.U01	3600	CATMEDIA	PO#007W21741	33,793
39.U01	3600	UNIVERSITY OF MINNESOTA	H005998401	63,432
42.U01	3600	NATIONAL FILM PRESERVATION FOUNDATION	FED16-034	10,250
43.001	3600	*SMITHSONIAN ASTROPHYSICAL OBSERVATORY	G05-16085X	44,111
43.001	3600	*SMITHSONIAN ASTROPHYSICAL OBSERVATORY	GO4-15088X AM02	10,862
43.001	3600	*UNIVERSITY CORP FOR ATMOSPHERIC RSCH	Z15-20864 MOD01	142,587
43.001	3600	*UNIVERSITY OF MARYLAND COLLEGE PARK	27329-Z6943001 AM C	15,410
43.001	3600	CARNEGIE INSTITUTION OF WASHINGTON	4-10067-4051 AM21	148,485
43.001	3600	CLARK UNIVERSITY	2NO48-7531 AM04	123,162
43.001	3600	COLUMBIA UNIVERSITY	1 (GG008879) AM05	4,797

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
43.001	3600	DARTMOUTH COLLEGE	510 AM16	56,428
43.001	3600	GEORGIA TECH RESEARCH CORPORATION	RE906-G1 AM01	23,296
43.001	3600	HARVARD UNIVERSITY	130785-5060310 AM06	57,008
43.001	3600	JET PROPULSION LABORATORY	1572151	7,476
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-13277.01-A AM01	12,866
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-13882.001-A	8,316
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-13901.005-A	14,352
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14281.002-A	5,206
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14283.001-A	58,984
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14288.001-A	-1,034
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14307.002-A	12,080
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14325.001-A	12,251
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14575.001-A	48,903
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-12870.07-A AM02	4,684
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-12997.01-A	-349
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13461.001-A	838
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13515.002-A	21,182
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13650.004-A	700
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13659.002-A	25,812
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13807.001-A	2,604
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-13857.001-A	13,389
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14102.004-A	17,706
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14140.006-A	73,655
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14173.004-A	16,923
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14779.001-A	1,324
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR13264001AAM01	-201
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR13903001AAM02	11,064
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR14324001AAM01	31,194

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13710002AAM01	4,327
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13768009AAM01	11,332
43.001	3600	UNIVERSITY OF ARIZONA	366620	10,373
43.001	3600	UNIVERSITY OF CALIFORNIA SANTA CRUZ	A00-0983-S001	91,294
43.001	3600	UNIVERSITY OF COLORADO DENVER	1552357MOD02PO10004540	69,266
43.001	3600	UNIVERSITY OF FLORIDA	UFDSP00011385	11,460
43.001	3600	UNIVERSITY OF HAWAII	MA140004 AM03	14,283
43.001	3600	UNIVERSITY OF HAWAII	MA140040/MA1035 AM05	168,056
43.001	3600	UNIVERSITY OF HOUSTON	R160069PTENNX16AN35GAM	54,297
43.001	3600	UNIVERSITY OF MAINE	UMS-965 AM02	339,680
43.001	3600	UNIVERSITY OF MAINE	UMS-965 AM03	29,213
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101125	72,769
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101250 AM01	86,022
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101283 AM02	76,099
43.001	3600	YALE UNIVERSITY	C17N12702 (N00237)	3,810
43.001	3650	CORNELL UNIV FED FLOW	627619776	44,521
43.001	3650	JOHNS HOPKINS UNIV APL	128802	26,090
43.001	3650	SPACE TELESCOPE SCI INST	HSTAR13900001A	7,772
43.001	3650	SPACE TELESCOPE SCI INST	HSTG014141001A	41,006
43.002	3600	BAYLOR COLLEGE OF MEDICINE	NCC9-58-50	400,559
43.002	3600	BAYLOR COLLEGE OF MEDICINE	SMST03402 AM03	39,508
43.002	3600	NATIONAL SPACE BIOMEDICAL RESEARCH INST	NCC9-58- 50	21,907
43.002	3600	NATIONAL SPACE BIOMEDICAL RESEARCH INST	NCC9-58-50	199,525
43.002	3650	SAN JOSE STATE UNIV RSCH FNDN	2116144877WSU2016	4,999
43.007	3650	UNIV OF KENTUCKY RES FOUNDATIO	320000109817193	38,564
43.007	6990	Eagle Harbor Tech	NNX16CP48P	30,203
43.U01	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	1318945 MOD23	165,368
43.U01	3800	Aarizona State University	15-710	16,713

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
43.U01	3800	Jet Propulsion Laboratory	1546127	89,370
43.U03	3600	JPL	1533020-B-4-25	16,508
43.U04	3600	JPL	1529015	29,936
43.U05	3600	JET PROPULSION LABORATORY	1557414	97,107
43.U06	3600	*JET PROPULSION LABORATORY	SC#1526158 MOD03	31,882
43.U06	3600	*JET PROPULSION LABORATORY	SC#1526158 MOD04	109,318
43.U06	3600	JET PROPULSION LABORATORY	1539790 MOD01	12,625
43.U07	3600	JET PROPULSION LABORATORY	1303809 MOD23	96,421
43.U08	3600	JET PROPULSION LABORATORY	1555656	58,180
43.U09	3600	JET PROPULSION LABORATORY	1542830 MOD04	245,048
43.U10	3600	JET PROPULSION LABORATORY	1506559 AM02	19,799
43.U10	3600	JET PROPULSION LABORATORY	1506559 MOD03	140,706
43.U11	3600	MALIN SPACE SCIENCE SYSTEMS INC	12-0233 MOD07	379,868
43.U12	3600	M4 ENGINEERING	#A121581	36,550
43.U13	3600	SCIENTIFIC SYSTEMS COMPANY INC	1608	149,326
43.U14	3600	*SMITHSONIAN ASTROPHYSICAL OBSERVATORY	SV3-83025 AM05	41,247
43.U15	3600	SYSTIMA TECHNOLOGIES INC	NNX14CS62CPO41172AM01	56,596
43.U16	3600	STANFORD UNIVERSITY	PY24261-22727-D AM27	41,952
43.U17	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-12055.01-A AM08	70,784
43.U17	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO1205501AAMEND1	5,253
43.U18	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14072.007-A	16,257
43.U19	3600	MSNW LLC	UW BUD# 632315	16,212
43.U20	3600	AIRMARKETS CORPORATION	T16-6500-AMC-SUB-0010	5,999
43.U21	3600	JET PROPULSION LABORATORY	1557414	5,193
43.U22	3600	NANOSONIC INC	N-C87P MOD01	2,438
43.U23	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	1520171	2,021
43.U24	3650	CA INST OF TECH JET PROP LAB	1504089	-3
43.U25	3650	CA INST OF TECH JET PROP LAB	1523347	98,729

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
43.U27	3650	CA INST OF TECH JET PROP LAB	1548988	60,875
43.U28	3650	CA INST OF TECH JET PROP LAB	1551867	19,635
43.U29	3650	AETOS SYSTEMS INC	20019G02001335TA24	18,337
43.U31	3650	AETOS SYSTEMS INC	SC2019A031	-2,199
43.U32	3650	INTELLIGENT FIBER OPTIC SYSTEM	WSU003392	22,007
43.U33	3700	ASSN OF UNIVERSITIES FOR RESEARCH IN ASTRONOMY	HST-AR-13880.004-A	6,675
43.U33	3700	ASSN OF UNIVERSITIES FOR RESEARCH IN ASTRONOMY	HST-GO-12816.011-A	20,340
43.U33	3700	ASSN OF UNIVERSITIES FOR RESEARCH IN ASTRONOMY	HST-GO-13415.005-A	9,139
45.024	3750	ARTS MIDWEST	00017784	17,000
45.025	3650	WESTERN STATE ARTS FEDERATION	TW201600175	2,120
45.310	6990	Tacoma Community College	145-151-20518	2,935
45.312	3600	ASSOCIATION OF CHILDREN'S MUSEUMS	MG-10-14-0006-14	28,501
45.313	3600	MOZILLA FOUNDATION	USF.IMLS-20152008	105,434
47.041	3600	BLUHAPTICS INC	UW BUD# 635063	21,555
47.041	3600	LULA ROBOTICS INC	NSF15-604	89,238
47.041	3600	OREGON STATE UNIVERSITY	S1738A-A AM01	55,911
47.041	3600	REACH BIONICS INC	IIP-1330971	9,450
47.041	3600	REACH BIONICS INC	UW BUD# 633391	3,799
47.041	3600	SOROS INC	UW OSP #A110020	62,644
47.041	3600	TEXAS A&M RESEARCH FOUNDATION	02-S150242 AM02	-799
47.041	3600	UNIVERSITY OF ARIZONA	340812	47,111
47.041	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009375, PTE 1612843	71,751
47.041	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	0190 G SA465	136,639
47.041	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	2015-04522-04 AM02	35,949
47.041	3600	UNIVERSITY OF IOWA	1001434807	30,396
47.041	3600	UNIVERSITY OF SOUTHERN MISSISSIPPI	2016-01-PM-USM	1,915

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.041	3600	UNIVERSITY OF SOUTHERN MISSISSIPPI	PO# 29150	9,576
47.041	3600	UNIVERSITY OF TEXAS AT AUSTIN	UTA15-000857 AM01	82,793
47.041	3600	UNIVERSITY OF TEXAS AUSTIN	UTA14-000587 AM02	77,298
47.041	3600	WILLIAM MARSH RICE UNIVERSITY	R3D381 AM03	77,001
47.041	3600	WOMEN IN ENGINEERING PROACTIVE NETWORK	EEC-144507 AM02	53,735
47.041	3650	PURDUE UNIV	410151649	7,568
47.041	3650	UNIV OF MI	3003760323	28,249
47.041	3650	UNIV OF TN FED FLOW	A120044S007	1,012
47.041	3800	Grow Plastics	RSP-15040	43,219
47.041	6990	N. Carolina A&T State University	260118A	12,082
47.049	3600	AURA INC	N51948C AM03	2,898,502
47.049	3600	CORNELL UNIVERSITY	7850410756PTEDMR162936	34,391
47.049	3600	EMORY UNIVERSITY	T439664 AM03	27,342
47.049	3600	EMORY UNIVERSITY	T663470 AM04	103,423
47.049	3600	MATHEMATICAL ASSOCIATION OF AMERICA	PRIME DMS-1345499	5,523
47.049	3600	MICHIGAN STATE UNIVERSITY	RC104177UW AM02	142,285
47.049	3600	SYRACUSE UNIVERSITY	27418-03741-S01	1,625
47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008651 AM02	53,274
47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008789 AM02	27,838
47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	0009390	13,555
47.049	3600	UNIVERSITY OF NOTRE DAME	PHY-1219444	4,465
47.049	3600	UNIVERSITY OF TEXAS RIO GRAND VALLEY	1505861(01)	1,804
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM01	246,213
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM02	137,002
47.049	3700	MATHEMATICAL ASSN OF AMERICA	#3-8-710-949; 1345499	996
47.050	3600	*ARIZONA STATE UNIVERSITY	14386AM03PRNSF1338810	91,640
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09	4,914,232
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 45	29,094

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 50	783,963
47.050	3600	*CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 58	5,009,652
47.050	3600	*OREGON HEALTH & SCIENCE UNIVERSITY	GSTCN0106S2 AM08	37,592
47.050	3600	*UNIVERSITY CORP FOR ATMOSPHERIC RSCH	Z15-13632 MOD01	83,279
47.050	3600	COLORADO STATE UNIVERSITY	G-3624-12 AM06	23,037
47.050	3600	COLUMBIA UNIVERSITY	20(GG009393)AM02	10,076
47.050	3600	COLUMBIA UNIVERSITY	20B(GG009393)	19,036
47.050	3600	COLUMBIA UNIVERSITY	20C(GG009393)	365
47.050	3600	COLUMBIA UNIVERSITY	4 (GG002456) AM10	1,040
47.050	3600	DUKE UNIVERSITY	14-NSF-1031 AM03	104,590
47.050	3600	INCORPORATED RSCH INST FOR SEISMOLOGY	07-UWA-SAGE AM04	63,480
47.050	3600	LOUISIANA STATE UNIVERSITY	97578 AM001	37,307
47.050	3600	NEW YORK INSTITUTE OF TECHNOLOGY	EAR-1325457-UW-1	7,660
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM04	919,231
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM05	119,445
47.050	3600	STANFORD UNIVERSITY	61125317-112715 AM01	55,059
47.050	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	Z1621925MOD01PAGS15410	30,484
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	55591530 AM02	18,276
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	80326143 AM01	31,667
47.050	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1641 AM01	17,192
47.050	3600	UNIVERSITY OF MIAMI	S1602AM001POP180309	35,808
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101293	141,793
47.050	3650	AUSTIN COMMUNITY COLLEGE	WSU003361	6,800
47.050	3650	PRINCETON UNIV	SUB0000169	5,220
47.050	3650	UNIV OF ID FED	IBK289SB001	141,239
47.050	3650	UNIV OF MI	3002608135	20,034
47.050	3750	UNAVCO, INC	S10-WAR1261833-S2, EAR	112,266
47.050	3750	UNAVCO, INC	S16-ICER1639709-S2	2,033

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.050	3800	Consortium for Ocean Leadership	T350A77/BA-77	1,898
47.070	3600	*COMPUTING RESEARCH ASSOCIATION	POSTDOC002	31,095
47.070	3600	*COMPUTING RESEARCH ASSOCIATION	POSTDOC002 AM002	232,821
47.070	3600	*STONY BROOK UNIVERSITY	68874 AM01	8,610
47.070	3600	*UNIVERSITY OF COLORADO DENVER	1549807 MOD06	190,658
47.070	3600	*UNIVERSITY OF MARYLAND COLLEGE PARK	27338-Z4338001 AMB	94,321
47.070	3600	CARNEGIE MELLON UNIVERSITY	1122507-379498	6,956
47.070	3600	NORTHWESTERN UNIVERSITY	SP0027430PROJ0007182AM	107,770
47.070	3600	STANFORD UNIVERSITY	60167194-106431-A AM01	-144,170
47.070	3600	STROUD WATER RESEARCH CENTER	340051-55900 MOD02	108,582
47.070	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	15827	54,141
47.070	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	SUBAWARD #15829	38,092
47.070	3650	CLEMSON UNIVERSITY	19062062011806	158,016
47.070	3650	MI ST UNIV FED FLOW	RC104385WSU	12,069
47.070	3650	OR ST UNIV FED	Z0051A-B	52,439
47.070	3800	Worcester Polytechnic Institute	15-203230-00-00	51,234
47.074	3600	ARIZONA STATE UNIVERSITY	17-025 (1616821)	39,764
47.074	3600	BOYCE THOMPSON INSTITUTE FOR PLANT RSCH	14-02 AM01	66,647
47.074	3600	JAMES MADISON UNIVERSITY	S11-274-001	467
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM03	185
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM06	78,643
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM10	6,874
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM12	47,751
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM16	336,230
47.074	3600	OREGON STATE UNIVERSITY	S1713A-A AM02	9,979
47.074	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00050974-2	28,836
47.074	3600	UNIVERSITY OF NOTRE DAME	202799UW	17,497
47.074	3600	VIRGINIA POLYTECHNIC INST AND STATE UNIV	478640-19124	709

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.074	3650	NATL CTR FOR GENOME RESOUCES	20171	48,206
47.074	3750	UNIVERSITY OF GEORGIA	RR167-627/S000812	41,535
47.075	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	PO 10321094-005	-931
47.075	3600	CARNEGIE MELLON UNIVERSITY	1122280-355037 AM01	13,768
47.075	3600	SYRACUSE UNIVERSITY	2889604459SO1PTE162863	23,264
47.075	3600	SYRACUSE UNIVERSITY	SP27415103774SO1AM01	40,765
47.075	3600	UNIVERSITY OF MASSACHUSETTS	13007301A02PO000134381	9,386
47.075	3650	SANTA FE INSTITUTE	SFI20160914	60,679
47.076	3600	AMERICAN INSTITUTES FOR RESEARCH	0375400001 MOD01	91,063
47.076	3600	ASSOCIATION OF SCIENCE-TECHNOLOGY CENTER	DRL-1612739 MOD01	99,622
47.076	3600	FRANKLIN INSTITUTE SCIENCE MUSEUM	NSF DRL-1223730	18,807
47.076	3600	IOWA CHILDREN'S MUSEUM	UW BUD# 630875	51,931
47.076	3600	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC13-081 AM05	13,136
47.076	3600	MICHIGAN STATE UNIVERSITY	RC101209UW AM04	954
47.076	3600	OREGON STATE UNIVERSITY	S1666A-A AM02	22,152
47.076	3600	PACIFIC SCIENCE CENTER FOUNDATION	2015-1287E	21,663
47.076	3600	TEACHING CHANNEL	2015-01 (1417757)	105,610
47.076	3600	TEACHING CHANNEL	2016-01	303,913
47.076	3600	UNIVERSITY OF COLORADO BOULDER	1554145	129,381
47.076	3600	UNIVERSITY OF COLORADO DENVER	1554735	3,311
47.076	3600	VANDERBILT UNIVERSITY	UNIV 58757 AM05	62,296
47.076	3650	AUSTIN COMMUNITY COLLEGE	WSU003308	27,353
47.076	3650	BELLEVUE COMMUN COLLEGE	WSU003046	6,667
47.076	3650	FINGER LAKES COMM COL	CCURIYEAR120152016	9,683
47.076	3650	FINGER LAKES COMM COL	CCURIYEARII20162017	24,166
47.076	3650	MI ST UNIV	RC101209WSU	-249
47.076	3650	S SEATTLE COMM COLLEGE	502391	37,364
47.076	3650	SAN DIEGO STATE UNIV FOUNDATIO	SA0000521	28,045

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
47.076	3750	CARLETON COLLEGE	DUE1125331	31,341
47.076	3800	Carlton College	NEXTGEN STEM TP-WA	17,097
47.076	3800	Salish Kootenai College	1102362	4,900
47.076	6990	CWU	1356479-1	24,054
47.076	6990	Purdue University	1700674	3,203
47.076	6990	Sinclair Community College	DUE1304405	33,735
47.076	6990	Tennessee Tech	1601587	9,855
47.076	6990	UW LSAMP	763689	13,495
47.076	6990	UW-Mesa Steam	677551	22,270
47.076	6990	Wisconsin	1T3A	101,436
47.078	3600	UNIVERSITY OF KANSAS CENTER FOR RSCH INC	FY2011-025-M7 MOD07	43,264
47.079	3600	OREGON STATE UNIVERSITY	S1315A-C AM08	101,159
47.079	3650	US CIVILIAN RSCH & DEV FNDN	OISE16627650A	10,761
47.080	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	2010-07196-04 AM06	1,680
47.080	3600	UTAH STATE UNIVERSITY	120082-00001-286 AM01	28,252
47.U01	3600	MICROHAOPS INC	AM01	73,632
47.U02	3650	BIENA TECH LLC	1648922	87,478
47.U03	3650	UNIVERSITY OF ROCHESTER	415909G	12,315
66.203	3700	RURAL COMMUNITY ASSISTANCE CORP	EPA EFC/E165 TSK ORD 1	19,856
66.469	3600	UNIVERSITY OF TOLEDO	F-2017-133	59,141
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364871 AM01	24,882
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364872 AM01	51,222
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364874 AM01	229,630
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364876 AM01	103,969
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364925 AM01	14,196
66.509	3600	UNIVERSITY OF NEW MEXICO	3RAW5 AM01	18,028
66.509	3600	WATER ENVIRONMENT RESEARCH FOUNDATION	UW BUD# 666526	43,960
66.509	3650	HARVARD UNIV	1125215081534	23,167

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
66.509	3800	Harvard University	112521-5081532	54,929
66.511	3600	HEALTH EFFECTS INSTITUTE	4945-RFA13-1/14-6	65,448
66.700	3650	COEUR D'ALENE TRIBE LAND SVCS	OGRD126461	5,861
66.U01	3600	PEGASUS TECHNICAL SERVICES INC	UWASH16001MOD2EPC15010	17,209
66.U02	3600	SMART GROWTH AMERICA	UW631798	9,999
66.U03	3600	ENVIRONMENTAL MANAGEMENT SUPPORT INC.	13-601/303/PO-01	3,675
66.U04	3600	PEGASUS TECHNICAL SERVICES INC	UWASH17001EPC15010	1,570
66.U05	3650	NORTH OLYMPIC SALMON COALITION	201659	20,105
66.U06	3650	HOOD CANAL COORD COUNCIL	WSU003447	20,250
81.000	3650	BATTELLE LABS	227795	0
81.049	3600	EAGLE HARBOR TECHNOLOGIES INC	96339	12,272
81.049	3600	MARINE BIOLOGICAL LABORATORY	44978 AM003	-52
81.049	3600	MONTANA STATE UNIVERSITY	G140-15-W5072 AM02	185,510
81.049	3600	UNIVERSITY OF COLORADO DENVER	1553756 MOD001	123,112
81.049	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	20030705905A6929AM03	24,451
81.049	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	20030705905A6929AM04	101,718
81.049	3600	UNIVERSITY OF MINNESOTA	A004527504 AM03	40,304
81.049	3600	UNIVERSITY OF NEW MEXICO	889186-874J AM11	211
81.049	3600	WOODRUFF SCIENTIFIC INC	UW BUD# 637066	57,607
81.049	3650	DONALD DANFORTH PLANT SCI CTR	23009-WS	165,182
81.049	3650	FOREST CONCEPTS LLC	WSU002926	4,637
81.049	3650	INNOVATEK INC	10216	5,922
81.049	3650	MT ST UNIV - BOZEMAN	G11517W6230	79,798
81.049	3650	NEI CORPORATION	12912001	40,431
81.049	3650	UNIV CA - MERCED	E252GTA349	110,754
81.049	3650	UNIV OF ID FED	BJKQ05SB001	69,046
81.049	3650	UNIV OF MN FED FLOW	A003127004	67,163
81.049	3650	UNIV OF NE FED	2512150123011	152,995

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
81.049	3650	UNIV OF NM	740058874P	155,843
81.086	3600	CITY OF SEATTLE	OSE-16-54	5,064
81.086	3600	GROUP14 TECHNOLOGIES	AM01	57,483
81.086	3650	BUILDING SCIENCE CORP	130540001	41,722
81.086	3650	UNIV OF CENTRAL FL	20126127	41,007
81.086	3700	KALISPEL INDIAN COMMUNITY OF THE KALISPEL RESERVATION WA	1997-004-00	9,085
81.086	3700	KALISPEL INDIAN COMMUNITY OF THE KALISPEL RESERVATION WA	BPA 1997-004-00	107,054
81.086	3700	KALISPEL INDIAN COMMUNITY OF THE KALISPEL RESERVATION WA	BPA 2007-246-00	119,478
81.086	3700	KALISPEL INDIAN COMMUNITY OF THE KALISPEL RESERVATION WA	BPA CONTRACT #75844	17,476
81.087	3600	*OREGON STATE UNIVERSITY	G0152A-B	132,409
81.087	3600	*OREGON STATE UNIVERSITY	G0152A-B AM03	118,838
81.087	3600	CORRIM	1010	102,882
81.087	3600	HUMBOLDT STATE UNIVERSITY	PO# 0007101424 AM2	342,875
81.087	3600	STANFORD UNIVERSITY	60213273-51077-K AM06	4,282
81.087	3600	UNIVERSITY OF HAWAII	MA140025 AM03	175,278
81.087	3650	AZ ST UNIV FED FLOW	16777	140,746
81.087	3650	CO SCHOOL OF MINES GOLDEN	4010115801	132,227
81.087	3650	NM ST UNIV FED FLOW	Q01691	-8,553
81.087	3650	TEXAS A&M AGRILIFE RESEARCH	06S170616	21,524
81.089	3600	LG FUEL CELL SYSTEM INC	LGFCS US DE-FE0023337	88,532
81.089	3600	UNIVERSITY OF TEXAS AUSTIN	UTA17-000308	11,485
81.106	2250	Western Governors Association	K12153-TWX4	87,161
81.112	3650	CARNEGIE INSTITUTION WASHINGTO	41046923	16,796
81.121	3650	BATTELLE LABS	224075	29,388
81.121	3650	CO SCHOOL OF MINES GOLDEN	4009205801	124,595
81.121	3650	IA ST UNIV FED FLOW	4012014	82,148

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
81.121	3650	RUTGERS ST UNIV OF NJ FED FLOW	0018	168,943
81.121	3650	RUTGERS ST UNIV OF NJ FED FLOW	5464	125,206
81.121	3650	UNIV OF TULSA	142120464294802	47,418
81.121	3650	US DEPT OF ENERGY - IDAHO FALL	NE0008431	181,441
81.122	3650	ALSTOM GRID INC	DEOE0000725	31,666
81.122	3650	IA ST UNIV FED FLOW	4012016A	151,300
81.122	3650	UNIV OF IL FED FLOW	20150660502	386,239
81.122	3650	UNIVERSITY OF CA - RIVERSIDE	S000872	23,454
81.124	3600	UNIVERSITY OF NOTRE DAME	202199UW AM01	7,623
81.135	3600	*OREGON STATE UNIVERSITY	G0135BAAM02DEAR0000439	98,525
81.135	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3002985435 AM04	9,800
81.135	3650	IA ST UNIV FED FLOW	4012006C	171,293
81.135	3650	VANDERBILT UNIV-FED FLOW	916520936	170,444
81.214	4610	National Fish and Wildlife Foundation	0201.16.048999	61,856
81.999	3650	UNIV OF CENTRAL FL	20126118	0
81.U01	3600	*ARGONNE NATIONAL LABORATORY	4F-30041 MOD05	4,032
81.U01	3600	*ARGONNE NATIONAL LABORATORY	4F-32142 MOD02	82,579
81.U03	3600	*BROOKHAVEN SCIENCE ASSOCIATES LLC	280204 AM01	-20
81.U04	3600	DIRAC SOLUTIONS INC	DE-NA0002717 DSI-UW-01	137,145
81.U05	3600	FERMI NATIONAL ACCELERATOR LABORATORY	622008 A04	73,700
81.U07	3600	KRELL INSTITUTE	UW BUD# 807394	-58,260
81.U07	3600	KRELL INSTITUTE	UW800401	65,439
81.U08	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B611721	-3,024
81.U08	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B614524 MOD1	36,354
81.U09	3600	LOS ALAMOS NATIONAL LABORATORY	285149 MOD03	38,914
81.U09	3600	LOS ALAMOS NATIONAL LABORATORY	320719 MOD01	61,606
81.U10	3600	METROPIA INC	716001-003	86,832
81.U11	3600	MISSION SUPPORT ALLIANCE LLC	55190 MOD02	274,259

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
81.U12	3600	ARGONNE NATIONAL LABORATORY	7F-30056	30,985
81.U13	3600	OAK RIDGE INSTITUTE FOR SCIENCE AND EDUCATION	UW BUD# 634161	21,130
81.U14	3600	PC TRASK AND ASSOCIATES INC	CR289642 AM10	7,303
81.U15	3600	SANDIA NATIONAL LABORATORIES	1578574	1,878
81.U15	3600	SANDIA NATIONAL LABORATORIES	1679421	6,255
81.U16	3600	STANFORD UNIVERSITY	113484 MOD03	1,215
81.U18	3600	UNIVERSITY OF CALIFORNIA BERKELEY	6700882 MOD33	770,045
81.U19	3600	1ENERGY SYSTEM INC	A101034	35,333
81.U20	3600	UT-BATTELLE LLC	4000146123 MOD02	258,379
81.U21	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B616291	5,812
81.U22	3600	ARGONNE NATIONAL LABORATORY	7F-30111	3,625
81.U26	3600	BATTELLE MEMORIAL INSTITUTE	TASK ORDER 335418	54,370
81.U34	3700	SPOKANE TRIBE OF INDIANS	1994-043-00	26,634
81.U34	3700	SPOKANE TRIBE OF INDIANS	BPA 1994-043-00	12,297
81.U35	3700	UPPER COLUMBIA UNITED TRIBES	BPA#200800700	129,576
81.U36	3700	SPOKANE TRIBE OF INDIANS	BPA1994-043-00;0072008	9,723
81.U37	3700	LAWRENCE LIVERMORE NATIONAL SECURITY LLC	DE-AC52-07NA27344	6,537
81.U39	3800	Battelle NW Natl Lab	324076	31,393
81.U54	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B620544	21,740
81.U56	3600	MISSION SUPPORT ALLIANCE LLC	62696 REV01	194,068
81.U57	3600	MSNW LLC	UW630902	54,939
81.U72	3600	FERMI NATIONAL ACCELERATOR LABORATORY	PO 631807	22,333
81.U73	3650	BATTELLE ENERGY ALLIANCE FED F	00025	46,315
81.U73	3650	BATTELLE ENERGY ALLIANCE FED F	00126553	-3,647
81.U73	3650	BATTELLE ENERGY ALLIANCE FED F	168728	9,679
81.U73	3650	BATTELLE ENERGY ALLIANCE FED F	RELEASE00020	95
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	AEV65205401	77,260

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	AGJ66217901	66,723
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	XCE66237901	111,267
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	XFC66205501	27,902
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	XGJ66218401	146,253
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	ZEA44220401	34,185
81.U82	3650	TEXAS A&M AGRILIFE RESEARCH	06S131617	125,131
81.U83	3650	BATTELLE LABS	118074	271,471
81.U83	3650	BATTELLE LABS	178016	34,772
81.U83	3650	BATTELLE LABS	183740	8,227
81.U83	3650	BATTELLE LABS	203920	-604
81.U83	3650	BATTELLE LABS	225998	13,987
81.U83	3650	BATTELLE LABS	238700	846
81.U83	3650	BATTELLE LABS	244687	34,324
81.U83	3650	BATTELLE LABS	244777	105,240
81.U83	3650	BATTELLE LABS	246500	6,799
81.U83	3650	BATTELLE LABS	255129	7,008
81.U83	3650	BATTELLE LABS	258801	103,142
81.U83	3650	BATTELLE LABS	261290	13,448
81.U83	3650	BATTELLE LABS	262145	1,131
81.U83	3650	BATTELLE LABS	267598	3,450
81.U83	3650	BATTELLE LABS	268431	806
81.U83	3650	BATTELLE LABS	270941	3,288
81.U83	3650	BATTELLE LABS	272745	14,294
81.U83	3650	BATTELLE LABS	279434	36,175
81.U83	3650	BATTELLE LABS	280452	39,982
81.U83	3650	BATTELLE LABS	284054	16,445
81.U83	3650	BATTELLE LABS	285921	27,920
81.U83	3650	BATTELLE LABS	288470	59,680

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
81.U83	3650	BATTELLE LABS	289688	67,666
81.U83	3650	BATTELLE LABS	293252	239,875
81.U83	3650	BATTELLE LABS	298360	9,443
81.U83	3650	BATTELLE LABS	300767	15,107
81.U83	3650	BATTELLE LABS	301164	63,219
81.U83	3650	BATTELLE LABS	313798	60,941
81.U83	3650	BATTELLE LABS	316309	117,110
81.U83	3650	BATTELLE LABS	320048	43,678
81.U83	3650	BATTELLE LABS	320972	137,137
81.U83	3650	BATTELLE LABS	321180	388,019
81.U83	3650	BATTELLE LABS	321652	24,661
81.U83	3650	BATTELLE LABS	324880	22,214
81.U83	3650	BATTELLE LABS	336992	15,016
81.U83	3650	BATTELLE LABS	347554	21,509
81.U83	3650	BATTELLE LABS	349230	4,751
81.U83	3650	BATTELLE LABS	354289	9,514
81.U83	3650	BATTELLE LABS	355851	43,437
81.U83	3650	BATTELLE LABS	357146	5,620
81.U84	3650	NAT'L TECH & ENGINEERING SOLNS	1225319	-56
81.U84	3650	NAT'L TECH & ENGINEERING SOLNS	1233946	-33
81.U84	3650	NAT'L TECH & ENGINEERING SOLNS	1316643	36,573
81.U84	3650	NAT'L TECH & ENGINEERING SOLNS	1531327	20,621
81.U85	3650	OREGON BUILT ENVIRON & SUSTAIN	WSU002634	429
81.U87	3650	UNIV OF CA-BERKELEY FED FLOW	7049758	245,979
81.U87	3650	UNIV OF CA-BERKELEY FED FLOW	7242865	12,990
81.U90	3650	BURNS AND MCDONNELL	3021	136,604
81.U91	3650	UNIV OF IL FED FLOW	20150657902	135,940
81.U92	3650	COLVILLE CONFEDERATED TRIBES	C16272	15,039

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
81.U92	3650	COLVILLE CONFEDERATED TRIBES	C17218	30,717
81.U94	3650	LOS ALAMOS NAT'L SECURITY LLC	382828	136,732
81.U95	3650	MISSION SUPPORT ALLIANCE LLC	51419	28,586
81.U95	3650	MISSION SUPPORT ALLIANCE LLC	56682	319,587
81.U95	3650	MISSION SUPPORT ALLIANCE LLC	62916	1,566
81.U96	3650	UNIV OF CHICAGO/ARGONNE NAT'L	6F32142	94,017
81.U98	3650	UT-BATTELLE LLC FED FLOW	4000149261	102,031
81.U98	3650	UT-BATTELLE LLC FED FLOW	4000154736	14,860
81.U99	3650	WA RIVER PROTECTION SOLUTIONS	62937	18,459
84.011	3600	SUPERINTENDENT OF PUBLIC INSTRUCTION	20160322	95,201
84.011	3600	SUPERINTENDENT OF PUBLIC INSTRUCTION	20170271	69,318
84.027	3600	SUPERINTENDENT OF PUBLIC INSTRUCTION	327397	30,864
84.027	3750	NORTH CENTRAL EDUCATIONAL SERVICE DISTRICT	1211500004/1211500005	27,880
84.027	3750	NORTH CENTRAL EDUCATIONAL SERVICE DISTRICT	1211600006/1211600007	164,811
84.031	6990	Heritage University	P031S130053	341,618
84.101	6990	Tulalip Tribes	V101A01001703A	73,870
84.126	6990	DSHS DVR	145-111-1Q6V	95,469
84.173	3600	SUPERINTENDENT OF PUBLIC INSTRUCTION	387398	4,071
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	S2015-29486-002 AM01	87,959
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	S2015-29486-002 AM2	248,026
84.282	3600	TALLAHASSEE COMMUNITY COLLEGE	PO#001677 MOD05	22,105
84.283	3600	EDVANCE RESEARCH INC	SOW005	43,877
84.305	3600	*AMERICAN INSTITUTES FOR RESEARCH	0110503230MOD04PO13RRG	44,674
84.305	3600	*AMERICAN INSTITUTES FOR RESEARCH	0110503230MOD05PO13RRG	29,379
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	03664 MOD02	81,959
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	03664 MOD04	21,430
84.305	3600	UNIVERSITY OF MINNESOTA	A005236402	47,496

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
84.305	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5101680 AM01	23,982
84.305	3600	UNIVERSITY OF VERMONT	29338SUB51803	157
84.305	3600	UNIVERSITY OF VERMONT	29338SUB51803 AM01	45,659
84.305	3600	UNIVERSITY OF VIRGINIA	GM10155 150694	12,725
84.305	3600	VANDERBILT UNIVERSITY	3423-019337	6,573
84.305	3600	VANDERBILT UNIVERSITY	UNIV58665AM01PRIOR3423	106,070
84.305	3650	BINGHAMTON UNIV	618101104345	7,113
84.305	3650	PURDUE UNIV	411162670	71,056
84.315	3800	Northwet Indian College	NWIC#21060	139,669
84.324	3600	*AMERICAN INSTITUTES FOR RESEARCH	0391600101 MOD01	129,686
84.324	3600	DUQUESNE UNIVERSITY	250911 MOD01#G1500085	175,305
84.324	3600	DUQUESNE UNIVERSITY	G1500085	1,111
84.324	3600	UNIVERSITY OF OKLAHOMA	RS20120590-15 AM01	1,234
84.324	3600	UNIVERSITY OF OKLAHOMA	RS20120590-15 AM02	71,842
84.325	3600	MONTCLAIR STATE UNIVERSITY	H325T110012-UOW AM04	8,051
84.325	3600	UNIVERSITY OF FLORIDA	UFDSP00010173 AM05	24,827
84.366	3600	SEATTLE PUBLIC SCHOOLS	PO 75-14978	58,626
84.366	3650	EDUC SVC DIST #112	7006000096	-396
84.366	3650	EDUC SVC DIST #112	7007000100	2,397
84.367	3600	*OREGON STATE UNIVERSITY	U1121A-A AM01	7,545
84.367	3650	EDUC SVC DIST #112	1637217000722	30,213
84.367	3750	UNIVERSITY OF CALIFORNIA	92-WA02-SEED2012#3A	1,922
84.367	3750	UNIVERSITY OF CALIFORNIA	92-WA02-SEED2016	14,251
84.367	3750	UNIVERSITY OF CALIFORNIA	92-WA02SEED2017CRWPPD	2,207
84.411	3750	UNIVERSITY OF CALIFORNIA	92-WA02-2017I3A1	652
84.412	6990	Dept. of Early Learning	1617 Quality Award	156
84.416	3600	HIGHLINE SCHOOL DISTRICT NO 401	UW BUD# 637932	4,713
84.416	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	08739 (YR 3)	-186

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
84.416	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	09215	324,532
84.416	3600	RENTON SCHOOL DISTRICT	6161600069	71,640
84.U01	3600	MATHEMATICA POLICY RESEARCH INC	40412S04256 S04	1,246,610
84.U03	3600	SEATTLE PUBLIC SCHOOLS	UW BUD# 637960	4,217
93.051	3600	STATE OF OREGON	144448 AM01	3,350
93.067	3600	AFRICAN SOCIETY FOR LABORATORY MEDICINE	PRIME# 5U2GGH000710-04	50,070
93.067	3600	COPTIC HOSPITAL	001-5CE AM003	60,334
93.067	3600	COPTIC HOSPITAL	002-5 AM01	-6,587
93.067	3600	COPTIC HOSPITAL	002-5 AMO3	157,783
93.067	3600	COPTIC HOSPITAL	003-5CE AM03	34,026
93.067	3600	COPTIC HOSPITAL	ADOLESCENTYR010065CEAM	121,405
93.067	3600	COPTIC HOSPITAL	FP-YR01 AM01	222,013
93.067	3600	COPTIC HOSPITAL	FPPMTCTINU2GGH00195601	31,780
93.067	3600	COPTIC HOSPITAL	PMTCT-HEI-YR01	66,388
93.067	3600	COPTIC HOSPITAL	PRIME INU2GGH001956-01	174,588
93.067	3600	ELIZABETH GLASER PEDIATRIC AIDS FNDN	CG-03-9-900-04189-5-00	27,737
93.067	3600	JHPIEGO CORPORATION	16-SBA-017 MOD01	90,363
93.067	3600	NYANZA REPRODUCTIVE HEALTH SOCIETY	PRIME1U01GH00076201AM0	11,516
93.067	3600	PALLADIUM INTERNATIONAL, LLC	GH001955-01	324,713
93.067	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8818SC1U2GGH00127001	-20
93.067	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8818SCAM015U2GGH001270	342,930
93.067	3600	UNIVERSITY OF NAIROBI	UON-UW5U2GGH001029-03	42,680
93.082	3600	SEATTLE & KING COUNTY DEPT OF PUB HEALTH	1171 CDIP	54,562
93.084	3600	*EMORY UNIVERSITY	T510988 AM02	62,191
93.084	3600	*EMORY UNIVERSITY	T657038 AM03	130,297
93.093	6990	WDC-King County	1V2E	16,896
93.103	3030	Association of Food and Drug Officials	G-ST-1612-00473	12,731
93.103	3030	Association of Food and Drug Officials	G-T-1510-03186	715

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.103	3600	UNIVERSITY OF ROCHESTER	416769-G	8,802
93.103	3600	UNIVERSITY OF ROCHESTER	416950GURFAOGR510532	53,763
93.103	3600	UNIVERSITY OF TEXAS SAN ANTONIO	159920158330PRIME4R01F	13,399
93.103	3600	YALE UNIVERSITY	M17A12608 (A10947)	37,592
93.107	3600	MONTANA STATE UNIVERSITY	G158-16-W5696 AM01	9,146
93.107	3600	UNIVERSITY OF ALASKA ANCHORAGE	PO #0498657	2,918
93.110	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11357SUB	22,481
93.110	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000508202-002	13,459
93.110	3600	UNIVERSITY OF ALASKA ANCHORAGE	P42435F AM06	26,651
93.110	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA028 AM03	16,105
93.113	3600	*UNIVERSITY OF CALIFORNIA BERKELEY	00008559AM03POBB004803	41,315
93.113	3600	*UNIVERSITY OF IOWA	1001472440 AM02	210,032
93.113	3600	BROWN UNIVERSITY	00000544 AM05	12,869
93.113	3600	BROWN UNIVERSITY	00000910	13,403
93.113	3600	BROWN UNIVERSITY	00000910 AM01	4,473
93.113	3600	ILLIONIX LLC	UW BUD# 634383	105,140
93.113	3600	JOHNS HOPKINS UNIVERSITY	2002301818 AM04	146,436
93.113	3600	JOHNS HOPKINS UNIVERSITY	2003249885	3,229
93.113	3600	PUBLIC HEALTH INSTITUTE	1019929 AM03	83,317
93.113	3600	UNIVERSITY OF NEW MEXICO	3RY74 AM01	23,231
93.113	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	80001140	42,381
93.113	3600	VIRVIO INC	UW BUD# 634134	124,000
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-15-190 MOD01	1,459
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU13183MOD5PO2917435WA	35,239
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU16168PO2928661AAM01	32,390
93.121	3600	*SEATTLE CHILDREN'S HOSPITAL	11242SUB	78,673
93.121	3600	*SEATTLE CHILDREN'S HOSPITAL	11399SUB	150,833
93.121	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029162	65,354

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.121	3600	CASE WESTERN RESERVE UNIVERSITY	RES510204 AM01	21,532
93.121	3600	CASE WESTERN RESERVE UNIVERSITY	RES511283	58,388
93.121	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW BUD# 638455	172,031
93.121	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15501	142,039
93.121	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPC-15542-C	53,219
93.121	3600	ELEVATE ORAL CARE LLC	UW BUD# 633652	50
93.121	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100254-UW AM6	74,066
93.121	3600	SEATTLE BIOMEDICAL RESEARCH INSTITUTE	UWPC-15542-B	91,881
93.121	3600	SEATTLE CHILDREN'S HOSPITAL	11411SUB7R01DE02522902	93,174
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11291SUBPR5R01DE022438	7,385
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11399SUB MOD01	2,540
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11503SUB	3,535
93.121	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11527SUB	5,695
93.121	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000412838-059	105,760
93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G SA445 AM03	161,767
93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G TD145 AM01	69,918
93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G UB393	40,502
93.121	3600	UNIVERSITY OF LOUISVILLE RSCH FNDN INC	ULRF 13-1116	31,835
93.121	3600	UNIVERSITY OF MINNESOTA	P004221601 AM01	18,465
93.121	3600	UNIVERSITY OF ROCHESTER	416624 AM01	119,590
93.121	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	43408029 AM04	131,052
93.135	3600	UNIVERSITY OF ILLINOIS AT CHICAGO	5U48DP005010027418AM02	3,501
93.135	3600	UNIVERSITY OF ILLINOIS AT CHICAGO	7418 AM02	2,428
93.135	3600	UNIVERSITY OF NORTH CAROLINA	5105707	6,708
93.136	3600	VIRGINIA COMMONWEALTH UNIVERSITY	FP00001573_SA001	24,145
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G HB431 AM05	4,398
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G TA258	19,770
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G TA258 AM01	280,616

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	UW BUD# 675369	63,905
93.143	3600	EDENSPACE SYSTEMS CORPORATION	15102 MOD01	1,188
93.145	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	8194PRIME1U1OHA2868601	34,063
93.145	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	8276PO418760INDEX81557	236,375
93.153	3600	HARBORVIEW MEDICAL CENTER	5 H12HA28849-02-00	54,199
93.153	3600	HARBORVIEW MEDICAL CENTER	UW BUD# 633029	5,145
93.155	3600	NATIONAL RURAL HEALTH ASSOCIATION	UA9RH26027-03-01	5,503
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-02	42,023
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-R10-03	116,722
93.172	3600	*BOSTON UNIVERSITY	4500001599 AM003	21,691
93.172	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	111595	8,397
93.172	3600	*GROUP HEALTH COOPERATIVE	2016151695	300,911
93.172	3600	*GROUP HEALTH COOPERATIVE	2016185814	10,449
93.172	3600	JACKSON LABORATORY	207438 AM05	226,438
93.172	3600	JACKSON LABORATORY	TBI AM03	40,096
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100285-UW AM06	453,052
93.172	3600	NATIONWIDE CHILDREN'S HOSPITAL	82210316	163,495
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-1	66,198
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-2.2 AM02	107,246
93.172	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD5217911U01HG00939501	1,806
93.172	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009075 AM01	142,988
93.172	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	9936SC	78,361
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	A00343914RFS2016063MOD	7,900
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00494110/OSP2017080	69,124
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00540620/OSP2017191	39,492
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005 AM01	343,952
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-16-203 AM01	9,772
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-16-370 MOD01	818,413

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-152/PO#2928168C	218,948
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-414	99,371
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU15329AM01PO2927550A	60,826
93.173	3600	*NORTHWESTERN UNIVERSITY	SP0011426PROJ0003112AM	2,325
93.173	3600	DUKE UNIVERSITY	184791/207424 AM04	1,248
93.173	3600	FLORIDA STATE UNIVERSITY	R01782 AM03	35,853
93.173	3600	NORTHWESTERN UNIVERSITY	SP0034193-PROJ0009132	53,206
93.173	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004469_UWA MOD01	953
93.173	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005685_UWA AM02	5,717
93.173	3600	VANDERBILT UNIVERSITY	UNIV58647 AM02	226,423
93.213	3600	*GROUP HEALTH COOPERATIVE	2014101502 MOD03	5,106
93.213	3600	DUKE UNIVERSITY	2034787	112,936
93.213	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2016144649	20,804
93.213	3650	BOTANISOL LLC	125087	5,436
93.224	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	CHS4086 AM01	49,695
93.226	3600	*GROUP HEALTH COOPERATIVE	2015137183 MOD01	33,140
93.226	3600	*GROUP HEALTH COOPERATIVE	2015180723	40,836
93.226	3600	*GROUP HEALTH COOPERATIVE	2016126899 MOD02	195,946
93.226	3600	*GROUP HEALTH COOPERATIVE	2016144659	20,400
93.226	3600	INDIANA UNIVERSITY	AM06	37,184
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2016174387 MOD01	104,343
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017113683	26,067
93.226	3600	NORTHWESTERN UNIVERSITY	60040293UW AM-A03	9,240
93.226	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005779_UWA AM01	2,876
93.226	3600	SEATTLE CHILDREN'S HOSPITAL	11319SUB	13,934
93.226	3600	SEATTLE CHILDREN'S HOSPITAL	11486SUB	24,508
93.226	3600	SOCIETY OF NUCLEAR MEDICINE	AHRQ-001	10,736
93.226	3600	SOCIETY OF NUCLEAR MEDICINE	UW BUD# 632030	39,274

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.226	3600	UNIVERSITY OF CHICAGO	FP047367-B AM05	28,080
93.226	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00405155OSP2016050AM	4,911
93.226	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00474255/OSP2017049	47,485
93.226	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5106820	56,501
93.233	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	108591 AM01	50,066
93.233	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	113170 AM04	-398
93.233	3600	BRIGHAM AND WOMEN'S HOSPITAL	113170 AM03	10,574
93.233	3650	LOS ANGELES BIOMEDICAL RES INS	15002499	18,173
93.233	3650	UNIV OF CA DAVIS	20130078701	14,667
93.233	3650	UNIV OF PA FED FLOW	565843	11,480
93.236	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	14-07501-069 AM04	70,020
93.236	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	17-07-5-01-069-0 AM01	93,030
93.239	3600	UNIVERSITY OF WISCONSIN-MADISON	708K094	30,927
93.242	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	60166636 AM002	98,747
93.242	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	67277131 AM01	150,734
93.242	3600	ACCOUNTABILITY SOLUTIONS LLC	UW BUD# 636241	26,169
93.242	3600	BOSTON CHILDREN'S HOSPITAL	PO#GENFD0001282071	5,753
93.242	3600	CENTER FOR HEALTH POLICY	12-NIH-1091 AM06	110,803
93.242	3600	CORNELL UNIVERSITY	16122117 AM02	56,100
93.242	3600	DARTMOUTH COLLEGE	R752	-66
93.242	3600	DARTMOUTH COLLEGE	R752 AM01	124,948
93.242	3600	DARTMOUTH COLLEGE	R939	7,544
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-01	5,990
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-02 MOD02	62,566
93.242	3600	ELECTRICAL GEODESICS INC	M15A12179 (A10304)	8,140
93.242	3600	EMORY UNIVERSITY	T570202 (T453149) AM05	266,965
93.242	3600	EMORY UNIVERSITY	T668138 AM04	118,044
93.242	3600	EMORY UNIVERSITY	T740482	813

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.242	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000863417	88,169
93.242	3600	HUGO W MOSER RESEARCH INSTITUTE	113065-0617-02B MOD1	117,108
93.242	3600	HUGO W MOSER RESEARCH INSTITUTE	UW BUD# 632998	2,313
93.242	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6413-4609	1,240
93.242	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017104621	38,633
93.242	3600	KAISER FOUNDATION HEALTH PLAN OF WA	MH106510-UW MOD01	17,650
93.242	3600	MASSACHUSETTS GENERAL HOSPITAL*	227381AM011R01MH109309	78,344
93.242	3600	MASSACHUSETTS GENERAL HOSPITAL*	227997 AM04	202,790
93.242	3600	SEATTLE CHILDREN'S HOSPITAL	10955SUB MOD 3	142,942
93.242	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10955SUB MOD02	102,109
93.242	3600	SWEDISH HEALTH SERVICES	223004 A.01 AM01	47,097
93.242	3600	TULANE UNIVERSITY	TUL-HSC-487-13/14 AM02	41,399
93.242	3600	UNIVERSITY OF CALIFORNIA DAVIS	201121762-03 AM06	492,942
93.242	3600	UNIVERSITY OF CALIFORNIA IRVINE	2015-3228 AM02	9,909
93.242	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2000 G TD994 AM01	13,930
93.242	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2000 G UC645	7,811
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7945SC AM03	32,014
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8925SC AM01	32,833
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9427SC AM01	3,840
93.242	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033749 AM03	6,745
93.242	3600	UNIVERSITY OF PENNSYLVANIA	568643	21,620
93.242	3600	UNIVERSITY OF PENNSYLVANIA	568643 AM01	1,820
93.242	3600	UNIVERSITY OF SOUTH CAROLINA	16-3015 AMEND 2	30,060
93.242	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-12-281-MOD-7 AM07	9,739
93.242	3600	WEST VIRGINIA UNIVERSITY	14-716-UW AM03	79,427
93.242	3600	YALE UNIVERSITY	M16A12223 (A10393)	559
93.242	3600	YALE UNIVERSITY	M16A12223A10703AM02	736,266
93.242	3650	BOSTON CHILDREN'S HOSPITAL	0000505700	92,633

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.243	3600	*AMERICAN PSYCHIATRIC ASSOCIATION	UW BUD# 802087	2,972
93.243	3600	*AMERICAN PSYCHIATRIC ASSOCIATION	UW BUD# 802093	2,812
93.243	3600	*AMERICAN PSYCHIATRIC ASSOCIATION	UW BUD# 802269	7,070
93.243	3600	NEIGHBORHOOD HOUSE INC	AM01	3,914
93.243	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002661_UWA	11,214
93.243	3600	UTAH DEPARTMENT OF HUMAN SERVICES	156197 AM01	27,070
93.243	3600	UTAH DEPARTMENT OF HUMAN SERVICES	176076	63,552
93.243	3650	CLARK COUNTY	2016A14	23,456
93.243	3650	JUSTICE RESOURCE INSTITUTE	WSU002569	17,092
93.243	3650	SPOKANE COUNTY SUPERIOR COURT	130286	28,555
93.243	3650	UNIV OF CT FED FLOW	UCHC668354761	13,064
93.262	3600	*NORTHEASTERN UNIVERSITY	500326-78050 MOD03	20,421
93.262	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008844_UWA	75,367
93.262	3600	THE CENTER FOR CONSTRUCTION	16-2-PS	21,784
93.262	3650	CENTER FOR CONST RESEARCH &	300160104	11,396
93.262	3650	CENTER FOR CONST RESEARCH &	300180309	21,613
93.262	3650	OR HLTH SCI UNIV FED FLOW	1005580WSU	14,517
93.262	3650	OR HLTH SCI UNIV FED FLOW	1005580WSUBUTTERFIELD	24,864
93.262	3650	UNIV OF NC CHAPEL HILL	5106952	599
93.262	3650	UNIV OF PITTSBURGH FED FLOW	1270491	6,549
93.262	3700	THE CENTER TO PROTECT WORKERS' RIGHTS	SUB REC #3001-612-01	239,907
93.266	3600	AMERICAN INTERNATIONAL HEALTH ALLIANCE	HFBZAM16PPTRZLAB00	212,934
93.270	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	PREV3988	61,215
93.270	3600	PUBLIC HEALTH - SEATTLE & KING COUNTY	PREV3988 AM01	186,446
93.273	3600	*SEATTLE CHILDREN'S HOSPITAL	11236SUB MOD02	9,913
93.273	3600	BOSTON MEDICAL CENTER	5569	14,578
93.273	3600	BUTLER HOSPITAL	9132-8389 AM01	121,442
93.273	3600	CORNELL UNIVERSITY	69951-10233 AM03	68,278

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.273	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002432_UWA AM03	67,653
93.273	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002432_UWA AM04	11,396
93.273	3600	PENNSYLVANIA STATE UNIVERSITY	4332-UW-DHHS-2529 AM06	3,635
93.273	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	6125 PO#579852	1,175
93.273	3600	SAN DIEGO STATE UNIVERSITY RSCH FNDN	SA0000512	5,260
93.273	3600	SEATTLE CHILDREN'S HOSPITAL	11511SUB	23,846
93.273	3600	UNIVERSITY OF HOUSTON	R-12-0031 AM07	66,922
93.273	3600	YALE UNIVERSITY	M17A12574(A10923)	8,382
93.273	3650	OR HLTH SCI UNIV FED FLOW	1002567WSU	219,965
93.276	3750	KITTITAS COUNTY COMMUNITY PUBLIC HEALTH & sAFETY NETWORK	MOU	2,273
93.279	3000	DARTMOUTH	B02D50	39,252
93.279	3000	STANFORD	B06S60	12,520
93.279	3000	STANFORD	B06S70	10,546
93.279	3600	BOSTON MEDICAL CENTER	4457 AM01	36,264
93.279	3600	BOSTON MEDICAL CENTER	4472 AM03	3,186
93.279	3600	BOSTON MEDICAL CENTER	R25DA033211 #4472 AM02	9,704
93.279	3600	DARTMOUTH COLLEGE	R267 AM02	56,810
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	5R01DA025651 MOD05	-4
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	MOD03PRIME5R01DA025651	-21
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000856278	-3,195
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000895623	164,940
93.279	3600	MARK STEPHENS CHANGE MGMT CONSULTING	00001	47,514
93.279	3600	RESEARCH FOUNDATION FOR THE SUNY	R1008565 AM01	19,307
93.279	3600	RESEARCH FOUNDATION FOR THE SUNY	R908941 AM03	20,286
93.279	3600	UNIVERSITY OF MARYLAND BALTIMORE	1200542AM06POSR0000214	11,425
93.279	3600	UNIVERSITY OF MIAMI	661877 AM01	-209
93.279	3600	UNIVERSITY OF PENNSYLVANIA	559642100311709445AM03	-31

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.279	3600	UNIVERSITY OF PENNSYLVANIA	568775 AM04	135,248
93.279	3600	UNIVERSITY OF PITTSBURGH	00390391243543AM03	6,797
93.279	3600	UNIVERSITY OF PUGET SOUND	274008-UW AM01	8,969
93.279	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	61875882AM027P01DA0357	220,063
93.279	3600	UNIVERSITY OF UTAH	10030628 AM05	12,259
93.279	3650	RESEARCH TRIANGLE INSTITUTE	13400212645	143,307
93.279	3650	RESEARCH TRIANGLE INSTITUTE	23400212645	6,574
93.279	3650	UNIV OF NC CHAPEL HILL	5034602	85,184
93.283	3600	ASSOC OF SCHOOLS & PRGM OF PUBLIC HEALTH	UW BUD# 633821	361,544
93.283	3600	ASSOC OF SCHOOLS & PRGM OF PUBLIC HEALTH	UW BUD# 633822	273,779
93.283	3600	RIGHTANSWER.COM INC	UW BUD# 634284	8,637
93.286	3600	JOHNS HOPKINS UNIVERSITY	135273PTEU54EB007958AM	49,235
93.286	3600	LODESPIN LABS LLC	A78130 AM01	-1,414
93.286	3600	STANFORD UNIVERSITY	60041595-47512-A AM04	18,599
93.307	3600	*GROUP HEALTH COOPERATIVE	2015140008 MOD03	38,571
93.307	3600	COLUMBIA UNIVERSITY	1(GG011834-01) AM01	10,926
93.307	3600	MASSACHUSETTS GENERAL HOSPITAL*	227351	7,153
93.307	3600	MASSACHUSETTS GENERAL HOSPITAL*	227351 AM02	2,703
93.307	3600	SANFORD RESEARCH	SR-2016-13	44,131
93.307	3600	UNIVERSITY OF MINNESOTA	N004207301 AM03	8,699
93.307	3650	SOUTHCENTRAL FOUNDATION	2017033	30,961
93.307	3650	UNIV OF OK FED FLOW	RS2015231801	13,898
93.310	3600	*NEW YORK UNIVERSITY	15A10000291201AM01	16,193
93.310	3600	BROAD INSTITUTE INC	56102235500000695AM05	206,776
93.310	3600	DREXEL UNIVERSITY	800059	15,124
93.310	3600	DREXEL UNIVERSITY	800060	33,912
93.310	3600	NORTHEASTERN UNIVERSITY	500468-78050	113,988
93.310	3600	PURDUE UNIVERSITY	4102-77445	32,628

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.310	3600	SCRIPPS RESEARCH INSTITUTE	PO NO 5-52738	65,711
93.310	3600	WESTAT INC	6366-S01 MOD02	79,199
93.310	3600	WESTAT INC	6366-S03 MOD01	21,038
93.331	3600	*PUBLIC HEALTH - SEATTLE & KING COUNTY	CDIP3869 AM02	102,541
93.331	3600	SEATTLE & KING COUNTY DEPT OF PUB HEALTH	1089 CDIP AM04	59,804
93.350	3600	ENTOX SCIENCE LLC	A93420 AM01	18,128
93.350	3600	NORTIS INC	NOR0002 AM01	176,373
93.351	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008419UWA1R24OD021324	35,202
93.351	3600	UNIVERSITY OF KENTUCKY RESEARCH FNDN	3200000583-16-239 AM01	83,378
93.361	3600	*DANA-FARBER CANCER INSTITUTE	1215008 AM08	33,038
93.361	3600	BAYLOR COLLEGE OF MEDICINE	5600848534 AM4	39,289
93.361	3600	DUKE UNIVERSITY	203-8769	-8,894
93.361	3600	DUKE UNIVERSITY	2035670	23,001
93.361	3600	DUKE UNIVERSITY	2035919	3,222
93.361	3600	DUKE UNIVERSITY	2035922	8,409
93.361	3600	SOUTHCENTRAL FOUNDATION	2016-158	4,109
93.361	3600	SOUTHCENTRAL FOUNDATION	2017-029 PAR-15-337	3,581
93.361	3600	UNIVERSITY OF NEW MEXICO	3RZ321R01NR01524101A1	-235
93.361	3600	UNIVERSITY OF NEW MEXICO	3RZ32AMEND15R01NR01524	141,602
93.361	3650	UNIV OF NC CHAPEL HILL	5106247	10,752
93.393	3600	ARIZONA STATE UNIVERSITY	16-837 AM03	51,358
93.393	3600	ARIZONA STATE UNIVERSITY	17-093	31,066
93.393	3600	BECKMAN RSCH INST OF THE CITY OF HOPE	000508050-006 AMA02	-1
93.393	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	321072PO961593RSUBAM01	150,996
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843712 AM02	14,160
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843716 AM02	9,510
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000844742 AM01	42,623
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000845123	7,316

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000845125	3,490
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000845127PR1U01CA1993	2,413
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000845617 AM01	9,143
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008461655U01CA137088	-316
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000850611	3,183
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000850612	1,126
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000850613	9,653
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852803 AM01	9,368
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000853128	12,996
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000854661	169,020
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859538 AM02	53,591
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869435	12,764
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869496	17,889
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008792484U01CA182940	62,064
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879329	24,368
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879365	50,173
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879380	32,393
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879553	34,425
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879555	15,691
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879556	11,110
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000881870	6,693
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888496	15,393
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000889472 AM01	11,412
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000889841 AM01	19,417
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000890671	13,315
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902410	77,894
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904241	2,719
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904243	2,458

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.393	3600	HARVARD UNIVERSITY	116071-5089696	3,364
93.393	3600	HARVARD UNIVERSITY	116071-5089696 AM02	182,920
93.393	3600	KAISER FOUNDATION RESEARCH INSTITUTE	115-9341-UW-02 AM01	5,913
93.393	3600	KAISER FOUNDATION RESEARCH INSTITUTE	RNG200623-UW-02 AMO02	23,889
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL*	2269691U01CA19933601	8,872
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL*	226969AM015U01CA199336	50,437
93.393	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1006132_UWA AM01	228,949
93.393	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1006132_UWA AM02	47,908
93.393	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11042SUB MOD01	10,477
93.393	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11042SUB MOD02	95,139
93.393	3600	UNIVERSITY OF DELAWARE	44956	5,189
93.393	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00053910-1	15,701
93.394	3600	BROAD INSTITUTE INC	66102055500000433AM05	6,428
93.394	3600	CASE WESTERN RESERVE UNIVERSITY	RES509934 MOD02	150
93.394	3600	CORNELL UNIVERSITY	16030350-03 AM01	8,123
93.394	3600	CORNELL UNIVERSITY	16122147-03 AM02	78,366
93.394	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	1671, AMENDMENT 1	38,226
93.394	3600	EMORY UNIVERSITY	T598828	27,905
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843914	4,673
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000846679	18,332
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000854977	6,891
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865387	115,801
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000868924	28,422
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869941	79,454
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000871228 AM01	201,979
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008713855P01CA091955	1,808
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000877168	114,410
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000889913	6,990

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899794	6,429
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000904422	64
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000906151	7,058
93.394	3600	HEALTHPARTNERS INSTITUTE FOR EDUC & RSCH	X130120WASH AM01	5,356
93.394	3600	KITWARE INC	K001416-00-S01 MOD2	257,413
93.394	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710004063 AM01	480,068
93.394	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11241SUB	-78
93.394	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11391SUB	20,962
93.394	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9770SC	45,335
93.394	3600	UNIVERSITY OF IOWA	W000420810PO1001081261	-61
93.394	3600	UNIVERSITY OF IOWA	W000893975PO1001713589	92,738
93.394	3600	UNIVERSITY OF MINNESOTA	N002338901 AM5	23,343
93.394	3600	UNIVERSITY OF PENNSYLVANIA	569007	7,680
93.394	3600	UNIVERSITY OF TEXAS SAN ANTONIO	161262/161256	31
93.395	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0307702S01	18,370
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	BIQSFPCOGAALL08B1MRDAM	70,683
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	FP15221_SUB383_03 AM02	22,718
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	FP17296_SUB01_02 AM02	112,630
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH1AM02	10,059
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH2AM02	10,000
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082002WASH3AM01	9,995
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082002WASH3AM02	4,174
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION, INC.	CHECK 1928	13,727
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000755851 AM04	26,611
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000821555	-4,686
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000831752 AM03	1,501
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000832627	-949

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000834633	-1,750
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000838692	-295
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000840349	35,485
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000840352	1,242
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000840356 AM02	2,193
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000840357	729
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841392	565
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000842821 AM001	11,884
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008433595U01CA154967	15,407
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843416 AM05	1,243,304
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852517 AM01	1,534
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000853451	23,475
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000854063	21,181
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857569	1,984
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857570 AM01	63,359
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859909	38,357
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859909 AM01	43,869
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000866481	167,340
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000866481 AM01	4,065
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000871622	3,138
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000875225	11,987
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000878736 AM01	63,604
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000882388	155,458
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883615	35,111
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899335	7,418
93.395	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2016.0002	44,160
93.395	3600	JOHN WAYNE CANCER INSTITUTE	R01 CA 189163 AM09	4,901
93.395	3600	MAYO CLINIC	UNI19876901PO64511155A	43,772

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.395	3600	MAYO CLINIC	UNI19876902AM02PO65120	20,859
93.395	3600	NRG ONCOLOGY INC	UOFWASHYR1AMKOHYR3	7,000
93.395	3600	NSABP FOUNDATION INC	UW-NSABP P1 AM04	2,741
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004041_UW AM03	22,719
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627-003_UWA	6,619
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627_UWA AM02	87,993
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627_UWA AM03	20,324
93.395	3600	PET/X LLC	2016-01#A113106	39,539
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11512SUB	23,403
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11540SUB	2,964
93.395	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11539SUB	4,709
93.395	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	229411 AM02	57,605
93.395	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00055658-1 AM01	35,713
93.395	3650	SEATTLE CHILDREN'S RESEARCH	11515SUB	101,079
93.396	3600	*BETH ISRAEL DEACONESS MEDICAL CENTER	01028786 AM03	207,103
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028036 AM02	-1,803
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028790 AM03	206,971
93.396	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000863494P4R01CA17684	14,177
93.396	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000896527	7,524
93.396	3600	UNIVERSITY OF ARIZONA	378116	11,262
93.396	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00329124RFS2016027AM	64,572
93.396	3600	VAN ANDEL RESEARCH INSTITUTE	UWCMNIH10402251AM06	9,399
93.397	3600	FHCRC	0000868066	69,207
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000782902 AM03	39,500
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000783707 AM02	-2,184
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000822968 AM01	14,778
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008239825P50CA097186	1,933
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000839925 AM01	2,661

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843207	14,911
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843208	23,644
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000848013 AM01	64,314
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000848023 AM01	5,284
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000848032 AM01	1,840
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851939	22,582
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852077	31,597
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852220	1,096
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000853008 AM1	6,566
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857267	69,280
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857269	15,730
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857271	60,623
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857274	255,974
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857276	113,198
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857277	76,141
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857574	14,249
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857693	28,160
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000857695	21,576
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859681	14,571
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859682	7,744
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859685	80,263
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008596865P30CA015704	26,410
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859687	66,133
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000860953	9,424
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000861670 AM01	42,740
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865292	28,502
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008652935P30CA015704	26,891
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000867274	3,975

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000867275	34,041
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000867277	227
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000867278	18
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008672795P30CA015704	45,682
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008672805P30CA015704	27,734
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000868056	22,644
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000868057	24,506
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008694995P30CA015704	12,800
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869671 AM01	14,211
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000870162	7,854
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000870582	5,498
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000870583	31,600
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000871014	26,027
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000871885	3,974
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872719	33,629
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872748	35,830
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000876755	14,060
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000877139	13,428
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000877775 AM01	79,796
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000877776	106,619
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000878549	7,948
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000880873	32,523
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883578	44,790
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883583	292,799
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883594	13,611
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883595	116,198
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883601	45,740
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883609	87,803

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000884201	14,022
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887974	16,470
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000893888	12,996
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894199	53,534
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894201	70,872
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894202	59,122
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894205	22,049
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894206	14,697
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894470	93,171
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894471	190,140
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008997275P30CA015704	14,593
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899729	6,958
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899773	34,399
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899858	47,686
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899887	25,083
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000899901	45,760
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900077	607
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900195	12,305
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000900210	4,804
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000901262	120,464
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902442	5,426
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000902884	11,595
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000903481	8,975
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 632746	10,067
93.398	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	3R25TW009710-01S1	1
93.399	3600	*CASE WESTERN RESERVE UNIVERSITY	RES510272	3,955
93.399	3600	NSABP FOUNDATION INC	UW-NSABP P1 AM05	134,733
93.399	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3002149613 MOD06	20,271

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.399	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3002149613 MOD07	53,588
93.424	3600	ASSOCIATION OF STATE PUBLIC HEALTH NUTRI	UW ID: A120969	14,645
93.424	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	1262017	74,923
93.433	3600	ALBERT EINSTEIN HEALTHCARE NETWORK	90DP0037-02-00	2,106
93.433	3600	ALBERT EINSTEIN HEALTHCARE NETWORK	90DP0037-03-00 MOD01	11,200
93.433	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000513370-002	9,416
93.441	3600	NW PORTLAND AREA INDIAN HEALTH BOARD	C16-01 AM01 PO#25789	30,342
93.441	3600	NW PORTLAND AREA INDIAN HEALTH BOARD	C17-01 (PO# 26996)	50,914
93.508	3600	UNITED INDIANS OF ALL TRIBES FOUNDATION	A71880 MOD06	32,046
93.516	3600	NATIONAL NETWORK OF PUBLIC HLTH INST INC	CONTRACT # C888 AM01	21,216
93.524	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	0782016	94,197
93.535	3600	ARIZONA STATE UNIVERSITY	16-994	22,329
93.556	3700	IDAHO DEPT OF HEALTH & WELFARE	KC263200	58,046
93.556	3700	IDAHO DEPT OF HEALTH & WELFARE	KC267300	23,355
93.558	6990	LEP Pathway	145-111-1S6P	659,391
93.576	6990	DSHS Refugees	145-111-1S7R	19,550
93.600	3600	ZERO TO THREE	2015100226	121,761
93.600	3600	ZERO TO THREE	2016030075	265,811
93.600	3600	ZERO TO THREE	2016030075 AM01	864,457
93.600	3600	ZERO TO THREE	2016090248 A01	441,107
93.600	6990	OESD Olympic Educational Service District#114	Head Start-ECEAP	239,034
93.600	6990	PSD	1550	166,138
93.600	6990	Puget Sound Educational Service District	09854	252,788
93.600	6990	Puget Sound Educational Services District	Early Headstart	87,534
93.600	6990	Puget Sound Educational Services District	Headstart	65,404
93.600	6990	Puget Sound ESD	LOA#9951	106,333
93.610	3600	MONTEFIORE MEDICAL CENTER	UW BUD# 669370	59,506
93.612	3600	JAMESTOWN S'KLALLAM TRIBE	UW BUD# 634491	67,246

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.612	3650	NEZ PERCE TRIBE FED FLOW	WSU003561	13,780
93.639	3600	*AMERICAN PSYCHIATRIC ASSOCIATION	UW BUD# 633794	61,908
93.639	3600	AMERICAN PSYCHIATRIC ASSOCIATION	UW BUD# 631313	310,573
93.645	3700	IDAHO DEPT OF HEALTH & WELFARE	CONTRACT #1C100800	188,302
93.645	3700	IDAHO DEPT OF HEALTH & WELFARE	LETTER OF AGREEMENT	18
93.648	3600	UNIVERSITY OF MARYLAND BALTIMORE	1400328 AM02	135
93.658	3700	IDAHO DEPT OF HEALTH & WELFARE	CONTRACT KC261200	14
93.658	3700	IDAHO DEPT OF HEALTH & WELFARE	KC261400	1,176,797
93.733	3600	NATL ASSOCIATION OF CHAIN DRUG STORES	1H231P000985-01	140,247
93.734	3600	FLORIDA HEALTH NETWORKS	UW BUD# 637296	3,784
93.756	3600	ASSOCIATION OF STATE PUBLIC HEALTH NUTRI	UW BUD# 635448	23,883
93.757	3650	SPOKANE REGIONAL HEALTH DISTRI	3004111112	9,922
93.837	3600	*ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7875-4609 AM01	118,407
93.837	3600	BLOODWORKS NORTHWEST	827-UW-2015 AM02	18,010
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	2011D000881	4,431
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	PS#224978 MOD03	27,836
93.837	3600	CASE WESTERN RESERVE UNIVERSITY	RES511188	17,203
93.837	3600	COLUMBIA UNIVERSITY	1(GG010998-03) AM02	74,902
93.837	3600	COLUMBIA UNIVERSITY	3(GG0110462-02)	39,888
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE	177494/218214/226028	7,203
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE	SPS162060SITE070AM04	415
93.837	3600	DUKE UNIVERSITY	203-8487	33,511
93.837	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872675 AM01	98,262
93.837	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000880883	607,981
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7885-4609 AM3	17,081
93.837	3600	KAISER PERMANENTE	OOS030150_UOW	115,465
93.837	3600	NATIONAL HEART, LUNG, AND BLOOD INSTITUTE	UW BUD# 669766	15,669
93.837	3600	NATIONAL JEWISH HEALTH	20105301_U WASH	-62

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.837	3600	NEW YORK UNIVERSITY	UW BUD# 660839	8,094
93.837	3600	NORTHWESTERN UNIVERSITY	60043933 UW	4,305
93.837	3600	NOVUSON SURGICAL INC	SBIR NOVUSON	27,374
93.837	3600	OHIO STATE UNIVERSITY	60054856 AM01	50,891
93.837	3600	OHIO STATE UNIVERSITY	60054857	70,968
93.837	3600	OHIO STATE UNIVERSITY	60054857/PO#RF01467282	5,870
93.837	3600	OHIO STATE UNIVERSITY	60059645 AM1	3,718
93.837	3600	OPTICYTE INC	UW BUD# 630889	159,651
93.837	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005000-UW AM03	61,855
93.837	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005697_UW AM01	13,693
93.837	3600	PAI LIFE SCIENCES INC	UW OSP #A108938	71,040
93.837	3600	PALO ALTO MEDICAL FNDN FOR HEALTHCARE	382200755-0319A AM03	67,220
93.837	3600	PALO ALTO MEDICAL FNDN FOR HEALTHCARE	38220755-0319A AM004	22,159
93.837	3600	SEATTLE CHILDREN'S HOSPITAL	11351SUB	138,912
93.837	3600	SEATTLE CHILDREN'S HOSPITAL	11351SUB M01	168,389
93.837	3600	SEATTLE CHILDREN'S HOSPITAL	11488SUB	41,757
93.837	3600	ST JUDE CHILDREN'S RESEARCH HOSPITAL	112042019-7665825	-97
93.837	3600	ST JUDE CHILDREN'S RESEARCH HOSPITAL	1120420207708024AMEND0	115,929
93.837	3600	TEMPLE UNIVERSITY	3610650473002AM03P0309	78,749
93.837	3600	TEMPLE UNIVERSITY	3610650473002POP030916	-6,518
93.837	3600	TUFTS UNIVERSITY	HH4023 AM03	84,740
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000505311-001	-4,895
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000508553-001	22,149
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509971-001	37,000
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509971-001 AM A03	88,581
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512650-001	21,212
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512650-001 AM01	6,215
93.837	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7738SCAM055UM1HL119089	258,518

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.837	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9102SC AM02	240,166
93.837	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9648SC	59,486
93.837	3600	UNIVERSITY OF ILLINOIS AT CHICAGO	06934200001AMENDMENT2	28,367
93.837	3600	UNIVERSITY OF KENTUCKY RESEARCH FNDN	320000073517036PTE7R01	3,907
93.837	3600	UNIVERSITY OF MARYLAND BALTIMORE	101330A AM04	97,440
93.837	3600	UNIVERSITY OF MARYLAND BALTIMORE	101330A PO# SR00003732	23,382
93.837	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003106193 AM02	16,612
93.837	3600	UNIVERSITY OF MINNESOTA	P005559502	16,152
93.837	3600	UNIVERSITY OF MINNESOTA	P005875701	8,544
93.837	3600	UNIVERSITY OF PENNSYLVANIA	566406	-111
93.837	3600	UNIVERSITY OF PITTSBURGH	00319741246181AM02	47,555
93.837	3600	UNIVERSITY OF PITTSBURGH	0045050 (126180-2)	10,711
93.837	3600	UNIVERSITY OF PITTSBURGH	00504701273911AM01	213,063
93.837	3600	UNIVERSITY OF PITTSBURGH	0053032 (128996-1)	8,719
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59443	24,316
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733	374,183
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC58612	29,538
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 114487 AM01	140,571
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 114797 AM01	26,913
93.837	3600	WAKE FOREST UNIVERSITY	WFUHS 116827	21,253
93.837	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-310	51,698
93.837	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU162675R01HL11830503R	54,321
93.837	3600	WEILL CORNELL MEDICAL COLLEGE	15060903-04	-1,722
93.837	3600	YALE UNIVERSITY	M13A11482A08800AM05	-2,916
93.837	3600	YALE UNIVERSITY	M14A11810(A09626) AM03	108,416
93.837	3600	YALE UNIVERSITY	M17A12470 (A10701)	101,179
93.837	3600	YALE UNIVERSITY	M17A12470(A11073) AM01	21,091
93.837	3650	UNIV OF AZ	3011860	42,669

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.837	3650	UNIV OF HI RES CORP FED FLOW	KA150030KA1022	28,042
93.837	3650	UNIV OF OK FED FLOW	RS2012229608	11,213
93.837	3650	UNIV OF OK FED FLOW	RS2012229612	78,657
93.838	3600	*FRED HUTCHINSON CANCER RESEARCH CENTER	0000760233 AM05	-1,533
93.838	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	49854772 AM02	122,397
93.838	3600	CARNEGIE MELLON UNIVERSITY	1090409-334683 AM03	239,875
93.838	3600	COLUMBIA UNIVERSITY	1(GG007619-03)	37,625
93.838	3600	COLUMBIA UNIVERSITY	1(GG007619-04) AM1	23,242
93.838	3600	COLUMBIA UNIVERSITY	2(GG007668-01)	2,525
93.838	3600	COLUMBIA UNIVERSITY	4GG01091902SAPOG11196	44,937
93.838	3600	DUKE UNIVERSITY	2032352 AM04	93,579
93.838	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000758955 AM05	278,214
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	228413MOD015U01HL12300	1,996
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	228540PRIME5U01HL12300	44,595
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	229886 MOD01	4,206
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	MOD02PRIME5U01HL123009	371,550
93.838	3600	MAYO CLINIC	WAS-183185	2,483
93.838	3600	THE TRUSTEES OF COLUMBIA UNIVESITY	2(GG012782)	8,629
93.838	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8893SC AM01	78,921
93.838	3600	UNIVERSITY OF PITTSBURGH	0035200 (128136-3)	81,511
93.838	3600	UNIVERSITY OF PITTSBURGH	0041577 AM01	71,192
93.839	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	113440 AM001	55,678
93.839	3600	*SEATTLE CHILDREN'S HOSPITAL	11288SUB MOD2	51,082
93.839	3600	BLOODWORKS NORTHWEST	802-UW-2016	40,641
93.839	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15014-B MOD01	210,566
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000791419 AM03	41,761
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000846587	1,228
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000846587 AM01	14,346

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000866878	149,017
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879169	181,219
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000895631	102,146
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	863604PRIME5R01HL12658	7,895
93.839	3600	OPTICYTE INC	UW BUD# 631569	3,930
93.839	3600	RUTGERS, STATE UNIVERSITY OF NEW JERSEY	AM01	10,287
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	11371SUBMOD14R01HL1133	22,144
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	11577SUB	73,422
93.839	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000502659-001 AM02	4,238
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107 AM02	678,824
93.846	3600	JOHNS HOPKINS UNIVERSITY	UW BUD# 669777	1,680
93.847	3600	*SEATTLE CHILDREN'S HOSPITAL	11334SUB MOD01	25,371
93.847	3600	*UNIVERSITY OF IOWA	W000649521PO1001385931	12,130
93.847	3600	ARIZONA STATE UNIVERSITY	16-924 AM01	21,354
93.847	3600	BAYLOR COLLEGE OF MEDICINE	5601076008 AM01	1,523
93.847	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY15106101	-2,672
93.847	3600	BOSTON CHILDREN'S HOSPITAL	GENFD0001169476 AM01	194,451
93.847	3600	BOSTON CHILDREN'S HOSPITAL	RSTFD0000655460	185,619
93.847	3600	BOSTON CHILDREN'S HOSPITAL	UW BUD# 638097	99,878
93.847	3600	BRIGHAM AND WOMEN'S HOSPITAL	111345 AMEND 2	7,011
93.847	3600	BROWN UNIVERSITY	000010541R01DK11329801	10,750
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES508618 AM04	17,599
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509454 AM02	7,201
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509472 AM01	11,994
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509472 AM02	33,415
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES510022 AM02	1,149
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES511127	275,700
93.847	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	3209280512-P AM02	17,380

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	CINCINNATI CHILDREN'S HOSP MEDICAL CTR	109748 AM04	16,162
93.847	3600	CINCINNATI CHILDREN'S HOSP MEDICAL CTR	137645	45,804
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	597-SUB AM01	2,267
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	625-SUB	7,974
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	709-SUB AM02	97,475
93.847	3600	CLEVELAND CLINIC LERNER COLL OF MEDICINE	778-SUB	31,753
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892712	19,513
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892720	5,446
93.847	3600	GEORGE WASHINGTON UNIVERSITY	13-D14 AM01	30,675
93.847	3600	GEORGE WASHINGTON UNIVERSITY	14-D17	257,414
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP-1718-JC02	201,402
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP1617-JB02	307,056
93.847	3600	GEORGIA REGENTS UNIVERSITY	25034-87 AM01	1,906
93.847	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7481-4609 AM01	-96,315
93.847	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7481-4609 AM03	292,022
93.847	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7513-4609 AM03	50,659
93.847	3600	JOSLIN DIABETES CENTER	1987203-15	35,275
93.847	3600	JOSLIN DIABETES CENTER	1987203-15 AM03	10,302
93.847	3600	JOSLIN DIABETES CENTER	1987203-15 AM05	248,962
93.847	3600	KAISER PERMANENTE	CS113409_UOW AM01	40,023
93.847	3600	KAISER PERMANENTE	OOS030112_UOW	6,893
93.847	3600	LOYOLA UNIVERSITY CHICAGO	206423	9,250
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	226142 AM02	30,220
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL*	224804AM025R01DK101495	49,231
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL*	226142 AM01	-2,495
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965_UWA AM01	92
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965_UWA AM02	48,805
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965UWAMARCOVINAAM0	3,399

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB MOD 1	14,537
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB MOD 2	146,490
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11326SUB	910
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11481SUB	921,380
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11097SUB	16,756
93.847	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11097SUB MOD02	81,032
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141-UW-5	454,575
93.847	3600	SONOMOTION INC	SONOMOTIONSBIRAGREEMEN	45,506
93.847	3600	SONOMOTION INC	UW BUD# 632488	13,677
93.847	3600	SWEDISH HEALTH SERVICES	600100 C.02	-264
93.847	3600	SWEDISH HEALTH SERVICES	610038 C.03	12,968
93.847	3600	SWEDISH HEALTH SERVICES	650002 A.01 AM01	17,106
93.847	3600	TUFTS MEDICAL CENTER	5007632-SERV AM05	9,283
93.847	3600	TUFTS MEDICAL CENTER	5013848-SERV	33,149
93.847	3600	UNIVERSITY OF CALIFORNIA IRVINE	2014-3113 AM03	70,022
93.847	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	38947675 AM004	283,690
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8002SC AM03	236,141
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8379SC AM01	1,114
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8379SC AM02	17,597
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9456SCPTE1R01DK1090080	34,763
93.847	3600	UNIVERSITY OF LOUISVILLE	11-1041Z02D AM04	5,064
93.847	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004111805 AM01	13,261
93.847	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	3003481941 AM01	53
93.847	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033711 AM01	17,426
93.847	3600	UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL	5033574 AM04	6,986
93.847	3600	UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL	5034378AM035U01DK09223	5,002
93.847	3600	UNIVERSITY OF PENNSYLVANIA	566916	963
93.847	3600	UNIVERSITY OF PENNSYLVANIA	569145 AM03	27,283

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	UNIVERSITY OF PENNSYLVANIA	569505 AM01	6,927
93.847	3600	UNIVERSITY OF PENNSYLVANIA	5696375U01DK10689202	60,430
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227	11,645
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (126609-2)	-65,589
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (127494-1)	40,190
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (127494-2)	675,314
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1005-00-AD MOD01	34,014
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1005-00-Z MOD 3	466,018
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1005-00-Z MOD01	7,301
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-100500-AD MOD02	100,087
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1017-00-AM	23,217
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1017-00-AM, MOD01	24,390
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636393	97,783
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636394	24,542
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636401	5,035
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636413	17,787
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636416	10,793
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	UW BUD# 636423	2,978
93.847	3600	UNIVERSITY OF TEXAS	GMO-161129 AM01	63,842
93.847	3600	UNIVERSITY OF TEXAS	GMO161128PORGC00000007	8,403
93.847	3600	UNIVERSITY OF TEXAS	GMO161129PORGC00000007	-1,153
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	GMO-160218 AM01	252
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	GMO-170915	252
93.847	3600	UNIVERSITY OF UTAH	10019509-04 AM07	42,297
93.847	3600	UNIVERSITY OF UTAH	10019509-04, AM06	-1
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 42466 AM03	-892
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466	2,567

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466 AM001	178,625
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC60682	41,697
93.847	3600	VETERANS MEDICAL RESEARCH FOUNDATION	08786003-316585 AM04	20,643
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 114580 AM01	175,219
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118247	112,903
93.847	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-15-112-MOD-3 AM03	47,629
93.847	3600	YALE UNIVERSITY	M15A11842 AM02	135,937
93.847	3600	YALE UNIVERSITY	M17A12561(A10910)	16,242
93.847	3600	YESHIVA UNIVERSITY	310859AM03POP0549427	14,432
93.847	3600	YESHIVA UNIVERSITY	310859AM03POP0561166	19,819
93.847	3650	DOSE SAFETY	127536001	0
93.847	3650	PENNINGTON BIOMEDICAL RESEARCH	R01DK108765S001	102,612
93.847	3650	UNIV OF COLORADO	FY17001016	3,918
93.847	3650	UNIV OF PA FED FLOW	561624	4,399
93.853	3600	*MAYO CLINIC	WAS-187276-02 AM02	2,000
93.853	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01028180 AM04	28,804
93.853	3600	BOSTON UNIVERSITY	4500002301	16,640
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA-33842	3,025
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA-33842 AM01	22,313
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA15008-UW PO#39073	16,609
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	21B-1097692 AM01	211,200
93.853	3600	COLUMBIA UNIVERSITY	1(GG012006-01)	1,806
93.853	3600	COLUMBIA UNIVERSITY	2 (GG008136-02)	1,729
93.853	3600	EMORY UNIVERSITY	T234837 AM04	225,514
93.853	3600	EMORY UNIVERSITY	T270085 AM05	5,872
93.853	3600	EMORY UNIVERSITY	T662120 AM09	2,874
93.853	3600	EMORY UNIVERSITY	T662120 AM10	21,587
93.853	3600	HARVARD SCHOOL OF PUBLIC HEALTH	111178-5088518 AM02	78,563

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.853	3600	HILLHURST BIOPHARMACEUTICALS INC	UW BUD# 633444	156,680
93.853	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6613-4609 AM03	219,626
93.853	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6613-4609 AM04	66,553
93.853	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6614-4609 AM05	242,385
93.853	3600	NORTHWESTERN UNIVERSITY	60030115 UW AM05	-4,775
93.853	3600	NORTHWESTERN UNIVERSITY	60043694 UW	27,905
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9008715_HMC AM04	3,997
93.853	3600	PRINCETON UNIVERSITY	SUB0000037 AM01	-6,747
93.853	3600	PRINCETON UNIVERSITY	SUB0000037 AMO4	229,085
93.853	3600	SEATTLE CHILDREN'S HOSPITAL	11480SUB	54,799
93.853	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11360SUB	55,093
93.853	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11360SUB AM01	10,888
93.853	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11360SUB MOD01	14,167
93.853	3600	STANFORD UNIVERSITY	61311382-124387 AM01	65,275
93.853	3600	STANFORD UNIVERSITY	61311385-124387 AM01	260,330
93.853	3600	STANFORD UNIVERSITY	61362928-124387	215,900
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	6495SC AM08	7,364
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9670SC AM01	402,474
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	7891SC	-21,836
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	7891SC AM03	21,836
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	7891SC AM04	19,927
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	7891SC AM05	288,216
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	7891SC MOD02	7,107
93.853	3600	UNIVERSITY OF CINCINNATI	010085-135574 AM01	1,590
93.853	3600	UNIVERSITY OF CINCINNATI	U01NS091951-135574 AM2	4,789
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM001	1,475
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM02	7,026
93.853	3600	UNIVERSITY OF MINNESOTA	N004689401 MOD02	112

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147	5,754
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147 AM01	27,004
93.853	3600	UNIVERSITY OF PITTSBURGH	0030451 (128555-3)	17,660
93.853	3600	UNIVERSITY OF PITTSBURGH	0030451 AM04	30,311
93.853	3600	UNIVERSITY OF TENNESSEE	NS044163UNIVOFWAAM03	19,933
93.853	3600	UNIVERSITY OF TENNESSEE	NS044163UNIVOFWAAM04	43,499
93.853	3600	UNIVERSITY OF TEXAS	0010073A AM02	41,063
93.853	3600	UNIVERSITY OF TEXAS	0010073AAM035R01NS0875	11,395
93.853	3600	UNIVERSITY OF WISCONSIN-MADISON	168471PO667K995AM01	3
93.853	3600	WRIGHT STATE UNIVERSITY	P0033442 AM02	42,343
93.853	3650	OR HLTH SCI UNIV FED FLOW	1005874WSU	46,853
93.853	3650	SPERAGEN INC	127704001	97,459
93.855	3600	*BENAROYA RSCH INST AT VIRGINIA MASON	0109805S17AM01PTE4U01A	11,312
93.855	3600	*BENAROYA RSCH INST AT VIRGINIA MASON	FY14ITN052 AM01	-315
93.855	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	110007 AM04	15,136
93.855	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	110208 MOD04	269,560
93.855	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	110238 AM02	7,068
93.855	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	111670 MOD01	-83,463
93.855	3600	*NORTHERN CA INST FOR RESEARCH & EDUC	SUL1847-02 AM03	169,624
93.855	3600	*NORTHWESTERN UNIVERSITY	SP0026886PROJ0007064AM	-6,741
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	10995SUB MOD01	51,526
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	10995SUB MOD05	176,328
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	11070SUB MOD02	23,301
93.855	3600	ATTODX INC	UW OSP #A96847	2,971
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0109805S16 AMA01	24,399
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121301S01	130,516
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121401S01	137,116
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121701S02	68,907

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927 MOD04	140,451
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927 MOD05	210,913
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110007 AM05	19,838
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110238 AM03	9,628
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110668	39,989
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	111670 MOD01	142,487
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	111670 MOD02	80,925
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	112668 AM02	200,226
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	5UM1AI106701-03	109,438
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	5UM1AI106701-04	178,284
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES5105305U01AI1156420	4,237
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES510939	620,564
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES511738	72,478
93.855	3600	DUKE CLINICAL RESEARCH INSTITUTE	189925/218470	1,917
93.855	3600	EMORY UNIVERSITY	T1461603	-311,362
93.855	3600	EMORY UNIVERSITY	T683917 AM01	124,279
93.855	3600	FAMILY HEALTH INTERNATIONAL	971/0080.0173 AM08	9,265
93.855	3600	FAMILY HEALTH INTERNATIONAL	971/0080.0173 AM09	14,246
93.855	3600	FHI360	PO17001138	23,299
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841007 AM01	16,350
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841012	5,410
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841668 AM02	123,493
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000844570	7,733
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000846680 AM01	62,999
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851169	7,853
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851480	277,961
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851480 AM03	367,118
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852255	-1,326

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00008525425UM1AI068615	62,502
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852674	157,250
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852751 AM01	227,997
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852765	3,552
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000853478	200,439
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000853481	133,130
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000853512	6,367
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000854760 AM01	267,383
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000854761 AM01	143,624
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000855050	26,115
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000856430 AM01	60,124
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000858200	1,325
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000858277	34,822
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000859888	108,384
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000860703 AM01	36,644
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000860704	30,621
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865524	116,771
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865524 AM01	92,297
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865719	118,630
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000867040 AM01	212,143
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000870411 AM01	50,726
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000871892	186,945
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000875388	1,187
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879582	23,911
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879635	22,731
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000882903	87,086
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000883691	35,781
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000885594	301,123

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887425	39,892
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887549	201,568
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887601	4,692
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887685	6,111
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887761	12,420
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887953	223,549
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888014	36,518
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888188	189,500
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888210	334,926
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888298	51,970
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888403	1,107,863
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000888628	238,104
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000890971	235,886
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000891079	76,592
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000891675	227,238
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000891987	85,746
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892218	36,991
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892559	1,154,013
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000892600	156,177
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894741	132,538
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000894982	19,298
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000895374	154,488
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000896023	339,996
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000897130	12,933
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000898278	37,737
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009006295R37AI038518	88,493
93.855	3600	HOSPITAL FOR SICK CHILDREN	3210515228	3,608
93.855	3600	HOSPITAL FOR SICK CHILDREN	6610100083	83,841

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	ID GENOMICS INC	2R42AI116114-02 AM01	238,143
93.855	3600	ID GENOMICS INC	IDG_UW_02	216,798
93.855	3600	INDIANA UNIVERSITY	IN4689724UW AM08	64,692
93.855	3600	JOHNS HOPKINS UNIVERSITY	2001317198 MOD 08	-13,075
93.855	3600	JOHNS HOPKINS UNIVERSITY	2002131141 MOD03	12,123
93.855	3600	JOHNS HOPKINS UNIVERSITY	2003036376	524,277
93.855	3600	JOHNS HOPKINS UNIVERSITY	LDR 01 MOD 02	20,876
93.855	3600	JOHNS HOPKINS UNIVERSITY	PO#2002131144	20,005
93.855	3600	KECK GRADUATE INSTITUTE	GR700507UW AM01	11,520
93.855	3600	KECK GRADUATE INSTITUTE	GR700507UW AM02	59,317
93.855	3600	KINETA INC	8538 MOD01	59,824
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	4642	91,797
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	4670 (1U19AI120249)	335,486
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9390 AM02	91,857
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9447	115,964
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9493	45,651
93.855	3600	MAHIDOL UNIVERSITY	51U01AI115520-03_UW_Y3	29,865
93.855	3600	MAHIDOL UNIVERSITY	5U01AI11552002UWY2	43,291
93.855	3600	OHIO STATE UNIVERSITY	60052605 AM04	102,838
93.855	3600	PROFECTUS BIOSCIENCES INC	16-351	69,115
93.855	3600	PROFECTUS BIOSCIENCES INC	PO# 14-267 AM01	1,784
93.855	3600	PROFECTUS BIOSCIENCES INC	PO# 14-267 AM03	840,133
93.855	3600	PROFECTUS BIOSCIENCES INC	PRIME# R44AI089290	51,388
93.855	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	8233 MOD1	137,645
93.855	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	8327	88,235
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	10330SUB MOD05	19,544
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	10972SUB MOD03	6,693
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11229SUB MOD02	9,994

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11415SUB	47,172
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11431SUBPR4R01AI100989	236,693
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10590SUB MOD03	32,189
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10592SUB MOD06	46,412
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10972SUB MOD02	33,764
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11069SUBMOD025R01AI100	8,873
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11229SUB MOD01	12,262
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11576SUB	60,293
93.855	3600	SPRINGSTAR USA INC	A121128	21,000
93.855	3600	SPRINGSTAR USA INC	A122227	14,000
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000397076-012 AM08	152,289
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000421524-002 AM005	73,259
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000503356SP002016A01	29,075
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000503356SP002016AM03	83,865
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000504515SP001002AMA01	5
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006	178,246
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006 A01	592,042
93.855	3600	UNIVERSITY OF CALIFORNIA DAVIS	201223949-01 AM05	156,045
93.855	3600	UNIVERSITY OF CALIFORNIA DAVIS	201303042-08	8,547
93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1559 G TA522 AM04	181,418
93.855	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	73440803 AM001	28,523
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9264SC	-6,746
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9506SC	27,783
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO*	9264SC AM01	107,563
93.855	3600	UNIVERSITY OF CENTRAL FLORIDA	22206063 AM02	195,632
93.855	3600	UNIVERSITY OF CHICAGO	FP059178-B AM01	13,195
93.855	3600	UNIVERSITY OF FLORIDA	UFDSP00010839AM01R21AI	31,256
93.855	3600	UNIVERSITY OF MASSACHUSETTS DARTMOUTH	18907	10,148

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.855	3600	UNIVERSITY OF MINNESOTA	H004614601 AM01	36,231
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033047 MOD03	4,457
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5101969 AM01	97,166
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5103106	93,765
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5105098	332,585
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5107081	81,772
93.855	3600	UNIVERSITY OF PENNSYLVANIA	568523	10,552
93.855	3600	UNIVERSITY OF PENNSYLVANIA	569316	268,782
93.855	3600	UNIVERSITY OF TEXAS	GMO130301 AM03	141,718
93.855	3600	UNIVERSITY OF TEXAS DALLAS	GMO 130301 AM04	95,821
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	490K066 AM03	3,285
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	578K071 AM01	9,539
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	694K201 AM001	109,413
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11307SUB	-88
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11310SUB	-9,677
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11464SUB	260,990
93.855	3650	SEATTLE CHILDREN'S HOSPITAL	11465SUB	78,802
93.855	3650	UNIV OF ID FED	ABK855 SB 001	27,960
93.855	3650	UNIV OF MN FED FLOW	H004942302	221,406
93.855	3650	UNIV OF NC CHAPEL HILL	5106846	167,255
93.855	3650	UNIV OF TX HEALTH SCIENCE CTR	157717157715	62,277
93.859	3600	*CHILDREN'S HOSP & RSCH CTR AT OAKLAND	12_8036_UWASH_01	4,144
93.859	3600	*CHILDREN'S HOSP & RSCH CTR AT OAKLAND	12_8036_UWASH_02 AMO1	15,026
93.859	3600	*INSTITUTE FOR SYSTEMS BIOLOGY	2015.0001 AM02	79,486
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000838327 AM01	-1,566
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000838464	6,764
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841785	-384
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000869753	11,518

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872625 AM01	126,129
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000874471	12,296
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000874922	153,708
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434 AM02	16,679
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434 AM03	16,546
93.859	3600	RESEARCH FOUNDATION FOR THE SUNY	R960652	9,247
93.859	3600	RESEARCH FOUNDATION FOR THE SUNY	R960652 AM02	181,702
93.859	3600	UNIVERSAL CELLS INC	PRIME 1R44GM113438-01	7,430
93.859	3600	UNIVERSITY OF ALASKA ANCHORAGE	R0303171	21,575
93.859	3600	UNIVERSITY OF CALIFORNIA IRVINE	2016-3369	69,331
93.859	3600	UNIVERSITY OF COLORADO DENVER	15520410513040804BMOD0	160,368
93.859	3600	UNIVERSITY OF COLORADO DENVER	15520420513040804BMOD0	122,920
93.859	3600	UNIVERSITY OF FLORIDA	UFDSP00010190 AM03	72,769
93.859	3600	UNIVERSITY OF FLORIDA	UFDSP00010832	-2,706
93.859	3600	UNIVERSITY OF ILLINOIS	067648-00001 AM01	23,514
93.859	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3002887843 AM04	116,670
93.859	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003101111 AM03	10,576
93.859	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5103989	90,293
93.859	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	48299071 AM03	44,741
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55495	21,303
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55495 AM01	204,580
93.859	3650	RUSH UNIVERSITY	1R01GM11125401	122,788
93.859	3650	TEMPLE UNIVERSITY	257109WSU	169,689
93.859	3650	UNIV OF CO DENVER	FY15652002	20,197
93.859	3650	UNIV OF S CA	54076616	57,800
93.859	3650	WASHINGTON UNIV IN ST LOUIS	WU17182	73,685
93.865	3600	*ALBERT EINSTEIN HEALTHCARE NETWORK	5 R01 HD 061400-05	3,684
93.865	3600	*ALBERT EINSTEIN HEALTHCARE NETWORK	R01 HD 061400-05	84,545

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.865	3600	*SEATTLE CHILDREN'S HOSPITAL	11312SUB MOD02	125,008
93.865	3600	*SEATTLE CHILDREN'S RESEARCH INSTITUTE	10893SUB MOD04	3,889
93.865	3600	BAYLOR COLLEGE OF MEDICINE	5600716840 AM04	-2,889
93.865	3600	BAYLOR COLLEGE OF MEDICINE	7000000288	258,689
93.865	3600	BILICAM LLC	0907780101	49,959
93.865	3600	BILICAM LLC	UW BUD# 632311	5,434
93.865	3600	CINCINNATI CHILDREN'S HOSP MEDICAL CTR	130474	152
93.865	3600	CINCINNATI CHILDREN'S HOSP MEDICAL CTR	138406	91,462
93.865	3600	CORNELL UNIVERSITY	77319-10682	23,814
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000879552	6,419
93.865	3600	GEORGE WASHINGTON UNIVERSITY	S-MFM1516-JB13	52,029
93.865	3600	GEORGE WASHINGTON UNIVERSITY	S-MFM1617-JB13	8,524
93.865	3600	JOHNS HOPKINS UNIVERSITY	UW BUD# 632577	42,882
93.865	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2016158525	32,620
93.865	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2016158527 MOD01	84,246
93.865	3600	KAISER PERMANENTE	RNG200508-2-UW AM01	13,904
93.865	3600	MICHIGAN STATE UNIVERSITY	RC103679UW AM02	1,195
93.865	3600	NEW ENGLAND RESEARCH INSTITUTES, INC. (NERI)	3003294837 AM03	143,478
93.865	3600	NEW YORK UNIVERSITY	F7432-02 AM04	1,631
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10988SUB MOD03	11,946
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11348SUB MOD01	12,830
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11349SUB	11,240
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11362SUB MOD1	12,224
93.865	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	11614SUB	44,381
93.865	3600	TEMPLE UNIVERSITY	361155-UW AM001	29,221
93.865	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512823-004	225,352
93.865	3600	UNIVERSITY OF CALIFORNIA DAVIS	201224693-05	72,652

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.865	3600	UNIVERSITY OF CALIFORNIA DAVIS	201224693-05 AM1	18,954
93.865	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA131 AM03	51,186
93.865	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G UA066	58,630
93.865	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8703SC AM01	14,431
93.865	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8703SC AM02	74,403
93.865	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1602 AM01	59,007
93.865	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003879380 AM02	22,733
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033193	14,506
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5104622	358,827
93.865	3600	UNIVERSITY OF PITTSBURGH	0019692(125895-2) AM02	32,392
93.865	3600	UNIVERSITY OF PITTSBURGH	00196921258952AM01	93,802
93.865	3600	UNIVERSITY OF PITTSBURGH	0051592 (128416-3)	5,505
93.865	3600	UNIVERSITY OF TEXAS	16-088	24,484
93.865	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-103 PO#2928116C	107,999
93.865	3650	BAYLOR COLLEGE OF MED FED	5600653614	-11,247
93.865	3650	UNIV OF NE FED	3453212003508	131,845
93.865	3650	UNIV OF WISCONSIN-MADISON	660K155	8,668
93.866	3600	*GROUP HEALTH COOPERATIVE	AG006781-28-UW	264,437
93.866	3600	*GROUP HEALTH COOPERATIVE	AG006781-28-UW MOD01	608,360
93.866	3600	*TUFTS MEDICAL CENTER	5005011SERVAM045R01AG0	17,246
93.866	3600	BOSTON UNIVERSITY	4500001378 AM04	68,045
93.866	3600	BOSTON UNIVERSITY	4500002063 AM001	12,309
93.866	3600	BOSTON UNIVERSITY	4500002121 AM002	82,422
93.866	3600	BRIGHAM AND WOMEN'S HOSPITAL	115640	52,904
93.866	3600	BROWN UNIVERSITY	00000817 AMEND 1	16,418
93.866	3600	BROWN UNIVERSITY	00000826 AM02	115,469
93.866	3600	BROWN UNIVERSITY	00000844 AM01	325,103
93.866	3600	COLUMBIA UNIVERSITY	2 (GG010623) AM02	11,296

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.866	3600	DARTMOUTH COLLEGE	1540R22 AM 04	49,243
93.866	3600	DUKE UNIVERSITY	203-5796	529,152
93.866	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000868841	195,198
93.866	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009010535R01AG048209	36,990
93.866	3600	MAYO CLINIC	UOW-178544-01 AM02	29,769
93.866	3600	MICHIGAN STATE UNIVERSITY	RC105335G AM01	71,949
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE148A-UW-1 AM02	10
93.866	3600	STANFORD UNIVERSITY	61271806-124384	125,079
93.866	3600	STANFORD UNIVERSITY	61314414-124531	365,057
93.866	3600	STANFORD UNIVERSITY	61344876-124384	134,471
93.866	3600	TUFTS MEDICAL CENTER	5005011-SERV AM05	2,005
93.866	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1558 G TA326 AM002	114,521
93.866	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9499SC	11,220
93.866	3600	UNIVERSITY OF COLORADO DENVER	FY16.001.015	-13
93.866	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00474330/OSP2017056	21,365
93.866	3600	UNIVERSITY OF MIAMI	667605	21,482
93.866	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003801558 AM04	475,921
93.866	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003801558 AM05	109,891
93.866	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004154937	9,999
93.866	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00049862-1	20,630
93.866	3600	UNIVERSITY OF NEVADA RENO	UNR-17-36	303,027
93.866	3600	UNIVERSITY OF PENNSYLVANIA	568785100478771466801	50,147
93.866	3600	UNIVERSITY OF PENNSYLVANIA	571400, AM02	15,805
93.866	3600	UNIVERSITY OF PITTSBURGH	0012200 (122381-6)AM05	21,853
93.866	3600	UNIVERSITY OF PITTSBURGH	0052914 (127841-4)	21,817
93.866	3600	UNIVERSITY OF VERMONT	30340SUB52029UOFWASHAM	135,863
93.866	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 40785	55,044
93.866	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 40785 AM01	4,781

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 112971	11,166
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 115048 AM03	29,843
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS 441337	14,377
93.866	3600	WAKE FOREST UNIVERSITY	WFUHS110918GRAHAMAM01	25,000
93.866	3600	YESHIVA UNIVERSITY	31594E AM02	4,116
93.866	3650	UNIV OF COLORADO	FY16001015	281,706
93.866	3650	UNIV OF NM	765335874P	114,174
93.867	3600	COLUMBIA UNIVERSITY	1 (GG011737) AM03	25,244
93.867	3600	JAEB CENTER FOR HEALTH RESEARCH INC	PROTOCOL #U SITE 47	17,904
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM02	896
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM03	1,300
93.867	3600	JOHNS HOPKINS UNIVERSITY	2002745508 AM04	348
93.867	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1002605_UW AM03	68,636
93.867	3600	PENNSYLVANIA STATE UNIVERSITY	UWAEY023533 AM03	-50
93.867	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00007517 AM07	47,273
93.867	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	39543216 AM03	47,439
93.867	3600	UNIVERSITY OF CALIFORNIA, BERKELEY	00009470PRIMEU01EY0255	22,695
93.867	3600	UNIVERSITY OF MINNESOTA	N640615302 AM08	6,237
93.879	3600	BOSTON CHILDREN'S HOSPITAL	PO#0000633810	-171
93.879	3600	BOSTON CHILDREN'S HOSPITAL	RSTFD0000691705 AM01	80,999
93.879	3600	UNIVERSITY OF ARIZONA	298692 AM01	1,316
93.879	3600	UNIVERSITY OF PITTSBURGH	00404781240953AMO3	30,461
93.933	3600	CONFEDERATED TRIBES OF THE COLVILLE RESE	C16-293	19,370
93.933	3600	SOUTHCENTRAL FOUNDATION	2017-003	43,604
93.933	3600	SOUTHCENTRAL FOUNDATION	2017-004	95,258
93.933	3600	SOUTHCENTRAL FOUNDATION	560101-20-415	40,199
93.933	3600	SOUTHCENTRAL FOUNDATION	SCF2013-087 Y3	20,927
93.945	3600	*SEATTLE CHILDREN'S RESEARCH INSTITUTE	11313SUB	995

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.945	3600	SEATTLE CHILDREN'S HOSPITAL	11554SUB	4,517
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS 114516	10,607
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS 114527 AMEND 1	56,148
93.977	3600	MISSISSIPPI DEPARTMENT OF HEALTH	13010103000000ST	124,229
93.989	3600	KWAME NKRUMAH UNIVERSITY OF SCI & TECH	819CHS0502	44,531
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A1056245D43TW00976302	-70
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A105624A116704AMEND13D	62,136
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A105850 AM01	26,625
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDI	A116705 AM02	115,026
93.989	3600	UNIVERSITY OF NAIROBI	P-HERT YEAR 1	5,329
93.989	3600	UNIVERSITY OF NAIROBI	P-HERT YEAR 2	224,239
93.989	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 40785 AM02	-10,452
93.989	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 40785 AM04	-1,186
93.991	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	15-07-1-01-113-0 AM01	15,155
93.U02	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13599	719,067
93.U03	3600	BIOQUAL INC	HHSN27200012 MOD06	606,289
93.U05	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T008SC003AM01	239,862
93.U07	3600	UNIVERSITY OF WISCONSIN MADISON	686K836	212,164
93.U07	3600	UNIVERSITY OF WISCONSIN, MADISON	686K862HHSN26120120003	22,971
93.U09	3600	BIOQUAL INC	HHSN27200013	169,886
93.U12	3600	BRAZELTON TOUCHPOINTS CENTER	UW630870	155,442
93.U13	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1010240_UWA	141,957
93.U16	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13599	129,163
93.U21	3600	TAPCLOUD LLC	UW BUD# 631735	28,491
93.U24	3600	BOSTON CHILDREN'S HOSPITAL	UW BUD# 637836	26,120
93.U26	3600	BEAT BIOTHERAPEUTICS CORP	UW BUD# 632909	22,698
93.U27	3600	AMERICAN PSYCHIATRIC ASSOCIATION	UW BUD# 631106	2,427
93.U28	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T004SC005AM00	-911

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.U29	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM03	141,310
93.U29	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM04	100,739
93.U31	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW BUD# 633024	-6,286
93.U32	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C	9,045
93.U32	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C (AA)	12,599
93.U32	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C (I)	10,733
93.U32	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021C (X)	23,993
93.U32	3600	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201500021CPH35A	21,023
93.U33	3600	ABT ASSOCIATES INC	45676 MOD01	32,623
93.U34	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000848434	24,645
93.U35	3600	BIOQUAL INC	OPTION PERIOD 1	175,858
93.U36	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWNMR-13598-4	47,907
93.U36	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWNMR-13599	91,073
93.U36	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13598-4	269,625
93.U37	3600	CENTER FOR PUBLIC SERVICE COMMUNICATIONS	2015-32	24,358
93.U38	3600	COMPUTERCRAFT CORPORATION	CC FORM SUB UW#2 MOD2	319,663
93.U38	3600	COMPUTERCRAFT CORPORATION	SUBCONTRACT UW#2 MOD01	171,121
93.U39	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000882865	8,310
93.U40	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T010-SC013	6,152
93.U41	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T011-005	4,528
93.U42	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T013-011	4,584
93.U43	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865655 AM01	4,059
93.U43	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865655HHSN26820160	10,929
93.U44	3600	*GROUP HEALTH COOPERATIVE	2015181380 TO01 MOD4	2,133
93.U44	3600	*GROUP HEALTH COOPERATIVE	HHSN272200800004C-UW	149,707
93.U44	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2015157233	13,989
93.U45	3600	HEALTH RESEARCH & EDUCATIONAL TRUST	PROJ80784HHSA290201000	98,981
93.U46	3600	*JOHNS HOPKINS UNIVERSITY	P1090 PO#2002565212	7,241

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.U47	3600	KINETA INC	4594 MOD01	135,337
93.U48	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388T004001AM01	110,266
93.U49	3600	UNIVERSITY OF PITTSBURGH	0049347-1 AM01	18,099
93.U50	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM01	85,324
93.U50	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM03	185,980
93.U52	3600	UNIVERSITY OF UTAH	10039141-04	16,389
93.U53	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008695_UW	1,550
93.U53	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008888_UW AM02	40,611
93.U53	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1009898_UWA	37,576
93.U53	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1010409_UWA	64,172
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	AM02	176,127
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 633174	10,865
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW BUD# 633450	5,640
93.U54	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW633172	96,910
93.U55	3600	EMMES CORPORATION	MOD08	26,378
93.U56	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000501394-005 AM02	1,441
93.U56	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000501394-005 AMO3	7,971
93.U57	3600	DELOITTE CONSULTING	102018-1	25,628
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258POSR00004052AM0	27,932
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK 1, PO# SR00004028	605
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK114466POSR00004414	3,565
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK1413375POSR0000404	2,097
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK1414471POSR0000441	1,971
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK214467POSR00004415	30,170
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK313369POSR00004051	43,171
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK314468POSR00004416	126,985
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK714469POSR00004417	52,650
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK913373POSR00004049	16,721

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TASK914470POSR00004418	32,513
93.U58	3600	UNIVERSITY OF MARYLAND BALTIMORE	TO713371POSR00004050	16,639
93.U59	3600	ICF INCORPORATED, LLC	16JTSK0203 MOD01	47,164
93.U60	3600	UNIVERSITY OF OKLAHOMA	RS20122159-06 AM002	109,244
93.U61	3600	*UNIVERSITY OF ROCHESTER	416495-G AM02	38,373
93.U62	3600	UNIVERSITY OF ROCHESTER	416504	-4,195
93.U63	3600	DARTNET INSTITUTE	200201587699PO00012000	25,576
93.U64	3600	MASSACHUSETTS GENERAL HOSPITAL*	220778 MOD03	3,526
93.U65	3600	WESTAT INC	TO02PROJ602002MOD02	8,763
93.U65	3600	WESTAT INC	TO02PROJ602002MOD03	26,706
93.U66	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	30024294913	11,276
93.U67	3600	FENWAY COMMUNITY HEALTH	349-BEAUFORT AM01	55,253
93.U68	3600	ABT ASSOCIATES INC	47346	104,876
93.U68	3600	ABT ASSOCIATES INC	47676	4,707
93.U69	3600	CICATELLI ASSOCIATES INC	5 TP1AH000106-02-00	96,934
93.U70	3600	OAK RIDGE ASSOCIATED UNIVERSITIES	603118	54,513
93.U71	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	76887872 AM01	21,495
93.U72	3600	HEALTH RESEARCH & EDUCATIONAL TRUST	80781	22,832
93.U73	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627-011_UWA	7,803
93.U74	3600	RAND CORPORATION	9920160064 AM01	53,102
93.U75	3600	BOSTON CHILDREN'S HOSPITAL	ADDENDUM 1	26,320
93.U79	3600	UNIVERSITY OF UTAH	NO.10042359-02	79,157
93.U80	3600	LEIDOS BIOMEDICAL RESEARCH INC	P9825 / P9881	9,094
93.U81	3600	UNIVERSITY OF COLORADO DENVER	PO 1000757594	21,467
93.U82	3600	WESTAT INC	S6020 TO# 05	13,098
93.U83	3600	NORTHWESTERN UNIVERSITY	SP003377960044358UWASH	271
93.U84	3600	WELLCOME TRUST	UW635330	64,530
93.U86	3600	OAK RIDGE ASSOCIATED UNIVERSITIES	602042	84,603

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
93.U88	3650	OPTO-KNOWLEDGE SYSTEMS	160608	39,366
93.U89	3650	JOHNS HOPKINS UNIV	2003370134	28,889
93.U91	3650	KITSAP COUNTY	KC25816	18,212
93.U91	3650	OPTUMHEALTH	46181	160,268
93.U92	3650	WESTERN CAROLINA UNIV	WSU003306	56,915
93.U93	3650	RINGFUL HEALTH LLC	WSU003418	37,307
93.U94	3650	RINGFUL HEALTH LLC	WSU003495	21,379
94.006	3600	JUMPSTART FOR YOUNG CHILDREN INC*	480200	114,958
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9001500076	34,505
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	90030000939-01	23,593
95.005	3600	NATIONAL DRUG COURT INSTITUTE	AM01	-34
96.007	3600	NATIONAL BUREAU OF ECONOMIC RESEARCH	UW BUD# 633214	-292
97.047	3760	FEMA	E15-173	3,998
97.061	3600	KANSAS STATE UNIVERSITY	S11198.06 MOD06	40,929
97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	PO484663 AM04	141,857
97.061	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	2015-01722-03	114,011
97.061	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	2015017220215547AM01	132,661
97.061	3650	NORTHEASTERN UNIV	50503678050	150,409
97.067	2250	Clallum County Sheriff's Office	K11678-SG85	403
97.067	2250	Clallum County Sheriff's Office	K12007-SG86	277
97.U02	3600	NORTHEASTERN UNIVERSITY	505092-78051 AM02	32,880
97.U04	3600	DUKE UNIVERSITY	14-DHS-1100 AM05	289,402
97.U07	3650	BRIGHAM YOUNG UNIV FED FLOW	150445	165,373
98.001	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	44827833POS9000468AM00	69,801
98.001	3600	IMA WORLD HEALTH	IMA0420162USHINDIUWASH	96,934
98.001	3600	INTEGRA LLC	FAA3/UOW/2016 MOD04	20,140
98.001	3600	RTI INTERNATIONAL	3312021492452359LMOD03	9,515
98.001	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008193 AM05	130,471

State of Washington
Schedule of Expenditures of Federal Awards
Note F:
Supplemental Information for Pass-Through Funds

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Pass-Through Entity Name	Award/Contract Control Number	Expenditure Amount
98.001	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008193 AM08	154,085
98.001	3600	UNIVERSITY OF PITTSBURGH	00449784111052AM03	28,863
98.001	3600	US PHARMACOPEIAL CONVENTION	BPO17014WO001MOD001	47,636
98.001	3650	UNIV OF CA DAVIS	20140373901	119,032
98.001	3650	VIRGINIA POLYTECHNIC INST & ST	45136419276	6,646
98.001	3650	VIRGINIA POLYTECHNIC INST & ST	45136419276A	10,602
98.007	3600	THE UNITED NATIONS FOUNDATION	UNF-17-897	62,662
98.RD	3650	KICKSTART INTL INC	WSU002887	-961
98.RD	3650	MI ST UNIV	RC102095B1005	29,194
98.RD	3650	MI ST UNIV	RC102095BHEAR	86,108
98.RD	3650	MI ST UNIV	RC102095BHEARDKENYA	36,424
98.RD	3650	NATL RES INST FOR CHEM TECH	127278001	2,600
98.RD	3650	PURDUE UNIV	4106000008000044906	31,788
98.RD	3650	RESEARCH TRIANGLE INSTITUTE	WSU003526	1,769
98.RD	3650	RESEARCH TRIANGLE INSTITUTE	WSU003527	5,794
98.RD	3650	UNIV OF CA DAVIS	20140022312	40,721
98.RD	3650	UNIV OF CA DAVIS	20150078901	1,383,713
98.U01	3600	MANAGEMENT SCIENCES FOR HEALTH INC	A138-2015-02-UW MOD01	39,342
98.U02	3600	MAKING CENTS INTERNATIONAL INC	401UW MOD03	44,920
98.U03	3600	POPULATION COUNCIL	SH1113 AM12	28,839
98.U04	3600	PATH	ORC11640200529697CRTAM	30,530
99.U01	3600	DANA-FARBER CANCER INSTITUTE	PS 6243102	67,593
			Total Pass-Through Funds	**166,960,438**

State of Washington
Schedule of Expenditures of Federal Awards
Note G:
Supplemental Information for Pass-Through Federal Assistance
(State as Subrecipient not included on the Schedule)

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	State Agency No.	Grantor	Award Contract Number	Expenditure Amount
12.617	540	Spokane Area WDC-12	7855	10,663
			12.617 Total	**10,663**
17.258	540	Olympic Consortium WDC-1	7316 7326 7336 7376	312,113
17.258	540	SnohomishCounty WDC-4	6665 6666 6675 6676	343,534
17.258	540	North Central WA WDC-8	7686 7706 7866	121,501
17.258	540	Spokane Area WDC-12	7816	216,119
			17.258 Total	**993,266**
17.259	540	North Central WA WDC-8	7716 7726 7756	121,138
17.259	540	Southwest WDC-7	6206 6216	23,674
			17.259 Total	**144,811**
17.277	540	North Central WA WDC-8	7736	23,128
17.277	540	Eastern WA Partnership WDC-10	2995	10,792
17.277	540	Spokane Area WDC-12	3614 7845	33,919
			17.277 Total	**67,839**
17.278	540	Olympic Consortium WDC-1	6344 6354 6387 6397 6536 6615 6636 6646 7346 7355 7366 7386	870,430
17.278	540	SnohomishCounty WDC-4	6685 6686 6756	234,322
17.278	540	KingCounty WDC-5	3177	73,128
17.278	540	North Central WA WDC-8	7746 7766	78,458
17.278	540	Eastern WA Partnership WDC-10	292x 293x 294x	306,333
17.278	540	Spokane Area WDC-12	7806	269,169
			17.278 Total	**1,831,840**

State of Washington
Schedule of Expenditures of Federal Awards
Note H:
Supplemental Information for Outstanding Loan Balances

For the Fiscal Year Ended
June 30, 2017
(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		(385,639)
84.038	Federal Perkins Loan Program_Federal Capital Contr		48,349,341
		Subtotal 84.038	**47,963,702**
93.264	Nurse Faculty Loan Program		(541,519)
93.264	Nurse Faculty Loan Program		1,991,479
		Subtotal 93.264	**1,449,960**
93.342	Health Professions Student Loans, Including Primar		(240,501)
93.342	Health Professions Student Loans, Including Primar		11,177,553
		Subtotal 93.342	**10,937,052**
93.364	Nursing Student Loans		(77,533)
93.364	Nursing Student Loans		2,401,761
		Subtotal 93.364	**2,324,228**
93.408	ARRA - Nurse Faculty Loan Program		(14,359)
93.408	ARRA - Nurse Faculty Loan Program		110,130
		Subtotal 93.408	**95,771**
		University of Washington Total	**62,770,713**

State of Washington
Schedule of Expenditures of Federal Awards
Note H:
Supplemental Information for Outstanding Loan Balances

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	Federal Program Title		Ending Loan Balances as of June 30
Washington State University (Agency 3650)			
84.038	Federal Perkins Loan Program_Federal Capital Contr		1,931,102
84.038	Federal Perkins Loan Program_Federal Capital Contr		19,416,374
		Subtotal 84.038	**21,347,476**
93.264	Nurse Faculty Loan Program		375,077
93.264	Nurse Faculty Loan Program		1,441,889
		Subtotal 93.264	**1,816,966**
93.342	Health Professions Student Loans, Including Primar		315,800
93.342	Health Professions Student Loans, Including Primar		1,816,882
		Subtotal 93.342	**2,132,682**
93.364	Nursing Student Loans		120,750
93.364	Nursing Student Loans		751,047
		Subtotal 93.364	**871,797**
		Washington State University Total	**26,168,921**
Eastern Washington University (Agency 3700)			
84.038	Federal Perkins Loan Program_Federal Capital Contr		(103,912)
84.038	Federal Perkins Loan Program_Federal Capital Contr		4,870,378
		Subtotal 84.038	**4,766,466**
		Eastern Washington University Total	**4,766,466**
Central Washington University (Agency 3750)			
84.038	Federal Perkins Loan Program_Federal Capital Contr		118,926
84.038	Federal Perkins Loan Program_Federal Capital Contr		6,315,522
		Subtotal 84.038	**6,434,448**
		Central Washington University Total	**6,434,448**
The Evergreen State College (Agency 3760)			
84.038	Federal Perkins Loan Program_Federal Capital Contr		(311,343)
84.038	Federal Perkins Loan Program_Federal Capital Contr		3,878,575
		Subtotal 84.038	**3,567,232**
		The Evergreen State College Total	**3,567,232**

State of Washington
Schedule of Expenditures of Federal Awards
Note H:
Supplemental Information for Outstanding Loan Balances

For the Fiscal Year Ended
June 30, 2017
(Expressed in whole dollars)

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
Western Washington University (Agency 3800)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	34,659
84.038	Federal Perkins Loan Program_Federal Capital Contr	8,513,602
	Subtotal 84.038	**8,548,261**
	Western Washington University Total	**8,548,261**
Community/Technical College System (Agency 6990)		
84.038	Federal Perkins Loan Program_Federal Capital Contr	124,775
84.038	Federal Perkins Loan Program_Federal Capital Contr	1,483,395
	Subtotal 84.038	**1,608,170**
	Community/Technical College System Total	**1,608,170**
	Total Loan Balances	**113,864,211**

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State of Washington

Agency Corrective Action Plans

For Fiscal Year Ended

June 30, 2017

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

March 23, 2017

Washington State Auditor's Office
ATTN: Jim Brownell, Audit Manager
3200 Sunset Way S.E.
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's corrective action plan for the following audit findings in the fiscal year 2017 single audit report.

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2017-001	State of Washington	G-7	E-17
2017-002	Department of Social and Health Services	G-11	E-27
2017-003	Department of Heath	G-13	E-32
2017-004	Department of Social and Health Services	G-14	E-37
2017-005	Employment Security Department	G-15	E-46
2017-006	Employment Security Department	G-16	E-52
2017-007	Department of Services for the Blind	G-18	E-58
2017-008	Department of Services for the Blind	G-20	E-65
2017-009	Department of Services for the Blind	G-21	E-69
2017-010	Department of Services for the Blind	G-22	E-74

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2017-011	Department of Services for the Blind	G-23	E-78
2017-012	Department of Social and Health Services	G-24	E-83
2017-013	Department of Social and Health Services	G-26	E-88
2017-014	Department of Social and Health Services	G-27	E-94
2017-015	Department of Social and Health Services	G-29	E-100
2017-016	Department of Social and Health Services	G-30	E-106
2017-017	Department of Social and Health Services	G-31	E-112
2017-018	Department of Social and Health Services	G-33	E-125
2017-019	Department of Social and Health Services	G-35	E-132
2017-020	Department of Social and Health Services	G-37	E-138
2017-021	Department of Social and Health Services	G-39	E-144
2017-022	Department of Social and Health Services	G-41	E-150
2017-023	Department of Social and Health Services	G-42	E-153
2017-024	Department of Early Learning	G-43	E-157
2017-025	Department of Early Learning	G-46	E-170
2017-026	Department of Social and Health Services	G-48	E-186
2017-027	Department of Social and Health Services	G-52	E-200
2017-028	Department of Social and Health Services	G-53	E-205
2017-029	Department of Social and Health Services	G-54	E-209
2017-030	Department of Social and Health Services	G-55	E-215
2017-031	State Health Care Authority	G-56	E-220

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2017-032	State Health Care Authority	G-58	E-227
2017-033	State Health Care Authority	G-59	E-232
2017-034	State Health Care Authority	G-60	E-241
2017-035	State Health Care Authority	G-61	E-249
2017-036	State Health Care Authority	G-63	E-260
2017-037	State Health Care Authority	G-64	E-267
2017-038	State Health Care Authority	G-65	E-272
2017-039	State Health Care Authority	G-66	E-281
2017-040	State Health Care Authority	G-67	E-288
2017-041	State Health Care Authority	G-68	E-298
2017-042	Department of Social and Health Services	G-69	E-304
2017-043	Department of Social and Health Services	G-71	E-311
2017-044	Department of Social and Health Services	G-72	E-317
2017-045	Department of Social and Health Services	G-75	E-336
2017-046	Department of Social and Health Services	G-77	E-348
2017-047	Department of Social and Health Services	G-79	E-360
2017-048	Department of Social and Health Services	G-81	E-369
2017-049	Department of Social and Health Services	G-83	E-384
2017-050	Department of Social and Health Services	G-84	E-397
2017-051	Department of Social and Health Services	G-86	E-408
2017-052	Military Department	G-87	E-412

The state's corrective action plan is a compilation of the corrective action plan information provided to us by the applicable state agencies. The corrective action plan document is prepared in conjunction with the 2017 single audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2017. If you have any questions regarding the corrective action plans, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
Assistant Director, Accounting

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	001	Finding:	The State should improve internal controls over specific areas of processing, recording, monitoring and reporting of financial activity included in the State's financial statements.
		Questioned Costs:	<u>CFDA #</u> N/A <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state's financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Response from each agency is listed below: ***Employment Security Department*** The Department partially agrees with the finding. In 2016, the Department 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 the NGTS. The project team has been working on improving the system's internal controls related to processing transactions, reporting, and reconciliations between systems. In addition, the Department contracted with Microsoft to remediate technical issues with the NGTS system. <u>System Processing</u> The finding incorrectly states adjustments can be entered and processed in NGTS without review and approval of a second person. The Department did have a process in place at the time of audit; however, the process was not documented. Prior to the end of the audit, management had begun documenting the process of reviewing and approving adjustments. The auditors took exception that the Detailed Benefit Charges within NGTS do not consistently match the Summary of Benefit Charges. It is normal business practice to expect varying discrepancies between assessed and paid premium amounts, especially for large employers. When audit testing of a selected sample found a percentage of employer receivable balances at yearend varied from the employer paid amounts recorded in NGTS, it should not be construed as a misstatement on the financial statements. <u>System Report issues</u> The Department agrees that some experienced-rated employers with delinquent accounts had at least one rate within the audit period that was incorrect, resulting in an immaterial misstatement. However, the

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	001 (cont'd)	Department does not agree with the other system report issues as described in the condition of the finding. As stated in prior audit finding responses, the Department does not rely on NGTS reports for financial reporting. The auditors have neither communicated to Department management what specific system reports they referred to, nor explained how the reports were used or their impact on financial reporting. Based on Generally Accepted Government Auditing Standards, the audit failed to identify any clear logical link of the effect to the system report issues that led to this misstatement. Reconciliations The Department agrees that NGTS has not been reconciled to the bank. The Department will improve procedures over reconciliation between the bank and NGTS. The Department agrees that there are no reconciliations between systems to ensure information transmitted by interfaces is accurate and complete. The auditor did not communicate what constitutes adequate controls over interfaces between internal and external systems. Nonetheless, the Department will continue to identify and implement necessary controls over interfaces to ensure information transmitted is accurate and complete. ***Health Care Authority*** The Authority 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 calendar year. In 2015, the Authority requested funding from the Legislature to contract for a service organization control audit report on an annual basis so each state fiscal year will be covered. This request was not funded. The estimated additional cost to purchase an annual service organization control audit report is $470,000. The Authority will re-submit a request for funding to obtain the annual audit report. ***State Board of Community and Technical Colleges*** The Board implemented the PeopleSoft system in 2015 to replace the existing legacy software, and Community Colleges of Spokane and Tacoma Community College were the first to go live with the new system. Since its implementation, there have been ongoing efforts to improve data accuracy and correct deficiencies. At the time of the 2017 audit, these two colleges were still in the process of identifying and correcting financial records for fiscal year 2016. It is the Board's priority to ensure accurate financial data is interfaced into the Agency Financial Reporting System (AFRS). To address the audit

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan

2017	001 (cont'd)	recommendations, the Board has implemented the following corrective actions:
		• The Director of Accounting and Business Services is leading a support team consisting of approximately 10 accounting and project staff dedicated to assist these two colleges in closing fiscal years 2016 and 2017. Staff on the support team are stationed at the colleges to:
		  o Review, reconcile and make adjustments in the general ledgers.
		  o Reconcile cash with the new system.
		  o Monitor and reconcile data in the Asset Management module of the new system prior to uploading to AFRS to ensure accurate tracking and recording of capital assets and depreciation.
		  o Provide training to college accounting staff in using the new system and implementing internal controls.
		• Additional technical staff were also assigned to develop customized programs and enhance the Financial Module of the new system to facilitate more efficient account reconciliation and year-end closing process.
		
		The Accounting and Reporting Associate Director will continue to monitor and assist the other 32 colleges in their accounting and reporting of financial data. The Board anticipates the data clean-up process of the new system will be completed by the close of fiscal year 2018.
		
		Department of Licensing
		
		To address the audit recommendations, the Department will:
		• Perform monthly monitoring and review, in addition to the monitoring by the Office of Financial Management (OFM).
		• Provide OFM with updates of material revenue increases and decreases of more than 10 percent as they occur. OFM will work with the Department to determine potential impact and appropriate actions.
		• Perform analytical review at yearend to identify and correct accounting errors, and follow up to ensure they are appropriately addressed.
		
		Office of Financial Management and the Guaranteed Education Tuition Program
		
		The Office of Financial Management (OFM) prepares the state's financial statements in accordance with generally accepted accounting principles and recognizes the importance of internal controls over recording and reporting financial transactions.
		
		OFM has procedures in place to monitor and identify significant agency activities that may affect the state's financial reporting, as follows:

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	001 (cont'd)	• Perform quarterly and year-end analytical reviews on revenues. As of January 2018, an analytical review by fund is performed at mid fiscal year in addition to the review by line items being done at yearend. These analytical reviews are used to help detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Perform necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the state's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Perform monthly monitoring of agencies' financial data by running reports from AFRS to identify incorrect transactions and questionable balances. • Require agencies to complete year-end disclosure forms to collect vital information which have significant impact on the state's financial reporting. Agency chief financial officers are also required to certify the accuracy and completeness of their financial data. • Maintain ongoing communication with agencies to emphasize the need to contact OFM for guidance regarding reporting unique accounting activities. • Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Continue to provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. In addition, OFM: • Is in the process of procuring a financial reporting program for preparing the state's Comprehensive Annual Financial Statements. The new product will improve efficiency and accuracy, and allow OFM to dedicate more resources at yearend for review. • Will continue to work with Employment Security Department, Department of Licensing, Health Care Authority, State Board of Community and Technical Colleges, and the Washington Student Achievement Council to strengthen their internal controls over processing and reporting of financial activities. Completion Date: Estimated November 2018 Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	002	Finding:	The Department of Social and Health Services improperly charged about $4.1 million to multiple federal grants.
		Questioned Costs:	CFDA #: 10.551, 10.561, 93.558, 93.566 Amount: $ 4,061,653
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with this finding. As of March 2017, the Department's Economic Services Administration (ESA) implemented a procedure to add the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS). Accounting staff are required to include MOS in processing of all agency payments from the accounting system. The Department utilizes the MOS to perform monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. This process has helped ESA identify and ensure transactions not directly processed by the administration, such as payroll and benefits, are charged to the appropriate grant year. Prior to the start of the current audit period, the Department identified approximately $22 million in expenditures charged to grants for activities that occurred before the start of the grant period. The Department had subsequently reversed $17.6 million of the improper charges. This information was disclosed to the auditors during their audit planning work. As of November 2017, the Department moved the timing of updating the Cost Allocation System to coincide with the commencement of the federal fiscal year. This change enables automatic charging of costs to the appropriate grant year through cost allocation for the applicable federal fiscal year. By April 2018, the Department will correct the remaining $4.1 million of expenditures to the proper grant year using the journal voucher process. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-002, 2015-003, and 2014-022.
		Completion Date:	Estimated April 2018

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	002 (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

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	003	Finding:	The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 10.557 $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. The Department strives to ensure compliance with federal regulations and has the following procedure in place to evaluate the risk of subrecipients as part of the monitoring protocol: • An initial written risk assessment is required for new subrecipients of a federal award. • For each subsequent subaward, an informal risk assessment is performed to determine if the subrecipient's risk level has changed and thus requires a new written risk assessment. Otherwise, the Department relies on the initial risk assessment. Informal risk assessments are performed by staff, and Department procedure does not require documentation be maintained for those activities. The auditors determined that lack of documentation of the informal risk assessments did not meet federal requirements. The auditors also determined that the Department does not have adequate internal controls to ensure required assessments are performed. In response to the audit finding, the Department will update the risk assessment process to ensure all assessments are documented. In addition, the Department will seek guidance from the federal grantor and review current federal regulations to evaluate the sufficiency of the Department's process. The Department will also: • Update internal policies and procedures. • Communicate changes to staff. • Provide staff training as needed.
		Completion Date:	Estimated June 2018
		Agency Contact:	Lydia Hoffman Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <u>Lydia.hoffman@doh.wa.gov</u>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	004	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.
		Questioned Costs:	CFDA # Numerous — Amount Undetermined
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. During the previous audit, 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 cost allocation plans. Subsequent to the prior year's finding, the Department received written directions from DCA to ensure cost allocation plans are submitted by June 30 of each year. The Department has since submitted the following three cost allocation plans to DCA: • Fiscal Year 2016 plan on February 28, 2017. • Fiscal Year 2017 plan on April 28, 2017. • Fiscal Year 2018 plan on June 30, 2017. The federal partners are actively working with the Department on approvals of the previously submitted plans. The conditions noted in this finding were previously reported in finding 2016-004.
		Completion Date:	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

Employment Security Department **Agency 540**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	005	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 weekly benefits.
		Questioned Costs:	CFDA # 17.225 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The audit identified some design flaws in the Unemployment Tax and Benefit (UTAB) system causing cases selected for the job search verification process not being forwarded for verification. As of February 2018, the Department has: • Corrected the design flaws in the system that were identified in the audit. • Established new monitoring procedures to help ensure all work search verifications are completed and staff reviews are adequately documented. In May 2018, the Department's Office of Internal Audit will conduct an assurance engagement to help provide independent objective assurance to management that the Department has implemented corrective actions to address the audit recommendations.
		Completion Date:	Estimated June 2018
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	006	Finding:	The Department of Services for the Blind did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
		Questioned Costs:	CFDA # 84.126 — Amount None
		Status:	Corrective action in progress
		Corrective Action:	Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed individual plans of employment (IPEs). These reports were reviewed by Regional Area Managers to assist counselors in meeting the 90-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client's case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed. The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed IPEs that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation. In response to the audit recommendations, the Department has taken the following corrective actions: • As of August 2017, completed the testing of an actions-due feature called a dashboard in the case management system, and determined that the data values provided by the dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. • As of September 2017, implemented a process to identify IPEs nearing the 90-day deadline for the upcoming week and to remind counselors of required client signatures and components for documenting a delay justification if an IPE is not expected to be developed within the 90-day timeframe. Managers also perform weekly monitoring of the use of the dashboard tool by the team. • Communicated to Regional Managers a target of less than ten percent overdue IPEs for the agency, by region and counselor. As of October 2017, performance data showed a decrease in agency-wide overdue IPEs compared to the previous fiscal year though not within the target range. Nonetheless, the average number of days taken to complete IPEs for all individuals has fallen to less than the required 90 days.

Department of Services for the Blind **Agency 315**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	006 (cont'd)	The Department may consider adding the performance expectations to the Regional Managers' 2018 performance evaluation process. • Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. As of October 2017, the policy revision has been sent out to external partners and stakeholders for initial feedback. As of February 2018, the proposed changes to the WAC were published for public comments before being adopted as final policy. By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including IPE development and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the IPE development process. The conditions noted in this finding were previously reported in finding 2016-010. Complete Date: Estimated December 2018 Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	007	Finding:	The Department of Services for the Blind did not establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.
		Questioned Costs:	CFDA # 84.126 — Amount None
		Status:	Corrective action in progress
		Corrective Action:	Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed eligibility determinations. These reports were reviewed by Regional Area Managers to assist counselors in meeting the 60-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client's case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed. The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed eligibility determinations that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation. In response to the audit recommendations, the Department has taken the following corrective actions: • As of August 2017, completed the testing of an actions-due feature called a dashboard in the case management system, and determined that the data values provided by the dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. • As of September 2017, implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe. Managers also perform weekly monitoring of the use of the dashboard tool by the team. This process includes ensuring exceptional and unforeseen circumstances are documented and that extensions with specific period are supported with a client agreement. • Communicated to Regional Managers a target of less than ten percent overdue eligibilities for the agency, by region and counselor. As of October 2017, performance data showed that agency-wide delayed

Department of Services for the Blind **Agency 315**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	007 (cont'd)	eligibility determinations decreased to less than ten percent compared to the previous fiscal year. In addition, there were improvements in number of days taken to complete eligibility determination. The Department may consider adding the performance expectations to the Regional Managers' 2018 performance evaluation process. • Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. As of October 2017, the policy revision has been sent out to external partners and stakeholders for initial feedback. As of February 2018, the proposed changes to the WAC were published for public comments before being adopted as final policy. By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including eligibility determination and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the eligibility determination process. The conditions noted in this finding were previously reported in finding 2016-009. Complete Date: Estimated December 2018 Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	008	Finding:	The Department of Services for the Blind did not establish adequate internal controls to ensure cash draws were accurate and federal spending requirements were met for the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount None
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reimbursement request process. To address the audit recommendations, the Department implemented the following corrective actions: • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw process. • As of October 2017, developed an internal checklist for the federal draw process and incorporated in the existing procedures. • Implemented a secondary review by requiring the approval of the Deputy Financial Officer after the Accounting Manager prepares the federal draws.
		Completion Date:	October 2017
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	009	Finding:	The Department of Services for the Blind did not establish adequate controls over, and was not compliant with, federal requirements for charging costs to the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount $2,479,527
		Status:	Corrective action in progress
		Corrective Action:	In August 2017, the Department submitted a request to the U.S. Department of Education to switch from an indirect cost rate to a Cost Allocation Plan (CAP) and requested the plan be approved retroactively to July 1, 2016. The Department charged reasonable and appropriate indirect costs to federal grants during fiscal year 2017 with the understanding that the federal granter would approve the CAP retroactively. To address the audit recommendations, the Department will: • Continue working with the U.S. Department of Education cost allocation group to obtain the approval of the 2017 and 2018 CAPs. Upon approval, the CAPs will be updated for any required changes for the two-year period. If approval to the CAPS is not obtained by June 2018, the Department will not charge indirect costs to the grants. • Implement a secondary review process for indirect costs charged to federal grants. After the Accounting Manager identifies the amount of indirect costs to charge against each grant, the Deputy Financial Officer will conduct a review of the charges and approve the amounts. • Work with the U.S. Department of Education through the audit resolution process regarding the questioned costs.
		Completion Date:	Estimated March 2018
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind — Agency 315

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2017</td><td>010</td><td>Finding:</td><td>The Department did not establish adequate internal controls over, and was not compliant with, reporting requirements for the Vocational Rehabilitation Grant.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> 84.126 — <u>Amount</u> None</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action complete</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

The Department processed adjustments in May 2017 to move expenditures to the appropriate grant year but inadvertently included the adjustments on the federal report ending March 2017. The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reporting process.

To address the audit recommendations, the Department has implemented the following corrective actions:
• As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process.
• As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period ending March 2017.
• As of November 2017, developed an internal checklist for the federal draw and reporting process and incorporated in the existing procedures.
• Implemented a secondary review by requiring the approval of the Deputy Financial Officer after the Accounting Manager prepares the federal reports.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>November 2017</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Lorie Christoferson
Deputy Financial Officer
PO Box 40933
Olympia, WA 98504-0933
(360) 725-3840
<u>Lorie.christoferson@dsb.wa.gov</u></td></tr>
</table>

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	011	Finding:	The Department did not establish adequate internal controls over, and was not compliant with federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	The Department was required to set aside at least 15 percent of each Vocational Rehabilitation (VR) award for pre-employment transition services to students eligible for the earmarked funds. For the 2016 award year, the Department had accurately identified and tracked the earmarked expenditures throughout the year. The Department charged $869,402 of VR grant expenditures above the 85 percent of the 2016 grant allocated to basic support and employment services. This amount was reported on the 2017 federal report in March 2017 but the expenditures were not moved to the 2017 grant until May 2017. To address the audit recommendations, the Department has taken the following corrective actions: • As of May 2017, processed adjustments to move $869,402 of basic support service expenditures charged to the 2016 grant to the 2017 grant. • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process. • As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period of March 2017. • Updated procedures to include a secondary review process. Two managers are required to review payments charged to earmarked funds to ensure only allowable services for eligible students are included.
		Completion Date:	November 2017
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.Christoferson@dsb.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	012	Finding:	The Department of Social and Health Services did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.
		Questioned Costs:	<u>CFDA #</u> 84.126 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the current year audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department: • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for establishing timely individual plans of employment (IPEs) and meeting documentation requirements for IPE extensions. • Updated the customer service manual to reflect the requirements for extending IPE beyond the 90-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPEs development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. As of July 2017, the case management system was updated to require both the counselor and client's signatures upon completion of an IPE. By April 2018, the Department will: • Review and enhance reports from the case management system to monitor critical deadlines. • Establish standard operating procedures for the IPE extension process and provide training to staff. By May 2018, the Department will: • Enhance the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of IPE establishment. • Develop training modules to include the review of management reports. The conditions noted in this finding were previously reported in finding 2016-011.
		Completion Date:	Estimated May 2018

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	012 (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

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	013	Finding:	The Department of Social and Health Services did not establish adequate internal controls over, and was not compliant with, federal requirements to ensure client eligibility determinations were accurate and made within a reasonable period of time for the Vocational Rehabilitation program.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the current year audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department: • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for timely client eligibility determinations with accurate supporting documentation. • Updated the customer service manual to reflect the documentation requirement for extending eligibility determination beyond the 60-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPE development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. By April 2018, the Department will: • Review and enhance reports from the case management system to monitor critical deadlines. • Establish standard operating procedures for requesting extension of eligibility extension including the supervisory review process. By May 2018, the Department will: • Enhance the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of eligibility determination. • Develop training modules to include the review of management reports. The conditions noted in this finding were previously reported in finding 2016-012.
		Completion Date:	Estimated May 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	
2017	014	Finding:	The Department of Social and Health Services did not establish adequate internal controls over, and was not compliant with, federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.
		Questioned Costs:	<u>CFDA #</u> 84.126 <u>Amount</u> $87,357
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. Due to the timing of the prior audit, the Department did not have sufficient time to implement all corrective actions within the current audit period. As of May 2017, the Department has taken the following corrective actions: • Issued an agency directive outlining the expectations for timely completion of Individual Plan for Employment (IPE) that are supported by proper required documentation. • Issued directive to field staff communicating the federal requirements that client employment services must be included on the IPE along with the counselor and client signatures. • Completed updates to the employee procedure manual to incorporate the new agency directives. • Conducted quarterly internal compliance reviews to ensure services were included in appropriately approved IPEs. Prior to processing payments, supervisors receive system reports that identify authorizations not on the client's IPE. Supervisors are required to review the identified authorizations, respond, and document any actions taken. • Monitored compliance reviews on the SharePoint site by forwarding a summary spreadsheet to each office queue that has authorizations to address. All Regional Administrator and fiscal compliance managers have access to the site and receive electronic notifications to each review request and response. By April 2018, the Department will: • Enhance the Service Tracking and Reporting System to send alerts to staff when new services are initiated that are not on a client's IPE. Services with costs exceeding the established threshold require client's signature on the updated IPE. • Develop staff training to include system enhancements and required processes to assist staff in ensuring IPEs are complete and properly approved before services are paid for. • Contact the U.S. Department of Education to discuss the resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2016-013.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	014 (cont'd)	Completion Date:	Estimated April 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

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2017</td><td>015</td><td>Finding:</td><td>The Department of Social and Health Services and the Division of Vocational Rehabilitation did not establish adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
84.126 $10,512</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

As of September 2017, the Department developed standard operating procedures to provide guidance to staff on how to determine allowable use of earmarked funds.

As of October 2017, the Department updated the programming in the case management system to ensure payments for pre-employment transition services from the earmarked funds are only made for eligible students. Two parameters were added before the system will allow the case worker to select payments under the earmarked category:
• The client's date of birth must meet the criteria.
• A specific field must be checked by the caseworker indicating client is a student.

By March 2018, the Department will:
• Develop standard operating procedures for identifying and correcting payment errors related to earmarked funds.
• Contact the U.S. Department of Education to discuss the repayments of the questioned costs.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated March 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
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Richard.meyer@dshs.wa.gov</td></tr>
</table>

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	016	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.243 $0 93.959
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. As of February 2018, the Department's Office of Indian Policy has established procedures to document the following information in the Agency Contracts Database: • The yearly federal expenditures of each tribal entity. • Dates of completion of each tribal entity's single audits. By March 2018, the Department's Behavioral Health Administration (BHA) will maintain a master contract list for sending audit verification forms and ensure staff involved in the process of subrecipient monitoring work from the same master list. By May 2018, BHA will develop additional internal control procedures to supplement existing management bulletins and improve monitoring of subrecipients, This includes:. • Verify subrecipients submit required audits. • Follow up on all audit findings and issue management decisions promptly. • Require subrecipients to develop corrective action plans for audit findings, which will be tracked by the Department. BHA will access the Federal Audit Clearinghouse to review and determine if any of the tribal audits contain findings that involve Department funds. BHA will work with the tribal entity to develop a corrective action plan and, if necessary, contact the Office of Indian Policy for additional support. The conditions noted in this finding were previously reported in findings2016-014, 2015-016, and 2014-019.
		Completion Date:	Estimated May 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.meyer@dshs.wa.gov</u>

Department of Social and Health Services **Agency 300**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2017</td><td>017</td><td>Finding:</td><td>The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> 93.558   <u>Amount</u> $1,230</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department partially concurs with the finding.

The Department acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. Department of Early Learning (DEL) 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. DEL is implementing an electronic attendance system and intends to require all providers to use it effective July 1, 2018.

Due to timing of the prior audit, the Department did not have sufficient time to address all audit recommendations within the current audit period. Nonetheless, the Department continues to conduct post-payment reviews of cases where an improper payment appears likely to have occurred. For these cases, staff review the case specifics and perform verification to include requesting attendance records to determine if an overpayment has occurred. The review also determines if it is a provider or a client overpayment, the amount of the improper payment, and establishes an overpayment if appropriate.

The Department has established a Process Review Panel (PRP) comprised of three experienced staff from the Department’s Economic Services Administration. The PRP was tasked with reviewing and evaluating audit findings, exploring options and recommending appropriate corrective actions.

By April 2018, the Department will:
• Develop and implement internal controls including third-party reviews based on recommendations from the PRP.
• Explore pre-authorization reviews on high-risk and/or high-cost cases based on trend analysis conducted by the PRP.

These controls will help improve accuracy in eligibility and authorization determinations, which will reduce the risk for improper billings from providers.

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</td></tr>
</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2017	017 (cont'd)		business-process redesign and support the information technology initiatives necessary to improve our internal controls. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in finding 2016-019.
		Complete Date:	Estimated July 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	
2017	018	Finding:	The Department of Social and Health Services did not establish adequate internal controls over and did not comply with federal requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.
		Questioned Costs:	<u>CFDA #</u> 93.558 — <u>Amount</u> $2,314
		Status:	Corrective action complete
		Corrective Action:	The Department partially concurs with the audit finding. As of March 2017, the Department fully implemented new procedures to ensure Temporary Assistance for Needy Families (TANF) benefits are reduced or denied timely and accurately for participants who do not cooperate with child support requirements. The new procedures: • Increased the priority of noncooperation cases referred to the Community Services Division (CSD) to ensure documents are examined timely. • Implemented an automated process to identify currently closed cases that involve noncooperation, in the event the case is reopened. • Established a monitoring process to ensure all notifications of noncooperation received from prosecuting attorneys are entered into the case management system. The Division of Child Support Program Integrity Team will conduct an additional spot check audit by August 2018 to ensure all notifications are properly generated to CSD. The new procedures were implemented in March 2017 to address the prior year finding. The auditors did not identify any exceptions that occurred after March 2017 for the current audit period, validating the effectiveness of the new procedures. The Department will continue to follow the current process. The Department concurs that seven of the 11 clients identified in the finding received more benefits than they were eligible to receive. As of February 2018, the Department reviewed the exceptions identified and had established overpayments as appropriate. The Department does not concur with the questioned costs of $623 associated with one client identified in the finding, which would reduce the known question costs to $1,691. The Department found a procedural error occurred for this client, but the benefit amount received by the client during the audit period was found to be correct.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	018 (cont'd)		For the remaining three clients in question, the Department: • Imposed sanctions on one client and the overpayment was already established appropriately for prior months. • Found procedural errors in the processing of two cases that did not result in any overpayments to the clients. • Found a procedural error for one client but the client received the correct benefit amount during the audit period. If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-015 and 2015-018.
		Completion Date:	February 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	
2017	019	Finding:	The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.
		Questioned Costs:	CFDA # 93.558 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. In response to the prior year's finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant. The Department created a work group comprised of staff from the Department's Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis (RDA) Division. As of February 2017, the Department developed manuals that outline collaborative procedures among the three divisions in report preparation. However, due to timing of the audit, the corrective actions implemented by the Department were not included in the current audit period. By April 2018, the Department will: • Explore the feasibility of developing Memorandums of Understanding (MOUs) with all partnering sources prior to the start of the federal fiscal year. These MOUs will give the Department an opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering sources. During presentation of the MOU, the Department will also review partners' methodologies and record management protocols, and offer training and assistance if needed. • Implement a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and adequately supported. The Department will continue to host weekly workgroup meetings to review and update existing policies and procedures as necessary. The workgroup will also focus on improving the Department's ability to forecast and monitor the level of TANF MOE expenditures throughout the year. The Department's RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. Refer to finding 2017-020 for details.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	019 (cont'd)		The conditions noted in this finding were previously reported in findings 2016-017 and 2015-020.
		Completion Date:	Estimated April 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	
2017	020	Finding:	The Department of Social and Health Services did not have adequate internal controls in place for ensuring the accuracy of submitted quarterly reports for the Temporary Assistance for Needy Families Grant.
		Questioned Costs:	<u>CFDA #</u> 93.558 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. The Department currently has the following processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF): • Maintains 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 custom software uses these data to comply with reporting requirements. • Runs a quality assurance (QA) process to review codes and results for each report to identify potential fatal and warning edits. Supervisors review results to determine if warning edits require correction and to monitor any changes in trend that may indicate an issue in the process. • Disseminates summary data to multiple partners for review prior to submission of quarterly reports to ensure they are accurate and complete. • As of January 2017, implemented a quarterly QA process, which selects a random sample from the case level 199 TANF Data Report and 209 SSP-MOE Data Report and checks the case data against the source data systems for accuracy. Supervisors review a summary of the QA results to confirm the validity of the sampling method and results, and determine any necessary follow-up actions. • Documentation on the new QA process was submitted to the auditor on September 5, 2017, for review as part of the 2017 Single Audit. The Department is monitoring, reviewing, and testing coding changes. While no version control software is used, staff maintain systematic copies of all code versions using filename conventions, duplicating most of the functionality of version control software. Archived versions are used to identify potential problems. The Department is not aware of any audit standard that requires version control software to be used by entities audited under the federal single audit. To improve internal controls to ensure accurate and complete reporting, the Department's Research and Data Analysis Division will: • Continue to perform quarterly quality assurance testing using statistical sampling and document supervisor review of the sampling results.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	020 (cont'd)		• Continue to update the written policies and procedures for this complex reporting process. • Document current source code archiving processes. • Continue to research version control software packages or alternative methods to determine if they will be used. The conditions noted in this finding were previously reported in finding 2016-016.
		Completion Date:	Estimated April 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	
2017	021	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.
		Questioned Costs:	CFDA # 93.558 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding. In response to the prior year's finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant. The Department created a work group comprised of staff from the Department's Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis Division. As of February 2017, the Department: • Developed manuals that outline the collaborative procedures among the three divisions in report preparation. • Developed and adopted additional written procedures to strengthen internal controls to ensure federal reporting requirements are met. However, due to timing of the audit, the corrective actions implemented by the Department were not included in the current audit period. By April 2018, the Department will: • Develop a quarterly reporting schedule to review source documentation submitted by other state agencies' activities and expenditures in addition to participating in weekly meetings. • Explore the feasibility of developing Memorandums of Understanding with other state agencies prior to the start of the federal fiscal year to outline allowable activities and expenditures. • Offer training and guidance to state agencies on expenditures and TANF maintenance of effort (MOE) report preparation. • Retain all supporting documentation electronically and in field offices for review. The Department will continue to improve internal controls and ensure policies and procedures are sufficient. By September 2018, the Department will initiate discussions and seek appropriate guidance regarding establishing procedures and controls for verifying expenditures reported by other state agencies. The conditions noted in this finding were previously reported in findings 2016-018 and 2015-021.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	021 (cont'd)	Completion Date: Estimated September 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	
2017	022	Fining:	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors.
		Questioned Costs:	CFDA # / Amount 93.558 — $0 93.575 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. By March 2018, the Department will review guidance published by U.S. Department of Health and Human Services on the requirement for self-disclosing instances of fraud affecting federal awards. This information will be used in developing sufficient procedures to ensure the Department meets reporting requirements. By May 2018, the Department will report, in writing, the 43 confirmed instances of fraud to the respective federal grantors. By June 2018, the Department will develop and provide training to ensure staff are educated about the federal fraud reporting requirements.
		Completion Date:	Estimated June 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	
2017	023	Finding:	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.
		Questioned Costs:	CFDA # 93.563 — Amount $29,194
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. Department policy requires employees who do not spend 100 percent of their time on a specific grant to complete time sheets for allocating payroll and benefits cost proportionately to the proper funding sources. In state fiscal year 2017, the Department changed the cost allocation methodology inadvertently charging payroll and benefits to the Child Support Enforcement Grant. Upon discovery, the Department immediately took action to make correction to the allocation methodology. As of December 2017, the Department updated procedures to reflect the correct allocation methodology and communicated the changes to staff. By March 2018, journal vouchers will be processed to correct the accounting transactions and resulting cost allocation for state fiscal year 2017. The Department will work with the U.S. Department of Health and Human Services regarding resolution of the questioned costs.
		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

Department of Early Learning — Agency 357

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2017</td><td>024</td><td>Finding:</td><td>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.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> / <u>Amount</u>
93.575 / $8,814
93.596</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>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.

To address the auditors’ recommendations, the Department has taken the following actions:
• Began auditing providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews.
• Modified the Child Care and Development Fund (CCDF) Plan to align with federal and state regulations for fiscal year 2019 to 2021.
• Improved internal controls and implemented preventative controls to assist in the detection of unallowable provider billings and reduce the risks of unallowable payments, including:
  o Recruited a Subsidy Policy Analyst tasked with monitoring program compliance with state and federal laws. The incumbent:
    ▪ Works with DSHS to implement internal controls on eligibility determination and provider payments.
    ▪ Assists with implementing system changes at DSHS to alert staff when household composition differs between systems.
    ▪ Acts as the lead for corrective action plan implementation to address audit findings.
  o Implemented policies to include the Department’s definition of intentional program violations and fraud, as well as the consequences for providers.
• Developed a risk-based approach to audit providers’ billings and payments that includes selecting providers’ billings in excess of licensed capacity and providers billing the limit of their authorizations.

The Department also continues to work with DSHS to:
• Improve frequency of communication between the departments.
• Clarify subsidy program rules and policies and modify current processes to align with the fiscal year 2019-2021 CCDF plan.
• Develop record keeping templates and improve training using provider feedback.</td></tr>
</table>

Department of Early Learning **Agency 357**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	024 (cont'd)	• Coordinate the review of staff training, desk aids and communications, and jointly develop policies and procedures to ensure field staff understand and interpret eligibility policies correctly. • Address internal and external audit issues, and improve internal controls over client eligibility and directing payments to child care providers. • Collaborate through the Working Connection Childcare Reframe Workgroup and the Child Care Audit Committee on aligning and clarifying state rules and requirements with the reauthorization of the Child Care Development Fund grant. The Department reinstituted a quarterly meeting of the Departments' Quality Assurance staff to discuss issues identified in the quality assurance process. The Department will continue to: • Develop a standard consultation method to support providers in proper billing procedures when they bill incorrectly and incur an overpayment. • Use available data to identify high risk billing practices and follow the consultation and intentional program violation process. • Finalize the implementation of an electronic time and attendance reporting system by July 2018. This new system will electronically track daily attendance; enable accurate, real-time recording of child care attendance; and serve as data capture of subsidy child care usage. • Improve the reconciliation process by following Department policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. • Request additional funding from the Legislature to replace the 40-year-old mainframe-based authorization and payment processing system, Social Services Payment System. The new payment 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. The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified. The conditions noted in this finding were previously reported in findings 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13. Completion Date: Estimated October 2018

Department of Early Learning **Agency 357**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	024 (cont'd)	Agency Contact:	Stefanie Niemela Comptroller PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@del.wa.gov

Department of Early Learning Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	025	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.
		Questioned Costs:	CFDA # 93.575, 93.596 — Amount $1,855
		Status:	Corrective action in progress

		Corrective Action:	The Department concurs with the finding.
			
			In response to the prior audit finding, the Department:
			• Implemented new monitoring and compliance policies and procedures to clarify:
			  o Use of a full checklist every three years.
			  o Criteria when a site visit is needed.
			  o Allowable methods of compliance.
			• Provided training to licensing staff on the new policies and procedures.
			• Implemented a new electronic caseload management system, WA COMPASS, in June 2017. The new system:
			  o Provides electronic reminders to licensing staff and supervisors.
			  o Allows licensing staff to make timely updates, improve data integrity and streamline work processes.
			  o Provides electronic tools for tracking the 10-day health and safety rechecks requirement due to its capability of automatically converting from an abbreviated checklist to a full checklist when specified criteria is met.
			• Provided training to licensing staff on the WA COMPASS system.
			• Established operational milestones, which are aligned with the IT functionality milestones, to provide support to staff in the transition process. Department expectations are communicated to staff in the weekly WA COMPASS updates.
			
			To address the audit recommendations, the Department has implemented plans for transitioning to a system of statewide blended caseloads with the goals of maintaining equitable caseloads at the state, regional, and unit levels. The new process will enable the Department to ensure full compliance with federal and state requirements for monitoring licensing activities of child care providers and facilities. When fully implemented, the Department expects all licensors to have received the required training and be able to monitor and license all three child care settings: family homes, centers and school age programs.
			
			The Department is also creating an objective enforcement system by weighing all licensing standards that connect licensing infractions with the level of risk to children. The Department will provide more information

Department of Early Learning **Agency 357**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2017	025 (cont'd)		and clarity about the risk level of each standard and the consequences for violations, and ensure that enforcement of these rules is both timely and consistent. Currently, the Department of Social and Health Services (DSHS) requires a criminal background check to be completed as part of the provider approval process. DSHS requires this process to be completed before subsidy child care payment is authorized. With the implementation of the planned corrective actions, this process will be changing to ensure new providers are not approved to provide care until all required background checks have been completed. Additionally, the Department will: • Continue working on revising all licensing policies, procedures, and tasks to align with current state and federal rules and regulations. • Strive to respond to the demands of the Legislature and the needs of the provider community in aligning existing policies and procedures with the new Family Home and Child Care Center licensing rules in the Washington Administrative Code. • Re-prioritize resources resulting from time savings achieved by the new WA COMPASS system to managing higher caseloads and meeting additional state and federal licensing requirements. • Continue to provide training to staff on both the WA COMPASS system and new weighted licensing rules. The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified. The conditions noted in this finding were previously reported in findings 2016-022 and 2015-024.
		Completion Date:	Estimated October 2018
		Agency Contact:	Stefanie Niemela Comptroller PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@del.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	026	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.575 $7,386 93.596
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. The Department has been working on implementing major changes to improve internal controls over determining client eligibility for the Child Care Development Fund (CCDF) grant. Due to the timing of the prior audit, the Department did not have sufficient time to implement all corrective actions during the current audit. The Department thoroughly reviewed each of the current audit exceptions which were grouped into three categories, and has the following comments: (1) Improper eligibility determinations The Department did not fully comply with eligibility determination requirements in 17 cases selected for audit testing. However: • Eight cases resulted from minor procedural errors that had no effect on the eligibility of the cases and the associated payments. • Seven cases resulted from benefit calculation errors that had no effect on eligibility determination. In those cases, a partial payment error occurred due to incorrect copayment or amount of care authorized. The Department will establish overpayments. • Two cases were the result of clients fraudulently reporting household composition at the time of application. The Department appropriately requested fraud investigators verify household composition, closed the cases, and established overpayments. (2) Inadequate supervisory reviews The Department partially concurs with this condition as described in the finding. Child care program policy, as established and maintained by the Department of Early Learning (DEL), does not require secondary review or approval when determining eligibility and authorizing benefits and payment. Nonetheless, the Department continues to employ the following internal controls to ensure child care subsidy payment authorizations are made correctly: • Supervisory review is required for payment requests that exceed certain parameters to determine eligibility and necessity. If approved, the payment with the authorization will be submitted to the Social Service Payment System.

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	026 (cont'd)	• As of July 2017, the Department added a monthly report which identifies authorizations that appear to be missing the required approvals. Administrative staff review the exceptions on this report to ensure payments are proper. This report has not only helped in quality management efforts, it has also confirmed that the majority of the cases have been processed appropriately. • For authorizations for high cost special needs rates, the request and supporting documentation are reviewed by a panel of staff from the Department and DEL before payments are made. • One percent of the child care caseloads are reviewed monthly. In addition, new staff have 100 percent of their work audited by lead workers, either pre or post-authorization, until they achieve proficiency. (3) Verification of state median income level The Department does not concur with the condition as described in the finding. In September 2016, U.S. Department of Health and Human Services, Children and Families Administration adopted 81 FR 67438 regarding 45CFR 98.21which states in part: *"Some Lead Agencies currently use "look back" and recoupment policies as part of eligibility re-determinations. These review a family's eligibility for the prior eligibility period to see if the family was ineligible during any portion of that time and recoup benefits for any period where the family had been ineligible. However, there is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud. We strongly discourage such policies as they may impose a financial burden on low income families that is counter to CCDF's long-term goal of promoting family economic stability. The Act affirmatively states an eligible child will be considered to meet all eligibility requirements for a minimum of 12 months regardless of increases in income (as long as income remains at or below 85 percent of SMI) or temporary changes in parental employment or participation in education and training. Therefore, there are very limited circumstances in which a child would not be considered eligible after an initial eligibility determination. We encourage Lead Agencies instead to focus program integrity efforts on the largest areas of risk to the program, which tend to be intentional violations and fraud involving multiple parties."* To align with federal intent, DEL is planning to adopt rules regarding temporary income level increases. In response to the prior audit finding, the Department has implemented actions to ensure authorizations for child care are adequately supported with verified documentation based on DEL policy and procedures and the CCDF state plan. Specifically, the Department:

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	026 (cont'd)	• Finalized the verification desk aid and posted it to the Desk Aid SharePoint site. • Reviewed, updated, and delivered systems navigation training for child care staff on the use of the Automated Client Eligibility System (ACES), Support Enforcement Management System (SEMS), and Electronics Jobs Automated System (eJAS) to confirm household composition and other eligibility criteria. • Automated the process for school-aged children in licensed care to have their authorization increased for July and August. The authorization will automatically revert to prior authorization at the start of a school year. • Adjusted the level of authorized care to 115 hours year-round for school-aged children in license-exempt family, friend, and neighbor care when the parent(s) are working 110 or more hours per month. To pay for additional hours of care needed by the school-aged child during school breaks or holidays, the provider can claim contingency hours on their invoice including summer months, with a maximum total of 230 hours during summer months. As of August 2016, DEL updated the State Plan to clarify verification requirements concerning work schedules and new employment to support more family-friendly approaches. In addition, the Department has been collaborating with DEL to update policies and procedures, and make system enhancements: • As of December 2017, revised the applicable Washington Administrative Code (WAC) to allow more flexibility when calculating and verifying household income by removing the requirement that clients provide three months of wage information. • Revised applicable WAC to standardize authorization amounts for families across all provider types, including: o Parents participating in approved activities full-time and part-time, o Traditional, non-traditional, and variable working schedules, o School age and non-school age children. • Implemented system changes to minimize the risk of inaccurate reporting of household composition which can potentially lead to incorrect eligibility determinations and overpayments. Staff can now identify discrepancies in household composition reported by clients between the Child Care Subsidy Program and other programs within the Department. By March 2018, the Department will: • Confirm the exceptions identified by the auditors and establish necessary overpayments. • Require clients to attest single parent status under penalty of perjury. • Require clients to supply third party verification when household composition cannot be verified by reviewing Department records and systems.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	026 (cont'd)		• Implement a child care process review panel by the Division of Program Integrity child care quality team. This system will be based on the highly successful and established model currently in use by another federal program. The Department expects the review program will result in the same rigor and attention to eligibility determinations for child care subsidies. It will also identify cases with a high risk for errors, and enable the Department to make informed decisions regarding pre-authorization reviews. By April 2018, the Department will: • Ensure the language for the updated WAC is in place, and finalize the related handbook changes and staff training. • Communicate expectations to staff regarding the training requirements. • Seek 25 additional full-time employees and necessary resources to staff the business-process redesign and support the information technology initiatives necessary to improve internal controls. By June 2018, the Department will implement a lead staff review of eligibility determinations that are not assigned through the automated workload assignment system. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-023, 2015-026, 2014-026, 2013-017, and 12-30.
		Completion Date:	Estimated June 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	
2017	027	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to identify and detect fraud in the Child Care and Development Fund program.
		Questioned Costs:	<u>CFDA #</u> 93.575, 93.596 — <u>Amount</u> $0
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the audit finding. The Department has had a long-standing practice of managers assigning cases based off the priority level, starting with the highest priority cases. The Department maintains a goal of completing as many of the cases with the highest risk of fraud as staffing and workload allows. The Department's Office of Fraud and Accountability (OFA) agrees the fraud priority system does not include the cost of child care benefits, and a written policy did not exist for the priority scoring system. During state fiscal year 2017, a few of the highest risk fraud cases involving child care were not reviewed due to lack of sufficient staffing. As of December 2017, the Department had completed the processing of the majority of the highest risk fraud cases. As of February 2018, the OFA Director communicated a policy directive to staff to re-establish the required practice of giving top priority to reviewing cases with the highest level of risks. By July 2018, the Department will develop and implement a process to include the child care benefit dollars at risk as a factor when determining the priority of fraud referral. The conditions noted in this finding were previously reported in findings 2016-020 and 2015-015.
		Completion Date:	Estimated July 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**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2017</td><td>028</td><td>Finding:</td><td>The Department of Social and Health Services improperly charged $1,544 to the federal foster care grant.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.658 $1,544</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department concurs with the finding.

To address the audit recommendations, the Department will:
• Strengthen the review process to ensure services are authorized prior to making payments.
• Communicate with field staff to emphasize the importance of reviewing proper documentation when making invoice payments to vendors.
• Work with the grantor to discuss any necessary repayment of the known questioned costs.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated May 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
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Olympia, WA 98504-5804
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</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	029	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with payment rate setting and application requirements for the Foster Care program.
		Questioned Costs:	CFDA # 93.658 — Amount $293
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. During the current audit, the Department did not have a policy defining the frequency of a periodic review of foster care payment rates. As of February 2018, the Department updated its Operations Policy Manual specifying the methodology and review frequency of the basic maintenance payment rates. The reviews will occur every four years beginning in 2019. If an increase is necessary, the Department will submit a decision package for additional funding. The Department has also: • Amended the Title IV-E Plan and submitted to the U.S. Department of Health and Human Services (HHS) Administration of Children and Families. • Clarified policy that when a child is placed with a family residing and licensed in another state, the current rate of the applicable state will be paid. The Department will consult with HHS to discuss the resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2016-024, 2015-028, and 2014-027.
		Completion Date:	February 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	
2017	030	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.
		Questioned Costs:	CFDA # 93.659 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. Due to timing of the completion of the prior audit, the Department did not have sufficient time to make the required changes to the accounting system before the current audit period closed. As of October 2017, the Department: • Established new coding structure in the case management system, FAMLINK, to track state-funded spending. • Implemented written procedures on how to: o Reconcile the fiscal year maintenance of effort (MOE) amount to the amount reported by the Department. o Maintain adequate documentation to support the MOE calculations and that expenditures are used only for allowable purposes. As of January 2018, the Department also developed written policies and procedures specifying how the adoption assistance saving amount will be determined. To ensure amounts reported to the federal grantor are accurate, financial information is extracted from FAMLINK to the Children's Administration Adoption Savings Calculation and Reporting Workbook. The amounts will be reviewed and certified before reporting to the grantor. As of February 2018, the Department sent the newly developed policies and procedures documenting implemented internal controls to the Administration of Children and Families for review. The conditions noted in this finding were previously reported in finding 2016-026.
		Completion Date:	February 2018
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	031	Finding:	The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.
		Questioned Costs:	CFDA # / Amount 93.775 — $0 93.777 93.778
		Status:	Corrective action not taken
		Corrective Action:	The Authority does not concur with the finding. This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation, or will otherwise continue this audit finding in support of its opinion. The Authority does not intend to ask the Legislature for the legal authority to compel private insurance carriers to participate in the specific data exchange method. It is not within the Authority's scope of responsibilities to regulate insurance companies. The auditor also recommended the Authority perform data matches with private insurers. For many years, the Authority has had robust and effective processes for identifying and collecting data from third parties, much of which happens on an ongoing and in real-time basis. These activities include data exchanges with insurers; data matching using information obtained from other governmental agencies; cross-matching of insurance claims; and regularly exchanging data with the Medicaid Managed Care Organizations (MCOs). Acting on behalf of the Authority, MCOs perform data matches with insurance carriers in the state of Washington that includes the utilization of large national databases to identify third party coverage. The Authority found the cost recovery and cost avoidance activities from alternative data sharing methods to be very effective in the timely identification of third party insurers, resulting in significant savings of federal funds. However, these cost recovery activities and the resulting savings were not reviewed as part of the audit work. The Authority will continue its efforts in the current data sharing practices. Since these routine, ongoing activities meet the intent of the law, no corrective action is deemed necessary. The conditions noted in this finding were previously reported in findings 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	031 (cont'd)	Completion Date:	Not applicable
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	032	Finding:	The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $3,909,517 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority submits an annual State Plan to the Centers for Medicare and Medicaid Services (CMS) for approval. The plan includes tribal health care facilities that deliver health care services to Medicaid-eligible clients. In August 2017, the Auditor's Office published a whistleblower investigation (report number 1019566) that reported the Authority overpaid a tribe for chemical dependency treatments. Since the language in the State Plan is not conclusive and more than one tribe has challenged the conclusions in the whistleblower report, the Authority requested guidance from CMS in September 2017 on whether the payments identified in the audit report are overpayments. On January 29, 2018, CMS directed the Authority to Section 4320 of the State Medicaid Manual issued by the Health Care Financing Administration (predecessor agency to CMS). In particular, paragraph C of the Section states: "If a State elects to cover clinic services, it may choose the type of clinics or clinic services that are covered, provided that the services constitute medical or remedial care." In light of this CMS guidance, the Authority is conducting a policy review to determine how to proceed concerning appropriate reimbursement policy for tribal clinics. If the U.S. Department of Health and Human Services determines the payments identified in the audit are in fact overpayments, the Authority will follow the normal audit resolution process to resolve the questioned costs.
		Completion Date:	Estimated July 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-0937 <u>Lynda.Karseboom@hca.wa.gov</u>

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	033	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met.
		Questioned Costs:	CFDA # / Amount 93.775 — $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports. Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers. By March 2018, the Department will notify providers who enrolled with the Authority prior to March 31, 2013, of the revalidation requirement. In addition, the Authority noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. Currently, there are approximately two dozen providers, out of 98,000, that meet the specific criteria and require to be re-categorized as high risk. By July 2018, the Authority will: • Implement the process of re-categorizing high-risk providers when the new fingerprint based background check requirement becomes effective. The Department will formally adjust the risk level of this group of providers who will subsequently be subject to the finger print requirement. • Update procedures to include the new process. The conditions noted in this finding were previously reported in finding 2016-035.
		Completion Date:	Estimated March 2019
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-1228 lynda.karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	034	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	To address the audit recommendations, the Department has taken the following actions: • As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims. • As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs. The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach. The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained. The conditions noted in this finding were previously reported in finding 2016-029, 2015-032, 2014-039, 13-031, and 12-54.
		Completion Date:	March 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	035	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.
		Questioned Costs:	CFDA # / Amount 93.775 $23,955,658 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority disagrees, in most respect, with the Description of Condition, Cause of Condition, Effect of Condition and Questioned Costs, as stated in the finding. Details of the disagreements and concerns were outlined in the Authority's response to the finding. The following are exceptions identified by the auditors with which the Authority concurs and will take corrective actions: (1) Emergency medical eligibility This issue was limited to medical claims and affected 119 specific clients in the ProviderOne system. As of March 2018, the Authority started using a report that allows staff to preemptively identify these specific scenarios and make eligibility updates as appropriate. This review is performed on a weekly basis, which also allows the Authority to reprocess any affected claims prior to invoicing. (2) Procedure code configuration ProviderOne allows numerically sequential procedure codes with like requirements to be configured in ranges or 'groups.' However, unintended gaps were created in certain ranges during the process of uploading new and changed codes, which caused the National Drug Code (NDC) requirements on certain codes to be temporarily bypassed. By April 2018, the Authority will correct the drug rebate system errors by: • Removing the grouping configuration • Reviewing the current list of codes • Maintaining codes individually (3) Healthcare Common Procedure Coding System to NDC conversion errors This was a condition known to the Authority from prior audit findings. A ProviderOne change request has been initiated to add configurable fields to facilitate unit conversions on the more complex physician-administered drug claims. This change is currently in testing and is scheduled to be implemented by April 2018.

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2017	035 (cont'd)		In addition, the Authority will: • Contact the Centers for Medicare and Medicaid Services to fully explain the audit results and determine if the questioned costs identified by the audit should be repaid. • Initiate work to invoice drug manufacturers for rebates that should be requested. The conditions noted in this finding were previously reported in findings 2015-034 and 2014-031 for fee-for-service Medicaid claims, and 2016-032 for managed care Medicaid claims.
		Completion Date:	Estimated April 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and
Corrective Action Plan</th></tr>
<tr><td>2017</td><td>036</td><td>Finding:</td><td>The Health Care Authority overpaid Medicaid hospitals for outpatient services.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $118,679
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action complete</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Authority agrees that some claims were missed during the original mass adjustment of claims affected by incorrect Enhanced Ambulatory Patient Group (EAPG) weight assignment in the ProviderOne system.

As of November 2017, the Authority identified all the missed claims and processed the majority of the adjustments.

As of January 2018, the Authority completed the processing of the remaining two percent of the claims that did not get adjusted in November 2017. All corrections had been completed at that time and there were no outstanding questioned costs.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>January 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Lynda Karseboom
Audit & Accountability Manager
PO Box 45502
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(360) 725-1228
<u>Lynda.Karseboom@hca.wa.gov</u></td></tr>
</table>

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	037	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	As of December 2016, the Authority began conducting monthly checks on Medicaid providers with the List of Excluded Individuals/Entities database. The Authority is not currently conducting monthly checks with the Excluded Parties List System (EPLS). The System Award Management (SAM) system, which replaced the EPLS in November 2012, only has the ability to look up a single individual. There is also a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS checks on providers. However, the Authority was recently approved as a pilot state to utilize the U.S. Department of Treasury's Do Not Pay database system. Once this process starts, the Authority will be able to upload the volume of providers into SAM/EPLS and conduct the required checks on a monthly basis. Although the Authority is not currently conducting SAM/EPLS database checks at the frequency required, there were no improper payments identified.
		Completion Date:	Estimated December 2018
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	038	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children's Health Insurance Program funds.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $1,945
		Status:	Corrective action not taken
		Corrective Action:	The Authority does not concur with the finding. The unallowable charges were the result of a system issue which was identified during the prior audit. The condition that led to the questioned costs identified in the current audit was corrected in July 2017. The Authority will consult with the grantor regarding the resolution of the questioned costs. The conditions noted in this finding were previously reported in findings 2016-034, 2015-039, and 2014-037.
		Completion Date:	July 2017
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov

State Health Care Authority **Agency 107**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and
Corrective Action Plan</th></tr>
<tr><td>2017</td><td>039</td><td>Finding:</td><td>The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $4,268,059
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>As of March 2016, the Authority developed an algorithm to identify duplicate Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare. The Authority is currently in the process of identifying any duplicate PMPM premium payments made to managed-care organizations that need to be recouped.

By April 2018, the Authority will begin the process of making enhancements to ProviderOne to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare.

Meanwhile, the Authority will continue to run the current algorithm to identify and recoup duplicate PMPM premium payments as appropriate.

The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>Estimated April 2018</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Lynda Karseboom
Audit & Accountability Manager
PO Box 45502
Olympia, WA 98504-5502
360-725-1228
<u>Lynda.Karseboom@hca.wa.gov</u></td></tr>
</table>

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	040	Finding:	The Health Care Authority made improper Medicaid pharmacy fee-for-service payments for clients enrolled in managed care.
		Questioned Costs:	CFDA # / Amount 93.775 $111,756 93.777 93.778
		Status:	Corrective action not taken
		Corrective Action:	The Authority does not concur with the finding. The pharmacy claims selected under this review were appropriately paid with the client being covered under the fee-for-service program at the time of claim submission and payment. The Authority does not recoup pharmacy payments for appropriately billed and paid services when the client's enrollment retroactively changes from fee-for-service to managed care. The Authority received informal guidance from Centers for Medicare and Medicaid Services (CMS) stating that this cost/benefit approach is appropriate. The Authority is requesting official guidance from CMS.
		Completion Date:	Not applicable
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	041	Finding:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers.
		Questioned Costs:	CFDA # / Amount 93.775 — $29,518 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority will initiate the overpayment recoupment process and work with the grantor in the resolution of the questioned costs. The conditions noted in this finding were previously reported in findings 2016-030, 2015-033, 2014-036, and 2013-026.
		Completion Date:	Estimated March 2019
		Agency Contact:	Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	042	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.
		Questioned Costs:	CFDA # / Amount 93.775 / $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with the finding. The Department has an established internal mechanism to track the receipt of Plans of Correction (POCs). However, the tracking log indicated a 10-working day review period instead of five working days as specified in the Department's policies and procedures. As of January 2018, the Department: • Communicated to staff about the requirement of reviewing POCs within five working days after receipt. • Corrected the tracking log to specify a five-working day review requirement. The Department agrees a facility was non-compliant with a condition of participation and did not submit a POC. Prior to the audit finding, the Department's Intermediate Care Facilities for Individual with Intellectual Disabilities unit was operating with the understanding a POC was not required for condition level citations. Therefore, the Department's initial correspondence to the facility requested a Letter of Credible Allegation of Compliance (LCAC) and made the POC optional. As of January 2018, the Department: • Conducted a revisit survey and found the facility did not meet some of the standard level regulations but determined it complied with the conditions of participation. The Department has since requested a POC from the facility for the issues identified. The Department has kept the Center for Medicare and Medicaid Services informed and has not received any notification to revoke the certification of this facility. • Revised the correspondence to facilities to clearly state the requirement of a POC when deficiencies are identified in surveys. • Communicated the updated requirement to all staff. By June 2018, the Department will: • Develop standard operating procedures for the review and approval process of POCs, including the requirement of a POC for all condition level non-compliances.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	042 (cont'd)	• Ensure facilities that are non-compliant with conditions of participation submit POCs in addition to the LCAC. This requirement will be included in the correspondence sent with the Statement of Deficiencies. • Send official communication to facilities by the Policy Manager to inform them of the change in requirement. The conditions noted in this finding were previously reported in findings 2016-037, 2015-045, and 2014-046. Completion Date: Estimated June 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	
2017	043	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. As of April 2017, the Department implemented the federal electronic tracking application, called the Electronic Plan of Correction (ePOC), which enables the Department to monitor compliance more effectively. The system can electronically track and date-stamp the following: • Completion of Survey • Distribution of Statements of Deficiency (SOD) • Receipt of Plans of Corrections (POCs) from providers • Review of POCs by the Department • Approval of POCs by the Department By eliminating the mailing process through certified mail, the new system ensures nursing homes receive their SODs within 10 working days. The ePOC sends emails to provider staff regarding tracking updates. As of February 2018, the regional administrators and field managers conduct weekly meetings to identify SODs nearing the 10-day distribution requirement and POCs nearing their 5-day review requirement. The weekly communication also allows field managers to assess workload and inform regional administrators if any additional support is needed to meet requirements for distributions and reviews. The conditions noted in this finding were previous reported in findings 2016-036, 2015-044, and 2014-046.
		Completion Date:	February 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	
2017	044	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $2,922,088
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with the finding. State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs. SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year. *Cost Reports* The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client. The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping. The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided. During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports.

Fiscal Year	Finding Number	Finding and Corrective Action Plan

2017	044 (cont'd)	The Department will take the following actions:
		• By January 2019, provide training to providers to reinforce the requirement of maintaining adequate documentation to support ISS hours.
		• The Rate Unit will continue to:
		  o Review a targeted sample of provider records to evaluate whether supporting documentation is adequate.
		  o Complete desk audits throughout the year and work with providers when discrepancies are identified on payment rates or amounts.
		• Continue to perform review of provider payments using sampling procedures to verify accuracy of information submitted by providers and request additional supporting documents as needed.
		• Continue to improve monitoring protocol by establishing consistent activities for monitoring providers to ensure they comply with cost report instructions.
		
		Settlements
		The Department has the authority to reimburse the service provider for services delivered. Sometimes, overtime costs are necessary to adequately support clients, such as when:
		• The ISS cost exceeds the reimbursed rate.
		• A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage.
		• High staff turnover and vacancy rate in the supported living industry necessitates the use of overtime.
		
		All ISS hours are documented initially in the cost report as delivered at the benchmark. During the cost settlement process, the Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased.
		
		It is the Department's priority to ensure individual client assessed support needs are met, and the Department will continue to use its authority to consider provider circumstances, as necessary, when calculating appropriate settlement amounts. Current policy and monitoring activities will remain in place to ensure individual client assessed support needs are met.
		
		Cost of Care Adjustments
		By December 2018, the Department will provide training to reviewers of Cost of Care Adjustment requests to ensure they follow Department policies and procedures.
		
		Duplicate Payments
		By December 2018, the Department will work with the Health Care Authority to review the duplicate payments identified in this audit. If duplicate payments are confirmed, overpayments will be processed.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	044 (cont'd)		By June 2019, the Department will consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid. The conditions noted in this finding were previously reported in finding 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39. Inadequate internal controls over cost reports was not reported as a condition in any of the previously stated findings.
		Completion Date:	Estimated July 2019
		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	
2017	045	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 Medicaid Community First Choice client support plans were properly approved.
		Questioned Costs:	CFDA # / Amount 93.775 $186,549 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with this finding. Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual. However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington’s state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client’s eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also notes that federal regulations provide latitude in obtaining consent in an alternate manner for those clients who are not able to provide a signature. The Department also disagrees with the auditors’ conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. The Department has performed a thorough analysis of the audit results and found that, in 18 out of 26 exceptions, documentation was maintained in client files indicating staff received a signed service plan from the client and sent it to the Aging and Long-Term Support Administration’s imaging hub. As of January 2018, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans. By April 2018, the Department will: • Issue a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	045 (cont'd)		• Provide staff training on procedures when the participant is not able to provide a signature. The Department will work with the federal grantor to determine if any questioned costs are required to be repaid.
		Completion Date:	Estimated September 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	
2017	046	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.
		Questioned Costs:	CFDA #: 93.775, 93.777, 93.778 — Amount: $215,082
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with this finding. Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual. However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington's state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also disagrees with the auditors' conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. As of March 2017, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans. By October 2018, the Department will: • Provide staff training on procedures to document their efforts in obtaining signed service plans when a client is unable to sign. • Initiate a monthly monitoring process to ensure procedures are followed to track and monitor efforts to obtain signed service plans. Supervisors and the Department's Quality Compliance Coordinators will monitor to ensure compliance with federal and state requirements. The Department will work with the federal grantor to determine if any questioned costs are required to be repaid.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	046 (cont'd)		The conditions noted in this finding were previously reported in finding 2016-043.
		Completion Date:	Estimated October 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**

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2017</td><td>047</td><td>Finding:</td><td>The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $6,991
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department partially concurs with this finding.

The Department concurs that the two facilities reported in the finding either did not submit the required denial letter from the managed care organization (MCO) with their invoice or the submitted letters did not clearly convey a claim denial. However, the Department does not concur with the auditors' determination that these services would have been paid by the MCO or the Medicaid program has incurred duplicate payments. Therefore, the Department will not recover these payments identified by the auditor as unallowable.

At times, patients need to be admitted to nursing facilities who do not meet skilled or rehabilitative level of care, or patients' stays exceed their eligibility period. These stays are not eligible for managed care coverage and the Department is responsible for payment of these claims.

In support of the Department's mission and mandates, there are times when exceptions to the contract language must be made in order to maintain a patient's necessary care at a facility. When these exceptions are made, the Department communicates with both the MCO and the facility regarding the claims in question.

The Department and the Health Care Authority have been engaging in a continuous process improvement, which includes:
• Initiating multiple updates to contract language with MCOs to clarify the roles and responsibilities of the MCOs.
• Continuing to update the nursing facility billing guide to provide further clarification of the Department's policy.
• Issuing guidance via listserv messages to facilities, providing direct training, and coordinating with provider associations.

By September 2018, the Department will develop a policy to document when payment exceptions need to be made for clients to maintain residency at a facility and who will have the authority to make this decision.

If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</td></tr>
</table>

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	047 (cont'd)	Completion Date:	Estimated September 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	
2017	048	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 Adult Family Home providers had proper background checks.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $98,399
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. The Department agrees that one background check was not renewed timely. As of November 2017, the Department implemented an internal reporting tool which alerts staff to send a reminder notice to a provider when the current background check of an employee is expiring in 60 days. If the provider does not complete the background check by the required due date, a complaint investigation will be initiated. The Department does not concur with the two exceptions regarding the missing national fingerprint background check for the two providers. The providers in question had both applied in 2011, which was prior to WAC 388-76-10165 becoming effective and requiring a fingerprint check. The Department also does not agree the findings should be tied to questioned costs. The auditors did not identify any providers who had a disqualifying crime or negative action. While the one Adult Family Home in question was out of compliance with the licensing requirements of WAC 388-76 by not having current background check results on file, and is therefore subject to corrective action and sanctions by the Department, the provider was not unqualified to provide Medicaid paid services. Thus, the payments to the provider were proper. The Department is unable to comment on the noncompliance with background check issues related to the Adult Family Home employees. Due to the timing of the audit work, the Department was not afforded sufficient time to validate or review the exceptions identified by the auditors. By September 2018, the Department will consult with the U.S. Department of Health and Human Services regarding disagreement with the questioned costs. The conditions noted in this finding were previous reported in findings 2016-044, 2015-051, 2014-048, and 2013-037.
		Completion Date:	Estimated September 2018

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	048 (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

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	049	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint background checks.
		Questioned Costs:	CFDA # / Amount 93.775 $2,383 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department concurs with this finding. For the one individual provider that did not complete a fingerprint background check as state law requires, the Department terminated the provider effective March 2018. The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have proper background checks. By September 2018, the Department will work with the U.S. Department of Health and Human Services to repay the identified questioned costs. The conditions noted in this finding were previous reported in findings 2016-040 and 2015-049.
		Completion Date:	Estimated September 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	
2017	050	Finding:	The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid individual providers.
		Questioned Costs:	CFDA # 93.775 93.777 93.778 — Amount $9,778
		Status:	Corrective action in progress
		Corrective Action:	The Department does not concur with the finding. The Department uses the Comprehensive Assessment Reporting Evaluation (CARE) tool, approved by the Centers for Medicare and Medicaid Services (CMS), to assess client needs and to allocate the number of hours of personal care and respite the client is eligible to receive. Payments were made to qualified providers for services the client was authorized to receive. All hours paid to the individual providers were allowable as no payments were made in excess of the CARE generated allowable hours. The Department's process complies with CMS's directive outlined in the information bulletin published by the U.S. Department of Health and Human Services in July 2014. The directive required that any processes developed by States must comply with the Fair Labor Standards Act (FLSA). The Department protects clients' access to eligible services and supports from a provider of their choice through their person-centered service plan. In addition, overtime costs paid under FLSA can be reimbursed as a reasonable cost related to the delivery of Medicaid services. The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. However, the Department does follow the post-payment procedure outlined in WAC 388-114-0120 to address claims that exceed a provider's work week limit. With the passage of Engrossed Second Substitute House Bill 1725 (ESSHB 1725), the Legislature imposed work week limits on individual providers. The statute also directed the Department not to impose work week limits on individual providers until the Department conducted a review of the plan of care for the clients served by the individual provider. These reviews were not completed until July 2016, and five of the payments found by the auditors to be unallowable were made prior to this time.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	050 (cont'd)		The rules adopted as a result of ESSHB 1725 have a mechanism for terminating individual providers if they repeatedly exceed their work week limit. Regardless of whether the individual provider exceeds their work week limit, payment for all hours worked is required. The Department adheres to specific actions before stopping a payment to an individual provider who works more than the work week limit. The restrictions imposed on the individual provider by these statutory limits and associated rules have no relation to the client's benefit, which is reflected as authorized hours. The Department also notes that the calculation of the questioned costs was incorrect. The provision of the hours themselves are not in question, only the payment of overtime for these hours. The cost of overtime is the difference between the individual provider's base rate of pay and one and a half times of the base rate. Therefore, questioned costs should be calculated only on the overtime cost. The Department will continue to: • Follow procedures to identify providers who have excess claims over the work week limit. • Issue necessary contract actions according to Department policy. The Department will work with the federal grantor to determine if any questioned costs need to be repaid.
		Completion Date:	Estimated September 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	
2017	051	Finding:	The Department of Social and Health Services charged payroll costs to the Disability Insurance/SSI Cluster that were not adequately supported.
		Questioned Costs:	CFDA # 96.001 96.006 — Amount $557,743
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the finding. The Department acknowledges that payroll certifications for the period from October 2016 to March 2017 were not submitted in a timely manner as required by Department administrative policy. As of October 2017, the Department: • Obtained the required certifications for the employees identified in the audit exceptions. • Reviewed the certifications and reconciled to the actual costs incurred to ensure that all the positions were charged accurately to the applicable federal programs. The Department also enhanced the monitoring process to ensure compliance. As of November 2017, the fiscal manager created recurring calendar reminders of the semi-annual certification due dates for the fiscal unit and supervisor. The review conducted by the Department showed that the $557,743 questioned costs were indeed allowable, and therefore no adjusting entries were required. The Department will work with the U.S. Social Security Admininstration if they contact the Department regarding the repayment of questioned costs.
		Completion Date:	November 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Military Department **Agency 245**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	052	Finding:	The Washington Military Department did not have adequate internal controls in place and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.
		Questioned Costs:	CFDA # 97.036 — Amount None
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the finding, Although the Department has a decentralized system for subrecipient monitoring, the Finance Division maintains the Department's Audit Tracker system to monitor subrecipient audits across the Department and alert program managers of audit exceptions and non-compliance with federal requirements. The Disaster Grants-Public Assistance (DGPA) Program performs program monitoring activities. Upon receipt of an audit finding notification, the DGPA Program performs an extensive review of the finding and all subrecipients who received federal funding during the audit period to determine if any management decision letters are needed. However, due to extensive staff turnover in the Finance Division beginning in July 2016, the WMD Audit Tracker has not been monitored and updated. Department management was not made aware of the situation. As identified by the auditors, there were 163 subrecipients that received funding during fiscal years 2015 and 2016. During this period, there was a significant amount of activity due to five new disasters spanning from October 2015 to April 2017. Program monitoring continued during this time period. Despite not being formally documented in the Audit Tracker system, many elements of the monitoring process have in fact been accomplished and documented. The Department has initiated the following actions to address the internal control weaknesses identified in the audit: • Review and update the existing subrecipient monitoring policy to clearly outline roles and responsibilities for departments and grant programs. • Implement a quarterly internal control audit process performed by the Finance division to review and document subrecipient monitoring activities. • Ensure all subrecipients submit completed and signed audit certification forms as required by the Department's Contracts Office.

Military Department **Agency 245**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	052 (cont'd)	• Review and keep informed of current regulations related to federal grant administration to ensure compliance with federal requirements. By May 2018, the Department will complete the policy update and proceed to update all pertinent information in the WMD Audit Tracker system from January 2015 to re-establish a cohesive subrecipient monitoring process. Completion Date: Estimated March 2019 Agency Contact: Mark McElroy Financial Manager Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-8268 Mark.mcelroy@mil.wa.gov

State of Washington

Summary Schedule of Prior Audit Findings

For Fiscal Year Ended

June 30, 2017

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

March 23, 2018

Washington State Auditor's Office
ATTN: Jim Brownell, Audit Manager
3200 Sunset Way S.E.
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's Summary Schedule of Prior Audit Findings for the following audit findings in the fiscal year 2017 Single Audit report.

Finding Number	State Agency	Page Number	Audit Status
2016-001	State of Washington	H-13	Repeat finding 2017-001
2016-002	Department of Social and Health Services	H-14	Repeat finding 2017-002
2016-003	Department of Heath	H-16	Complete
2016-004	Department of Social and Health Services	H-18	Repeat finding 2017-004
2016-005	Employment Security Department	H-19	Complete
2016-006	Employment Security Department	H-20	Complete
2016-007	Department of Transportation	H-21	Complete
2016-008	Department of Enterprises Services	H-22	Complete
2016-009	Department of Services for the Blind	H-24	Repeat finding 2017-007
2016-010	Department of Services for the Blind	H-26	Repeat finding 2017-006
2016-011	Department of Social and Health Services	H-28	Repeat finding 2017-012

Finding Number	State Agency	Page Number	Audit Status
2016-012	Department of Social and Health Services	H-29	Repeat finding 2017-013
2016-013	Department of Social and Health Services	H-30	Repeat finding 2017-014
2016-014	Department of Social and Health Services	H-32	Repeat finding 2017-016
2016-015	Department of Social and Health Services	H-33	Repeat finding 2017-018
2016-016	Department of Social and Health Services	H-35	Repeat finding 2017-020
2016-017	Department of Social and Health Services	H-36	Repeat finding 2017-019
2016-018	Department of Social and Health Services	H-38	Repeat finding 2017-021
2016-019	Department of Social and Health Services	H-40	Repeat finding 2017-017
2016-020	Department of Early Learning	H-42	Repeat finding 2017-027
2016-021	Department of Early Learning	H-45	Repeat finding 2017-024
2016-022	Department of Early Learning	H-48	Repeat finding 2017-025
2016-023	Department of Social and Health Services	H-50	Repeat finding 2017-026
2016-024	Department of Social and Health Services	H-55	Repeat finding 2017-029
2016-025	Department of Social and Health Services	H-56	Complete
2016-026	Department of Social and Health Services	H-57	Repeat finding 2017-030
2016-027	Department of Social and Health Services	H-58	Complete
2016-028	State Health Care Authority	H-59	Repeat finding 2017-031
2016-029	State Health Care Authority	H-60	Repeat finding 2017-034
2016-030	State Health Care Authority	H-61	Repeat finding 2017-041

Finding Number	State Agency	Page Number	Audit Status
2016-031	State Health Care Authority	H-62	Unresolved, no finding issued
2016-032	State Health Care Authority	H-63	Repeat finding 2017-035
2016-033	State Health Care Authority	H-64	Unresolved, no finding issued
2016-034	State Health Care Authority	H-65	Repeat finding 2017-038
2016-035	State Health Care Authority	H-66	Complete
2016-036	Department of Social and Health Services	H-67	Repeat finding 2017-043
2016-037	Department of Social and Health Services	H-69	Repeat finding 2017-042
2016-038	Department of Social and Health Services	H-71	Complete
2016-039	Department of Social and Health Services	H-72	Complete
2016-040	Department of Social and Health Services	H-74	Repeat finding 2017-049
2016-041	Department of Social and Health Services	H-76	Repeat finding 2017-044
2016-042	Department of Social and Health Services	H-78	Unresolved, no finding issued
2016-043	Department of Social and Health Services	H-79	Repeat finding 2017-046
2016-044	Department of Social and Health Services	H-80	Repeat finding 2017-048
2016-045	Department of Social and Health Services	H-82	Repeat finding 2017-044
2016-046	Department of Social and Health Services	H-84	Unresolved, no finding issued
2016-047	Department of Social and Health Services	H-85	Unresolved, no finding issued
2016-048	Department of Social and Health Services	H-86	Unresolved, no finding issued
2016-049	Department of Social and Health Services	H-87	Unresolved, no finding issued
2016-050	Department of Social and Health Services	H-88	Complete

Finding Number	State Agency	Page Number	Audit Status
2015-002	State of Washington	Refer to finding 2016-001 at H-13	Repeat Finding 2017-001, 2016-001
2015-003	Department of Social and Health Services	Refer to finding 2016-002 at H-14	Repeat Finding 2017-002, 2016-002
2015-008	Employment Security Department	Refer to finding 2016-005 at H-19	Complete
2015-016	Department of Social and Health Services	Refer to finding 2016-014 at H-32	Repeat Finding 2017-016, 2016-014
2015-018	Department of Social and Health Services	Refer to finding 2016-015 at H-33	Repeat Finding 2017-018, 2016-015
2015-020	Department of Social and Health Services	Refer to finding 2016-017 at H-36	Repeat Finding 2017-019, 2016-017
2015-021	Department of Social and Health Services	Refer to finding 2016-018 at H-38	Repeat Finding 2017-021, 2016-018
2015-023	Department of Early Learning	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021
2015-024	Department of Early Learning	Refer to finding 2016-022 at H-48	Repeat Finding 2017-025, 2016-022
2015-025	Department of Early Learning	Refer to finding 2016-020 at H-42	Repeat Finding 2017-027, 2016-020
2015-026	Department of Social and Health Services	Refer to finding 2016-023 at H-50	Repeat Finding 2017-026, 2016-023
2015-028	Department of Social and Health Services	Refer to finding 2016-024 at H-55	Repeat Finding 2017-029, 2016-024
2015-030	State Health Care Authority	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028
2015-031	State Health Care Authority	H-89	Unresolved, no finding issued
2015-032	State Health Care Authority	Refer to finding 2016-029 at H-60	Complete
2015-033	State Health Care Authority	Refer to finding 2016-030 at H-61	Repeat Finding 2017-041, 2016-030
2015-034	State Health Care Authority	Refer to finding 2016-032 at H-63	Repeat Finding 2017-035, 2016-032

Finding Number	State Agency	Page Number	Audit Status
2015-035	State Health Care Authority	H-90	Complete
2015-036	State Health Care Authority	H-91	Complete
2015-037	State Health Care Authority	H-92	Unresolved, no finding issued
2015-038	State Health Care Authority	H-93	Unresolved, no finding issued
2015-039	State Health Care Authority	Refer to finding 2016-034 at H-65	Repeat Finding 2017-038, 2016-034
2015-040	Department of Social and Health Services	Refer to finding 2016-040 at H-74	Repeat Finding 2017-049, 2016-040
2015-041	Department of Social and Health Services	H-94	Unresolved, no finding issued
2015-042	Department of Social and Health Services	H-95	Complete
2015-043	Department of Social and Health Services	H-96	Complete
2015-044	Department of Social and Health Services	Refer to finding 2016-036 at H-67	Repeat Finding 2017-043, 2016-036
2015-045	Department of Social and Health Services	Refer to finding 2016-037 at H-69	Repeat Finding 2017-042, 2016-037
2015-046	Department of Social and Health Services	H-97	Complete
2015-047	Department of Social and Health Services	Refer to finding 2016-039 at H-72	Complete
2015-048	Department of Social and Health Services	H-98	Complete
2015-049	Department of Social and Health Services	Refer to finding 2016-045 at H-82	Repeat Finding 2017-044, 2016-045
2015-050	Department of Social and Health Services	H-99	Complete
2015-051	Department of Social and Health Services	Refer to finding 2016-044 at H-80	Repeat Finding 2017-048, 2016-044
2015-052	Department of Social and Health Services	Refer to finding 2016-041 at H-76	Repeat Finding 2017-044, 2016-041
2015-053	Department of Social and Health Services	Refer to finding 2016-050 at H-88	Complete

Finding Number	State Agency	Page Number	Audit Status
2014-012	Workforce Training and Education Coordinating Board	H-101	Unresolved, no finding issued
2014-018	Department of Social and Health Services	H-102	Complete
2014-019	Department of Social and Health Services	Refer to finding 2016-014 at H-32	Repeat Finding 2017-016, 2016-014, 2015-016
2014-022	Department of Social and Health Services	Refer to finding 2016-002 at H-14	Repeat Finding 2017-002, 2016-002, 2015-003
2014-023	Department of Early Learning	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023
2014-026	Department of Social and Health Services	Refer to finding 2016-023 at H-50	Repeat Finding 2017-026, 2016-023, 2015-026
2014-027	Department of Social and Health Services	Refer to finding 2016-024 at H-55	Repeat Finding 2017-029, 2016-024, 2015-028
2014-029	State Health Care Authority	Refer to finding 2015-036 at H-91	Complete
2014-030	State Health Care Authority	Refer to finding 2015-035 at H-90	Complete
2014-031	State Health Care Authority	Refer to finding 2016-032 at H-63	Complete
2014-032	State Health Care Authority	Refer to finding 2015-038 at H-93	Complete
2014-033	State Health Care Authority	Refer to finding 2015-037 at H-92	Complete
2014-034	State Health Care Authority	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028, 2015-030
2014-036	State Health Care Authority	Refer to finding 2016-030 at H-61	Complete
2014-037	State Health Care Authority	Refer to finding 2016-034 at H-65	Complete
2014-039	State Health Care Authority	Refer to finding 2016-029 at H-60	Complete

Finding Number	State Agency	Page Number	Audit Status
2014-041	Department of Social and Health Services	Refer to finding 2016-041 at H-76	Complete
2014-042	Department of Social and Health Services	Refer to finding 2016-045 at H-82	Repeat Finding 2017-044, 2016-045, 2015-049
2014-043	Department of Social and Health Services	Refer to finding 2016-045 at H-82	Complete
2014-044	Department of Social and Health Services	Refer to finding 2015-050 at H-99	Complete
2014-045	Department of Social and Health Services	Refer to finding 2016-039 at H-72	Complete
2014-046	Department of Social and Health Services	Refer to finding 2016-036 at H-67, 2016-037 at H-69	Repeat Finding 2017-042, 2017-043, 2016-036, 2016-037, 2015-044, 2015-045
2014-048	Department of Social and Health Services	Refer to finding 2016-044 at H-80	Repeat Finding 2017-048, 2016-044, 2015-051
2014-049	Department of Social and Health Services	Refer to finding 2016-040 at H-74	Complete
2014-050	Department of Social and Health Services	Refer to finding 2015-041 at H-94, 2015-048 at H-98	Complete
2014-051	Department of Social and Health Services	Refer to finding 2016-050 at H-88	Complete
2013-016	Department of Early Learning	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023, 2014-023
2013-017	Department of Social and Health Services	Refer to finding 2016-023 at H-50	Repeat Finding 2017-026, 2016-023, 2015-026, 2014-026
2013-020	State Health Care Authority	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028, 2015-030, 2014-034
2013-023	State Health Care Authority	Refer to finding 2015-038 at H-93	Complete
2013-026	State Health Care Authority	Refer to finding 2016-030 at H-61	Complete
2013-027	State Health Care Authority	Refer to finding 2015-037 at H-92	Complete

Finding Number	State Agency	Page Number	Audit Status
2013-031	State Health Care Authority	Refer to finding 2016-029 at H-60	Complete
2013-033	Department of Social and Health Services	Refer to finding 2016-039 at H-72	Complete
2013-034	Department of Social and Health Services	Refer to finding 2015-050 at H-99	Complete
2013-036	Department of Social and Health Services	Refer to finding 2016-045 at H-82	Repeat Finding 2017-044, 2016-045, 2015-049, 2014-042, 2014-043
2013-037	Department of Social and Health Services	Refer to finding 2016-044 at H-80	Repeat Finding 2017-048, 2016-044, 2015-051, 2014-048
2013-038	Department of Social and Health Services	Refer to finding 2016-041 at H-76	Complete
2013-040	Department of Social and Health Services	Refer to finding 2016-040 at H-74	Complete
12-28	Department of Early Learning	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016
12-30	Department of Social and Health Services	Refer to finding 2016-023 at H-50	Repeat Finding 2017-026, 2016-023, 2015-026, 2014-026, 2013-017
12-39	Department of Social and Health Services	Refer to finding 2016-045 at H-82	Repeat Finding 2017-044, 2016-045, 2015-049, 2014-042, 2014-043, 2013-036
12-41	Department of Social and Health Services	Refer to finding 2016-040 at H-74	Complete
12-45	State Health Care Authority	Refer to finding 2016-030 at H-61	Complete
12-49	State Health Care Authority	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028, 2015-030, 2014-034, 2013-020
12-53	State Health Care Authority	Refer to finding 2015-037 at H-92	Complete

Finding Number	State Agency	Page Number	Audit Status
12-54	State Health Care Authority	Refer to finding 2016-029 at H-60	Repeat Finding 2017-034, 2016-029, 2015-032, 2014-039, 2013-031
11-23	Department of Early Learning / Department of Social and Health Services	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28
11-34	Department of Social and Health Services	Refer to finding 2016-040 at H-74	Repeat Finding 2017-049, 2016-040, 2015-040, 2014-049, 2013-040, 12-41
11-38	State Health Care Authority	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49
11-39	State Health Care Authority	Refer to finding 2016-029 at H-60	Complete
10-31	Department of Early Learning / Department of Social and Health Services	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23
10-40	Department of Social and Health Services	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38
09-12	Department of Early Learning / Department of Social and Health Services	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31
09-19	Department of Social and Health Services	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 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	Refer to finding 2016-021 at H-45	Repeat Finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 09-12
08-25	Department of Social and Health Services	Refer to finding 2016-028 at H-59	Repeat Finding 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19

The state's Summary Schedule of Prior Audit Findings is a compilation of the corrective action information provided to us by the applicable state agencies. The Summary Schedule of Prior Audit Findings document is prepared in conjunction with the 2017 Single Audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2017. If you have any questions regarding the Summary Schedule of Prior Audit Findings, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
Assistant Director, Accounting

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	001	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.
		Questioned Costs:	<u>Amount</u> $0
		Status:	Refer to finding 2017-001
		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. 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. 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. 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. 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. The conditions reported in this finding were previously reported in finding 2015-002.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-001.
		Agency Contact:	Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	002	Finding:	The Department of Social and Health Services improperly charged $4.6 million to multiple federal grants.
		Questioned Costs:	CFDA # / Amount 10.551 $3,576,497 10.561 93.558 93.566
		Status:	Refer to finding 2017-002
		Corrective Action:	The Department partially concurs with this finding. 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 charged the payments to the appropriate grant year. 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 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. For the Supplemental Nutrition Assistance Program (SNAP), DFFR identified and processed reversals of more than $3 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. DFFR also reversed all the accruals for the Refugee and Entrant Assistance (REA) grant and properly charged them to the correct grant period. However, another administration inadvertently posted an accrual transaction on the following day resulting in improper charges of $14,628. 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. The Department acknowledges that additional controls are needed to ensure compliance with the period of performance requirement for the SNAP, REA and TANF grants.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2016	002 (cont'd)		As of March 2017, the "Month of Service" was added 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. The Department will continue with the manual process via journal vouchers to move disbursements to the correct period as needed. Additionally, the Department will take the following actions: • By September 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. By November 2017, DFFR will move the update of the Automated Cost Allocation Plan. Procedures will be updated and will include a checklist developed for staff responsible for administering the grants. 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. 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.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-002.
		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 Health **Agency 303**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	003	Finding:	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.
		Questioned Costs:	CFDA # 10.557 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	In response to the finding, the Department implemented the following corrective actions: • 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: o Assessing changes in the local agencies with funding from the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). o Verifying the current number of clinics for each agency that has multiple sites. o 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. o Scheduling all monitoring visits by the end of the calendar year. o 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.
		Completion Date:	February 2017

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

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and
Corrective Action Plan</th></tr>
<tr><td>2016</td><td>004</td><td>Finding:</td><td>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.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
Numerous Undetermined</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Refer to finding 2017-004</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>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.

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.

The Department has since received written directions from DCA. Fiscal year 2016, 2017 and 2018 public assistance cost allocation plans were submitted to DCA prior to July 1, 2017.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-004.</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
External Audit Compliance Manager
PO Box 45804
Olympia, WA 98504-5804
(360) 664-6027
Richard.meyer@dshs.wa.gov</td></tr>
</table>

Employment Security Department **Agency 540**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	005	Finding:	The Employment Security Department made unsupported payments to Trade Readjustment Allowance program participants under the Unemployment Insurance program.
		Questioned Costs:	CFDA # 17.225 — Amount $1,645
		Status:	Corrective action complete
		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. As of December 2016, manuals were developed to provide guidance to staff on the newly implemented policies and procedures to ensure program compliance and payment accuracy. As of January 2017, the Department implemented the Unemployment Tax and Benefit (UTAB) system to help automate and improve payment accuracy. UTAB is also used by the Trade Readjustment Allowance programs for maintaining payment documentation and record retention. By October 2017, the Department will contact the U.S. Department of Labor to determine what, if any, costs need to be repaid. The conditions noted in this finding were previously reported in finding 2015-008.
		Completion Date:	October 2017
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Employment Security Department **Agency 540**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	006	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.
		Questioned Costs:	CFDA # 17.225 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	The Department has established a Next Generation Tax System (NGTS) Interfaces and Data Quality Assurance project team, which comprised of 29 employees and 44 contractors from the business and technology sectors. The team is dedicated to addressing the concerns over improper computations of employer insurance tax rates and billings in NGTS. The project team is also working on improving the system's internal controls related to processing transactions and reporting. In addition, the Department has contracted with Microsoft to remediate technical issues with NGTS and work on eliminating any identified deficiencies. The Department has also implemented a reconciliation process between the Employer Account Management system and NGTS to ensure wage and payment information transmitted between the two systems is complete and accurate. The Department has established improvement goals and tracking its progress on correcting issues associated with improper tax rates. Since May 2017, the Department has made consistent improvement in meeting established goals. By November 2017, the Department will resolve all material issues with NGTS.
		Completion Date:	November 2017
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	007	Finding:	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.
		Questioned Costs:	CFDA # 20.319 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	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. 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.
		Completion Date:	February 2017
		Agency Contact:	Steven Meyeroff External Audit Liaison 310 Maple Park Avenue SE PO Box 47320, Olympia, WA 98504 360-705-7035 MeyeroS@wsdot.wa.gov

Department of Enterprise Services Agency 179

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2016</td><td>008</td><td>Finding:

Questioned Costs:

Status:

Corrective Action:

Completion Date:</td><td>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.

<u>CFDA #</u> 64.005 — <u>Amount</u> $0

Corrective action complete

In response to the finding, the Department took the following corrective actions:
• 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. From this review, three federally funded contracts were identified and amendments were completed 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 identify contracts with federal funding. The Department ensured all contracts complied with the provisions under the Davis-Bacon Act and defined specific responsibilities by each party. The project supervisors overseeing the contracts are responsible for ensuring compliance with the provisions stipulated in the contracts.
• Required a section of the supplemental conditions related to prevailing wages and certified payrolls drafted by the Attorney General’s Office (AGO) and accepted by Department’s management to be included in all federally funded contracts.
• Provided a team-wide project services management training conducted by the AGO regarding the federal requirement.
• Provided training to Contract Specialists to emphasize the need to verify that contractors and consultants meet all applicable federal requirements during the contract development process. As part of process improvement, eight forms used in the contract development process were revised and are being used to ensure compliance in the contract development process.
• Included the review of the Federal Davis Bacon requirements in weekly management team meetings. In addition, supervisors and project managers hold monthly scheduled meetings to verify on-going compliance.
• Ensured the corrective action process is monitored by the Department’s Internal Audit where assistance will be provided as needed.

June 2017</td></tr>
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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	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 for the Vocational Rehabilitation program within a reasonable period of time.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Refer to finding 2017-007
		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. 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. The Department has also informally communicated to Regional Managers a target of less than ten percent overdue cases for the agency, by region and counselor. From performance data obtained for the period to-date, agency-wide overdue eligibility determinations were less than 10 percent. The Department may consider adding the performance expectations to the Regional Managers' 2018 performance evaluation process. 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. Additionally, the Department will revise the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014. As of June 2017, a pre-proposal form was sent and accepted by the Code Revisers Office. The applicable WAC is being revised and edited. By August 2017, a revised WAC will be published which will include the requirements of delay justification documentation. 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.

Department of Services for the Blind **Agency 315**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	009 (cont'd)	Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-007.
		Agency Contact:	Michael Mackillop Deputy Director PO Box 40933 Olympia, WA 98504-0933 (206) 906-5520 Michael.mackillop@dsb.wa.gov

Department of Services for the Blind — Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	010	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 Vocational Rehabilitation program clients.
		Questioned Costs:	<u>CFDA #</u> 84.126 — <u>Amount</u> $0
		Status:	Refer to finding 2017-006
		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. 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. The Department has also informally communicated to Regional Managers a target of less than ten percent overdue IPEs for the agency, by region and counselor. From performance data obtained for the period to-date, agency-wide overdue plans appeared to have reduced. The Department may consider adding the performance expectations to the Regional Managers' 2018 performance evaluation process. 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. Additionally, the Department will revise the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014. As of June 2017, a pre-proposal form was sent and accepted by the Code Revisers Office. The applicable WAC is being revised and edited. By August 2017, a revised WAC will be published which will include the requirements of the 90-day delay justification documentation. 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.

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	010 (cont'd)	Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-006.
		Agency Contact:	Michael Mackillop Deputy Director PO Box 40933 Olympia, WA 98504-0933 (206) 906-5520 Michael.mackillop@dsb.wa.gov

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	011	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.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Refer to finding 2017-012
		Corrective Action:	To address the auditors' recommendations, the Department conducted 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. The Department will continue to conduct reviews on an on-going basis. To more effectively monitor the timeliness of IPEs completion, the Department has transitioned from using the monthly reports generated in the Supervisory Case Review Module of the case management system. The Department's Division of Vocational Rehabilitation has enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPE development timeframe. In June 2017, the Director of Vocational Rehabilitation issued a directive to staff to communicate the 90-day requirement for IPEs. By October 2017, the Department will: • 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. By January 2018, policies and procedures will be updated to ensure IPE's are created in a timely manner, including documentation requirements for the IPE extensions.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-012.
		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	012	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.
		Questioned Costs:	CFDA # 84.126 — Amount $0
		Status:	Refer to finding 2017-013
		Corrective Action:	To address the auditors' recommendations, the Department has revised procedures to include: • 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. To more effectively monitor the timeliness eligibility determination, the Department has transitioned from using the monthly reports generated in the Supervisory Case Review Module of the case management system. The Department's Division of Vocational Rehabilitation has enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPE development timeframe. In June 2017, the Director of Vocational Rehabilitation issued a directive to field staff communicating applicable federal requirements and the updated procedures relating to client eligibility determination. By October 2017, the Department will improve its monitoring process by 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.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-013.
		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	013	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.
		Questioned Costs:	CFDA # 84.126 — Amount $11,145,636
		Status:	Refer to finding 2017-014
		Corrective Action:	The Department concurs with the finding. 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. The Department is now following policies to ensure payroll certifications are accurate and submitted timely. Per federal regulations, the Department's Vocational Rehabilitation Division must ensure the following types of services are not interrupted or delayed: • Progress of an employment outcome. • An immediate job placement. • Services to an individual who is determined to be at extreme medical risk. 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. To address the auditors' recommendations, the Department is taking the following actions to ensure client employment services are included in approved IPE before they are purchased or paid for. The Department has: • Issued a directive to field staff communicating the federal requirements that client employment services must be included in the IPE along with the counselor and client signatures. • Implemented 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 are forwarded to management and counselors for corrective actions. • Developed tools to assist staff in ensuring IPEs are complete and properly approved before services are paid for. • Consulted with the Department of Education regarding resolution of questioned costs.

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	013 (cont'd)		By October 2017, the Department will enhance the STARS system so staff will be alerted when services are purchased which are required to be in the IPE.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-014.
		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	014	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.
		Questioned Costs:	CFDA # / Amount 93.243 / $0 93.959
		Status:	Refer to finding 2017-016
		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: • 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. The management bulletin also outlines the subrecipient monitoring procedures, which include: • 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. In addition, the Department assigned two staff the roles and responsibilities of subrecipient monitoring. The conditions noted in this finding were previously reported in finding 2015-016 and 2014-019.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-016.
		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	015	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.
		Questioned Costs:	CFDA # 93.558 — Amount $3,218
		Status:	Refer to finding 2017-018
		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 system glitch between the two divisions identified in 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 Community Services Division (CSD) for review. The Department recognizes that it did not properly apply sanctions for 18 clients who did not cooperate with child support requirements that led to overpayments in seven of those clients. By February, the Department reviewed these cases and established overpayments as appropriate. In response to the finding, CSD now prioritizes non-cooperation notices received from DCS to ensure sanctions are applied timely and accurately. By August 2017, the Department will: • Develop and provide online refresher training of existing CSD 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 U.S. Department of Health and Human Services regarding resolution of questioned costs. By September 2017, the following monitoring process will be implemented: • DCS runs 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. CSD and DCS will continue to work together to identify and eliminate potential gaps in appropriately sanctioning a client in non-cooperation status.

Department of Social and Health Services **Agency 300**

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:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-018.
		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	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.
		Questioned Costs:	CFDA # 93.558 — Amount $0
		Status:	Refer to finding 2017-020
		Corrective Action:	The Department partially agrees with this finding. The Department currently has the following processes in place: • Maintain extensive documentation on algorithms for deriving the data contained in the Automated Client Eligibility System and the Social Service Payment System as needed in federal reporting. Staff run a quality assurance process that identifies potential fatal and warning edits which 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 is being used, 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. • Run data files through an error checking process when compiling reports. Results are reviewed by the Research and Data Analysis unit before files are transmitted. • Disseminate monthly summary data to other divisions and other state agencies for review prior to submission of quarterly reports to ensure they are complete and accurate. By January 2018, the Department's Research and Data Analysis Division will: • 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.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-020.
		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	017	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.
		Questioned Costs:	CFDA # 93.558 — Amount $0
		Status:	Refer to finding 2017-019
		Corrective Action:	The Department partially concurs with the finding. In response to a prior year 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 complying with maintenance of efforts (MOE) requirements. As of February 2017, the Department finalized new policies and procedures and identify the steps and processes for staff to ensure accurate and timely reporting of MOE. Specific procedures include: • Ensuring adequate documentation is collected and reviewed to support all MOE expenditures. • Using 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 they were allowable, supported, and accurate. • Using an adequate and structured monitoring protocol to facilitate management review of MOE expenditure data to ensure federal requirements are met. 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 January 2018, the Department's Research and Data Analysis Division will: • 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. The conditions noted in this finding were previously reported in finding 2015-020.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	017 (cont'd)	Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-019.
		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	018	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.
		Questioned Costs:	CFDA # 93.558 — Amount $0
		Status:	Refer to finding 2017-021
		Corrective Action:	The Department partially concurs with the finding. 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 were submitted completely and accurately. In response to the prior year finding, the Department created a work group comprising of staff from the Department's Division of Finance and Financial Recovery (DFFR), Community Services Division (CSD), and Research & Data Analysis Division (RDA). As of 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. 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. 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. As of May 2017, the Department: • Convened and led a TANF MOE workgroup consisting of representatives from CSD, DFFR and RDA. The workgroup will continue to hold quarterly meetings to review the MOE projection data.

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	018 (cont'd)	Completion Date:	• Developed a quarterly report review checklist to ensure sufficient documentation is maintained for the quarterly and annual reports currently in use. Written policies and procedures were updated to include this new process. • Initiated a meeting with the auditors to discuss the interpretation of the federal regulations and obtain feedback on the newly developed written policies and procedures. The conditions noted in this finding were previously reported in finding 2015-021.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-021.
		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	019	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.
		Questioned Costs:	CFDA # 93.558 — Amount $5,176
		Status:	Refer to finding 2017-017
		Corrective Action:	The Department partially concurs with the finding. 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. 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. 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. 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. 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 accuracy in eligibility and authorization determinations, which will reduce the risk for improper billings from providers.

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	019 (cont'd)	Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-017.
		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 Early Learning **Agency 357**
Department of Social and Health Services **300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	020	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.
		Questioned Costs:	CFDA # / Amount 93.575 $0 93.596
		Status:	Refer to finding 2017-027
		Corrective Action:	The Department of Early Learning (DEL) and the Department of Social and Health Services (DSHS) have taken the following actions: • DEL implemented formal procedures in January 2016 for staff to follow when potential fraud is suspected. By July 2017 formal polices will be finalized which will clearly define program violations and suspected fraud. These policies were developed in accordance with state laws and set reasonable suspicion thresholds for staff. These policies are currently going through the review and bargaining process with Service Employees International Union 925. • 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, or designee, 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 in partnership with OFA to ensure more timely response and review of cases referred for investigation. DEL has also taken the following actions: • Developed and provided specific training to Subsidy Quality Assurance staff on identifying intentional program violations and suspected fraud. Training also included expanding review of provider attendance records in cases of program violations and suspected fraud to support investigation. • Recruited a Subsidy Policy Analyst responsible for developing an agency-wide fraud detection and referral system including risk-based fraud detection methods and case development. A process has been developed which ensures all incidents of suspected child care subsidy fraud are referred to OFA, as required. • Updated program rules such as reducing authorizations to Family, Friends and Neighbor (FFN) providers under the 110-hour rule. • Developed rules and guidelines specifying consequences for attendance record deficiencies and other intentional program violations.

Department of Early Learning — **Agency 357**
Department of Social and Health Services — **300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	020 (cont'd)	• Employed a risk-based approach to audit providers billing and payments by assigning audit caseloads on a regional basis so that Subsidy Quality Assurance staff can foster better working relationships with providers to ensure compliance. DEL will continue to: • Provide statewide fraud trainings as needed and provide targeted training to licensing regional administrators on a quarterly basis. • Improve communication with DSHS and collaborated efforts to ensure accurate eligibility determination and authorization. • Finalize the procurement of an electronic time and attendance reporting system that will maintain electronic copies of records and potentially reduce provider errors. This system is expected to go live in February 2018 and will enable DEL 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, the Social Services Payment System. The new payment 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. DSHS has also taken the following actions: • 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 FRED cases are time sensitive and, if not completed timely, will be sent back to financial services workers. OFA worked with the Economic Service Administration and designed the Intentional Overpayment Investigations (IOI) Priority Tool. The tool allows for appropriate adjustments to be made to the algorithm to include FRED cases, and is expected to be implemented in Barcode by October 2017. • Continued to follow up on open criminal fraud cases beyond the audit period since many child care fraud cases involve lengthy investigations. OFA shifted personnel resources within DSHS to work on the IOI backlog of cases received since 2016. The special project resulted in a significant decrease of backlog from 4,000 to 1,700 cases and $5.5 million in overpayments completed. • Performed cleanup of data contained in the DSHS's current case management system, and completed substantial upgrades and improved the functionality of the system. By July 2017, the strategic partnership with the developer will be extended for another two years.

Department of Early Learning **Agency 357**
Department of Social and Health Services **300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	020 (cont'd)		• OFA has been investigating all of the anticipated monthly DEL provider fraud referrals as resources permit without aging out the cases. DSHS will continue to review and improve its referral process. • DSHS's OFR is implementing a new case management system which will improve both the tracking and collection of fraud referrals by program types. The new system is expected to go live in November 2017. The conditions noted in this finding were previously reported in finding 2015-025.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-027.
		Agency Contact:	Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Early Learning — Agency 357

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2016</td><td>021</td><td>Finding:</td><td>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.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.575 $22,463
93.596</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Refer to finding 2017-024</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>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.

To address the auditors’ recommendations, the Department has taken the following actions:
• As of August 2016, 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. Provider billing guides were updated and training provided to staff on the updated policies and procedures.
• Improved internal controls and implemented preventative controls to assist in the detection of unallowable provider billing and reduce the risks of unallowable payments, including:
o Recruited a Subsidy Policy Analyst tasked with monitoring the CCDF program compliance with state and federal laws. The incumbent:
▪ Acts as the lead on system implementation and training;
▪ Provides input on risk-based categories of pre-authorization review at DSHS;
▪ Works with DSHS to implement internal controls on eligibility determination and provider payments;
▪ Assists with implementing system changes at DSHS to alert staff when household composition differs between systems; and
▪ Acts as the lead for corrective action plan implementation to address audit findings.
o Clarified subsidy program rules and policies. Obtained provider feedback to improve training and to develop standardized record-keeping templates.
o Began the development of rules and implementing policies to include the Department’s definition of other intentional program violations, in addition to fraud, as well as consequences for clients and providers.</td></tr>
</table>

Department of Early Learning — Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	021 (cont'd)	• Developed a risk-based approach to audit providers' billings and payments that include selecting providers' billings in excess of licensed capacity and providers billing the limit of their authorizations. • Implemented 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. • Expanded auditor examinations when significant provider overpayments are found to determine if the issue is isolated or systemic. Thresholds by provider type have been determined for expanding review with training provided to staff. The Department also continue to work with DSHS to: • Review and process overpayments as required for questioned costs identified. • Coordinate the review of staff training, desk aids and communications, and jointly develop policies and procedures to ensure field staff understand and interpret eligibility policies correctly. • Address internal and external audit issues, and improve internal controls over client eligibility and directing payments to child care providers. • Ensure they are addressing known problems with the initial eligibility process for the CCDF program as a top priority. • Collaborate through the Working Connection Childcare reframe workgroup and the Child Care Audit Committee with focus on aligning and clarifying state rules and requirements with the reauthorization of the Child Care Development Fund grant. The Department reinstituted a quarterly meeting of the Departments' Quality Assurance staff to discuss issues identified in the quality assurance process. The Department will continue to: • Improve the reconciliation process by following Department policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. • Finalize the procurement of an electronic time and attendance reporting system that will maintain electronic copies of attendance records and potentially reduce provider errors. This system is expected to go live in February 2018 and will enable 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. The new payment 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

Department of Early Learning — **Agency 357**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	021 (cont'd)		combined systems will be able to generate accurate invoices and payments to providers. 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.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-024.
		Agency Contact:	Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	022	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.575 $1,882 93.596
		Status:	Refer to finding 2017-025
		Corrective Action:	The Department concurs with this finding. To address the audit recommendations, the Department has implemented the following corrective actions: • 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. • Launched an electronic caseload management system, WA Compass, in June 2017. The system allows 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 also provides electronic tools for tracking the ten-day health and safety rechecks requirement. • Worked with the Department of Social and Health Services to review and process overpayments as required for questioned costs identified. The Department is also taking the following actions: • 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 October 2018.

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	022 (cont'd)		• Developing training for staff on the new system and new weighted licensing rules, and will create an on-going training plan for licensing staff. The conditions reported in this finding were previously reported in finding 2015-024.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-025.
		Agency Contact:	Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	023	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.575 $18,882 93.596
		Status:	Refer to finding 2017-026
		Corrective Action:	The Department partially concurs with this finding. 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. The Department does not concur with the remaining 24 audit exceptions. The disagreement centers on two primary policy interpretations: • Allowing self-attestation of work schedules. • Allowing 60 days for verification of new/changed employment. The U.S. Department of Health and Human Services (HHS)'s 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), the lead agency for the Child Care and Development Fund (CCDF), has embraced this philosophy when addressing prior years' finding on the same issue. DEL clarified and ratified these two policies and highlighted them in the Fiscal Year 2016-2018 CCDF Washington State Plan. The State Plan was approved by HHS in June 2016, but was made effective as of March 2016. In addition, • 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 provider. The rules specifically allow for self-attestation of work schedules. • In July 2016, DEL revised WAC 170-290-0095 that included language to allow 60 days for verification of new employment. The Department also had concerns with the auditors' sampling methodology and associated extrapolation of questioned costs. In May 2017, the Department and other agencies met with the auditors but agencies' concerns have not been resolved. In response to the audit recommendations, the Department is taking the following actions:

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	023 (cont'd)	(1) Eligibility determination reviews: The Department will continue to use the following criteria in child care authorization audits: • At least one percent of child care caseloads are audited 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 in each month. For these cases, staff review case specifics and perform verification including requesting attendance records to determine if an overpayment has occurred. Review will also determine if it was a provider or client overpayment and the amount of the improper payment; and will establish an overpayment if appropriate. 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: • 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. These reports will be used to determine areas selected for accuracy focus review. 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 cases without the required coding. By August 2017, CSD will generate a monthly report listing these cases and submit to the child care leadership team in the field for supervisory review and determination of next steps. CSD will work with the Department's Economic Services Administration Division of Program Integrity and DEL to implement a third-party review process similar to that used for Basic Food. By August 2017, 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. 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 amounts of payments for the sampled cases were found to be made in error.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2016	023 (cont'd)	(2) Employee training: As of May 2017, the CSD Child Care Program Manager compiled and submitted training work requests. Training focus includes ensuring staff review and comparing client eligibility documents with available source documents. 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. By November 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. (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 license 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. By March 2018, CSD will initiate the process of gathering information technology (IT) requirement to support changes in the child care subsidy procedures to separate the eligibility determination from the authorization process. These include IT and CSD staffing changes needed for 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. (4) System Enhancements: By October 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. 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. If HHS contacts the Department regarding questionable costs that should be repaid, the Department will work with them and will take appropriate action.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan

2016	023 (cont'd)	DEL concurs with this finding and the auditors' recommendations. In collaboration with the Department, DEL will:
		• Prioritize internal control improvements 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.
		
		By October 2017, DEL will amend sections of WAC 170-290 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.
		
		Specific rules and policy changes will include the following:
		• Model household composition determination requirements after those of 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 across all provider types, including those with parents participating in approved activities, such as:
		  ▪ full time and part time,
		  ▪ Traditional and non-traditional,
		  ▪ variable working schedules,
		  ▪ school-age and non-school age children,
		• Clarify and simplify rules and policies as to how parent and child schedules may impact the authorization.
		• Clarify rules and policies 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 policies 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.

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:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-026.
		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	024	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.
		Questioned Costs:	CFDA # 93.958 — Amount $0
		Status:	Refer to finding 2017-029
		Corrective Action:	During the current audit, the Department's 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. 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. The 21st Century Cures Act passed in December 2016. The Department intended to create new Department policy that 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. 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. By September 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. The conditions noted in this finding were previously reported in finding 2015-028 and 2014-027.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-029.
		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	025	Finding:	The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Foster Care program.
		Questioned Costs:	CFDA # 93.658 — Amount $3,218
		Status:	Corrective action complete
		Corrective Action:	The Department does not concur with the finding. 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. 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. The department will continue to ensure proper documentation is maintained to support eligibility determination.
		Completion Date:	February 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	026	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.659 $0
		Status:	Refer to finding 2017-030
		Corrective Action:	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 agrees that improvement can be made to the process. By October 2017, the Department's Children's Administration will: • 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.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-030.
		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	027	Finding:	The Department of Social and Health Services did not have adequate internal controls over federal eligibility requirements for the Adoption Assistance program.
		Questioned Costs:	<u>CFDA #</u> 93.659 — <u>Amount</u> $3,069
		Status:	Corrective action complete
		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. 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. 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 20-year old case was identified as an exception. To address the auditor's recommendation, the Department will continue to communicate the importance of the background check requirement to staff responsible for eligibility determination. By September 2017, the Department will consult with the U.S. Department of Health and Human Services to discuss any necessary repayment of the questioned costs.
		Completion Date:	September 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	028	Finding:	The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.
		Questioned Costs:	<u>CFDA #</u> / <u>Amount</u> 93.775 — $0 93.777 93.778
		Status:	Refer to finding 2017-031
		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. 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.” 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. While the Authority does not have legal authority to compel insurers to comply with this law, the Department will consider options for working with the Legislature to align state law with current practice. 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.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-031.
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority **Agency 107**
Department of Social and Health Services **300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	029	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.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Refer to finding 2017-034
		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. 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. The conditions noted in this finding were previously reported in finding 2015-032, 2014-039, 13-031, 12-54 and 11-39.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-034.
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	030	Finding:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers and Rural Health Clinics.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $122,539 93.777 93.778
		Status:	Refer to finding 2017-041
		Corrective Action:	By December 2017, the Authority will recoup the overpayments made to Federally Qualified Health Centers and Rural Health Clinics. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of the questioned costs. The conditions noted in this finding were previously reported in finding 2015-033. The prior finding numbers for FQHCs alone are 2014-036, 2013-026 and 12-45.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-041.
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	031	Finding:	The Health Care Authority did not repay the federal government for improper payments made to Medicaid Managed Care Organizations.
		Questioned Costs:	CFDA # / Amount 93.775 $130,598 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Authority identified the duplicate premium payments reported by the auditors in this finding. The Authority is currently recouping the duplicate payments. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of the questioned costs.
		Completion Date:	Estimated July 2017
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	032	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.
		Questioned Costs:	CFDA # / Amount 93.775 $273,598 93.777 93.778
		Status:	Refer to finding 2017-051
		Corrective Action:	In response to the audit finding, the Authority has implemented the following corrective actions: • As of September 2016, identified and corrected the system issue concerning the Medicaid eligibility code. • As of February 2017, corrected the system issue concerning the managed care plan coding errors. The Authority has also strengthened its review process by: • 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. On May 31, 2017, the Authority invoiced the unclaimed rebates identified by the auditors. The Authority and U.S. Department of Health and Human Services have discussed the resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2015-034 and 2014-031.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-051.
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	033	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $358,754 93.777 93.778
		Status:	Corrective action in progress
		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. By February 2018, the Authority will amend WAC 182-550-3830 to eliminate the contradiction between it and WAC 182-550-3800. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	Estimated February 2018
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	034	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.
		Questioned Costs:	CFDA # / Amount 93.775 $130 93.777 93.778
		Status:	Refer to finding 2017-039
		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. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2015-039 and 2014-037.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-039.
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	035	Finding:	The Health Care Authority did not notify Medicaid providers of revalidation requirements as required by the Center for Medicare and Medicaid Services.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	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. To meet federal compliance, the Authority will continue to revalidate providers every five years from their date of enrollment or date of last revalidation.
		Completion Date:	Estimated December 2017
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	036	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Refer to finding 2017-043
		Corrective Action:	The Department partially agrees with this finding 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. 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. 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. 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. 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 ten calendar days. As of March 2017, the Department's Residential Care Services Division worked with Management Services Division to finalize a tracking website for SODs requiring enforcement review and action. This website enables 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.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2016	036 (cont'd)		As of April 2017, the Department implemented the web-based electronic Plan Of Correction (ePOC) system. The system: • Electronically communicates and time-stamps distribution of SODs to providers and submission of POCs from providers. • Tracks and monitors the sending and receipt of documents through reporting functions. • Notifies Residential Care Services (RCS) headquarter and regional offices when surveys have been completed, but not posted to the ePOC website. • Notifies facilities and RCS Field Managers that a SOD is issued. Email notification is sent ten calendar days after the date of SOD issuance and every other day thereafter until the facility submits a POC. • Notifies RCS headquarter and regional offices when a POC has been submitted and has not been reviewed within five business days after submission and every other day thereafter until it is reviewed. The conditions noted in this finding were previously reported in finding 2015-044 and 2014-046.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-043.
		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	037	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Refer to finding 2017-042
		Corrective Action:	The Department partially agrees with this finding. 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. 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. 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. 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. The Department agrees with the SOD finding based on the auditor's testing methodology. The Department's Residential Care Services Unit was fully staffed by July 2016, which improved the Department's ability to meet survey timeframes. 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.

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	037 (cont'd)		By September 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 requirements. The Department also agreed 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. 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. 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. The conditions noted in this finding were previously reported in finding 2015-045 and 2014-046.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-042.
		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	038	Finding:	The Department of Social and Health Services did not have adequate internal controls over its examinations of Medicaid nursing home cost reports.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $0 93.777 93.778
		Status:	Corrective action complete
		Corrective Action:	The Department partially agrees with the finding. 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. As of March 2017, the Department implemented the following corrective actions: • Added 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. • Updated the electronic cost report examination guide to include designated areas for reviewer's initials and date. In addition, a new statement was added to the exam guide for examiners' comments and notes. • Updated the examination manual to instruct cost report examiners to initial and date all reason code pages reviewed. • Provided training and communicated to all cost report examiners on the requirement of properly documenting examination for all reason codes. • Established an official policy including a secondary review requirement for all nursing home cost report examinations. A copy of the new policy was distributed to all staff in the unit.
		Completion Date:	March 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

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2016</td><td>039</td><td>Finding:</td><td>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.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $0
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department partially concurs with this finding.

At the time of the audit, the Department was working on improving the Tracking Incidents of Vulnerable Adults (TIVA) System reporting tool to track initiation of complaints and timeliness of responses. As a result, the auditors had to base their testing work on an ad-hoc report from the Compliant Resolution Unit’s (CRU) daily extract reports, which the Department did not consider a valid tracking tool. From the ad-hoc report, the auditors obtained a non-statistical sample and subsequently found that the Department was not tracking complaints received in 22 out of 24 days examined.

As of July 1, 2016, the TIVA reporting tool was completed and can now provide all the required information for reliable tracking and monitoring.

To address the audit recommendations, the Department has taken the following corrective actions:
As of April 2016, the Department added additional staff to assist with processing complaints. However, the Department has been authorizing overtime as a temporary measure to ensure that complaints are responded to within 24 hours of receipt.
As May 2016, the on-call staffing program was implemented to help improve the timeliness of field investigations.
As of July 2016, CRU implemented weekly monitoring using the TIVA 2016 report for complaints that required responses within 24 hours and those that need two working days response time. Management reviews all complaints that exceeded 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 Tuesday to show performance compared to required benchmarks.
As of 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 and the process takes less time than phone complaints. The hotline script was updated in the following month informing callers that an online option was available for providers and the public.</td></tr>
</table>

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	039 (cont'd)		These actions taken by the Department have helped reduce the backlog of complaint investigations, improve the timeliness of investigations, as well as improve the timeliness of compliant processing at intake. As of April 2017, the Department implemented enhancements to the TIVA database to eliminate input errors. CRU staff are no longer able to link a nursing home or intermediate care facilities complaint to the field without prior review by a clinical triage nurse. Additionally, a message will appear if the complaint time exceeds 24 hours from the time it is received. By October 2017, CRU will develop an additional Standard Operating Procedure to define extenuating circumstances for non-immediate jeopardy complaints. A TIVA system enhancement has been requested to only allow supervisors to link a complaint that falls into one of the approved extenuating circumstances. This enhancement will not allow any complaint to be linked over two working days without supervisor override. To improve response times to initiate complaint investigations, the Department continues to work on filling vacancies and ensure new hires complete the federally required basic surveyor training for Nursing Home and Intermediate Care Facilities for Individuals with Intellectual Disabilities 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. Ongoing monthly monitoring of timeliness of complaint investigations is being performed to provide the Department with information to leverage resources to meet required timeframes. The conditions noted in this finding were previously reported in finding 2015-047, 2014-045, and 2013-033.
		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

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	040	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.
		Questioned Costs:	CFDA # / Amount 93.775 $58,973 93.777 93.778
		Status:	Refer to finding 2017-049
		Corrective Action:	The Department does not concur with the finding. 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. 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. 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. 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.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	040 (cont'd)		By July 2017, the Department will: • 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. The conditions noted in this finding were previously reported in finding 2015-040, 2014-049, 2013-040, 12-41, and 11-34.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-049.
		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	041	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.
		Questioned Costs:	CFDA # / Amount 93.775 — $34,366 93.777 93.778
		Status:	Refer to finding 2017-044
		Corrective Action:	The Department partially concurs with this finding. 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. 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. 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. 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. By July 2017, the Department will review the policy as part of contract negotiations with stakeholders and will update the policy if necessary. 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. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2015-052. This issue was also previously reported in 2014-041 and 2013-038 which the auditors determined to be resolved.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2016	041 (cont'd)	Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-044.
		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	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.
		Questioned Costs:	CFDA # / Amount 93.775 $16,124 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	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 the Department has found training employees in the area of background checks has proven to be effective. 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. 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. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		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	043	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $79,912 93.777 93.778
		Status:	Refer to finding 2017-046
		Corrective Action:	The Department concurs with the finding. 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. 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. As of June 2017, the Department has provided additional statewide training regarding signature requirements to ensure client support plans are properly approved. In addition, by September 2017, the Department will: • Clarify written policies regarding signature requirements. • Conduct an enhanced, targeted review to monitor adherence to policies and compliance with signature requirements. The Department will consult with the Department of Health and Human Services to discuss repaying the questioned costs.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-046.
		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

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and Corrective Action Plan</th></tr>
<tr><td>2016</td><td>044</td><td>Finding:</td><td>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.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td>CFDA # — Amount
93.775 — $416,523
93.777
93.778</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Refer to finding 2017-050</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>The Department partially concurs with the audit finding.

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:
• 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 requirement.
• As of December 2016, the Department:
  o Revised the online training on the Department's Residential Care Services Division internet site to include information on the background check renewal process.
  o 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.
• As of April 2017, the Department created a report that will proactively identify providers with background check renewals coming due. The Department will send reminder notices to providers 60 days prior to the expiration dates of their background checks.

The following additional steps will be taken to ensure compliance with background check requirements:
• By July 2017, the Department will review and revise the State Plan to consistently reflect the minimum AFH provider qualifications as stated in state law.
• By August 2017, the Department will start the process of addressing overdue checks listed and assigning staff to send out reminders to providers with balance due within the next 60 days.</td></tr>
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Department of Social and Health Services — **Agency 300**

Fiscal Year	Finding Number		Finding and Corrective Action Plan
2016	044 (cont'd)		The Department does not agree the exceptions should be tied to questioned costs. The auditors' finding did not identify any providers who did in fact have a disqualifying crime or negative action. 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. While the AFHs identified in the finding did not comply 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. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2015-051, 2014-048, and 13-37.
		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-050.
		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	045	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.
		Questioned Costs:	CFDA # / Amount 93.775 / $43,573 93.777 93.778
		Status:	Refer to finding 2017-044
		Corrective Action:	The Department does not concur with this finding. State law provides the Department the authority to authorize payments for individuals in community residential programs. The Department uses the annual cost reporting process that 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) provider attests to the accuracy of their cost reports. The Department may request additional evidence to verify 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. 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 demands. 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. 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 on a client-by-client or case-by-case basis. As of July 2015, the Department revised its policy to: • 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. • Require additional schedules to report ISS hours in a format reconcilable to payroll records.

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	

2016	045 (cont'd)		The Department provided training on the revised policies over the summer and fall of 2015.
			
			As of January 2017, the Department removed the two-year settlement request option from policy when the existing approvals expired. The Department already discontinued the approval of this option in calendar year 2014.
			
			In June 2017, the Department updated the policy again as part of contract negotiations. The new policy will be effective July 1, 2017.
			
			The Department also:
			• Conducts reviews on approximately 20 percent of residential providers' ISS hours. 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 review.
			• Performs cost report reconciliations annually. The following additional measures are in place to audit provider cost reports:
			  o 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.
			  o Review a sample of 24 agencies per year. Technical assistance and training are provided to SL providers during these reviews.
			
			By January 2018, the Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
			
			The conditions noted in this finding were previously reported in finding 2015-049, 2014-042, 2014-043, 2013-036, and 12-39.

		Completion Date:	The condition noted in this finding was repeated in Fiscal Year 2017 Washington Single Audit. Refer to finding 2017-044.
		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	046	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.
		Questioned Costs:	<u>CFDA #</u> 93.775, 93.777, 93.778 — <u>Amount</u> $106,055
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with the audit finding. 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. For cases where incorrect cost allocation social service codes were authorized by case managers resulting in incorrect federal matching rates, Department staff notified accounting when discovered and expenditures were subsequently corrected. Although this is normal business practice, the auditors included these transactions in the amount of questioned costs. 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, additional controls are in place to limit the selection of service codes by case managers when authorizing services. The Department's Home and Community Services Quality Assurance Unit continues to monitor payment authorizations for compliance with requirements. 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.
		Completion Date:	October 2016
		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	047	Finding:	Medicaid funds were overpaid to a supported living agency that contracted with the Department of Social and Health Services, Developmental Disabilities Administration.
		Questioned Costs:	CFDA # 93.775, 93.777, 93.778 — Amount $1,258,250
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with finding. The Department processed the payment notice to the Department's Office of Financial Recovery (OFR) in February 2017. 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 pertains to bankruptcy proceedings. By December 2017, the Department will confirm with the U.S. Department of Health and Human Services that the funds do not need to be repaid.
		Completion Date:	Estimated December 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	048	Finding:	The Department of Social and Health Services, Aging and Long-Term Care Administration, made improper Medicaid payments to individual providers.
		Questioned Costs:	<u>CFDA #</u> / <u>Amount</u> 93.775 $90,685 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with the audit finding. 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. 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. 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. 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. The Department will consult with the Department of Health and Human Services to discuss repayment of the questioned costs.
		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	049	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $161,299 93.777 93.778
		Status:	Corrective action in progress
		Corrective Action:	The Department partially concurs with this finding. 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. To address the audit recommendations, the Department has taken the following corrective actions: • With the implementation of 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. • As of January 2017, the Department's Developmental Disabilities Administration started verifying providers' services by phone calls to a random sample of clients each month. • As of May 2017, the new system automatically sends letters to a random sample of clients to verify services as part of the quality assurance review process. By July 2017, overpayments will be submitted to the Office of Financial Recovery for recoupment from individual providers. The Department will consult with the U.S. Department of Health and Human Services to discuss the repayment of other questioned costs.
		Completion Date:	Estimated July 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	050	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.
		Questioned Costs:	CFDA # 93.959 — Amount $0
		Status:	Corrective action complete
		Corrective Action:	The Department agrees with the finding. The Department formalized 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 references 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 was communicated to responsible staff across the agency. The Department collaborated with the Department of Health and the Health Care Authority to capture tuberculosis data quarterly and developed a methodology to determine and document the percentage of expenditures spent on individuals in substance abuse disorder treatment. The conditions noted in this finding were previously reported in finding 2015-053 and 2014-051.
		Completion Date:	May 2017
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	031	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.
		Questioned Costs:	CFDA # / Amount 93.775 $0 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	The Authority implemented a process for collecting provider application fees for institutional providers that are newly enrolled or re-enrolling Medicaid providers.
		Completion Date:	June 2016
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	035	Finding:	The Health Care Authority improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $310,091 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		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. 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. 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. 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. 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. The conditions noted in this finding were previously reported in finding 2014-030 which the auditors determined to be resolved.
		Completion Date:	February 2016
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority **Agency 107**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	036	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.
		Questioned Costs:	CFDA # / Amount 93.775 $155,033 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		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. The Authority has terminated eligibility for the identified clients whose citizenship or Social Security numbers could not be verified. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. The conditions noted in this finding were previously reported in finding 2014-029 and 2014-030 which the auditors determined to be resolved.
		Completion Date:	February 2016
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	037	Finding:	The Health Care Authority overpaid Medicaid providers for dental services.
		Questioned Costs:	CFDA # / Amount 93.775 / $25,945 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	The Authority has recouped the unallowable claims paid to dental providers. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. 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.
		Completion Date:	June 2016
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	038	Finding:	The Health Care Authority made improper Medicaid inpatient high outlier payments to hospitals.
		Questioned Costs:	CFDA # / Amount 93.775 $33,205 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		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. The Authority will consult with the U.S. Department of Health and Human Services to discuss repayment of questioned costs. The conditions noted in this finding were previously reported in finding 2014-032 and 2013-023.
		Completion Date:	July 2014
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	041	Finding:	The Department of Social and Health Services improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.
		Questioned Costs:	CFDA # / Amount 93.775 — $22,584 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action in progress
		Corrective Action:	This finding involved three administrations within the Department: the Aging and Long Term Support Administration (ALTSA), the Developmental Disabilities Administration, and the Behavioral Health Administration. Each administration has taken or will take corrective action. 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 (ALTSA: 81; DDA: 8; BHA: 8). ALTSA has determined 20 of the 81 payments were for allowable services prior to the client's death. For the remaining 77 payments, the Department has sent overpayment notices to the providers. The questioned costs will be returned to the Center for Medicaid and Medicare Services by December 2017. The Department's goal for payment of services provided after the date of death is zero, and it seeks to reach that mark. The following processes were implemented to strengthen controls: • Direct staff to follow policies and procedures to ensure authorization of services is closed by the effective date of death. • Generate a monthly Long Term Care Client Payments After Death Report that identifies clients who have authorizations paid after their date of death. • Perform post payment review to ensure that any authorizations or payments not identified by the monthly reports are captured and recovered. • Ensure overpayments are processed timely and funds returned to the federal grantor. • Continue partnership with the Health Care Authority to identify payments after the date of death. The conditions noted in this finding were previously reported in finding and 2014-050 which the auditors determined to be resolved.
		Completion Date:	Estimated December 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	
2015	042	Finding:	The Department of Social and Health Services paid Medicaid benefits for clients who did not have valid Social Security numbers.
		Questioned Costs:	CFDA # / Amount 93.775 $55,719 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	In response to the auditors' recommendations, the Department's Children's Administration (CA) has strengthened its process by reviewing Social Security numbers quarterly to minimize the erroneous allocation of expenditures to Medicaid funding. As of August 2016, CA reviewed the three clients identified in the finding and switched them to the correct non-US citizen service pay code within the Department's payment system as appropriate. The Department also worked with the State's lead Medicaid agency, the Health Care Authority (HCA), on the resolution of questioned costs with the Center for Medicare and Medicaid Services (CMS). The Department found that the auditors incorrectly calculated the reported amount of $55,719 questioned costs. A letter confirming the correctly calculated amount of $29,935.80 was subsequently sent to CMS by HCA. As of August 2016, the Department had repaid all the questioned costs.
		Completion Date:	August 2016
		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

<table>
<tr><th>Fiscal Year</th><th>Finding Number</th><th colspan="2">Finding and
Corrective Action Plan</th></tr>
<tr><td>2015</td><td>043</td><td>Finding:</td><td>The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments for Presumptive Supplemental Security Income clients.</td></tr>
<tr><td></td><td></td><td>Questioned Costs:</td><td><u>CFDA #</u> <u>Amount</u>
93.775 $130,234
93.777
93.778 ARRA and non-ARRA</td></tr>
<tr><td></td><td></td><td>Status:</td><td>Corrective action complete</td></tr>
<tr><td></td><td></td><td>Corrective Action:</td><td>As of July 2015, all questioned costs were returned to the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS).

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 in January 2015 for 1099 reportable services. The 1099 reportable services were transitioned from the Social Service Payment System (SSPS) at that time.

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 which were corrected via journal voucher until the Individual Provider One system went live in March 2016. The new functional RACs were paired with the one financial RAC to directly code W2 expenditures correctly.

The Department worked with the Health Care Authority, the state Medicaid agency, to inform CMS that the questioned costs were repaid in 2015, and requested the payment information be listed on the CMS-64 report for the quarter ending June 30, 2017.</td></tr>
<tr><td></td><td></td><td>Completion Date:</td><td>June 2017</td></tr>
<tr><td></td><td></td><td>Agency Contact:</td><td>Rick Meyer
External Audit Compliance Manager
PO Box 45804
Olympia, WA 98504-5804
(360) 664-6027
Richard.meyer@dshs.wa.gov</td></tr>
</table>

Department of Social and Health Services — Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	046	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.
		Questioned Costs:	<u>CFDA #</u> / <u>Amount</u> 93.775 / $58,572 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		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. 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 which were corrected via journal voucher until the Individual Provider One System (IPOne) went live in March 2016. After IPOne was implemented, the new functional RACs were paired with the one financial RAC to directly code W2 expenditures correctly. As of October 2016, the Department returned all questioned costs to the U.S. Department of Health and Human Services. The Department is working with the Health Care Authority, the state Medicaid agency, to request that the Center for Medicaid and Medicare Services document this payment on the CMS-64 report for the quarter ending June 30, 2017.
		Completion Date:	October 2016
		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	
2015	048	Finding:	The Department of Social and Health Services improperly claimed federal Medicaid reimbursement for non-emergency services provided to nonqualified aliens.
		Questioned Costs:	CFDA # / Amount 93.775 / $37,426 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	The Department concurs with this finding. This finding involved three administrations within the Department: the Aging and Long Term Support Administration, the Children's Administration, and the Developmental Disabilities Administration. 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. 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. 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. 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. By July 2017, the questioned costs will be repaid by corrections processed through ProviderOne. The Department will be requesting the Center for Medicaid and Medicare Services to document this payment on the CMS-64 report for the quarter ending September 2017. The conditions noted in this finding were previously reported in finding 2014-050 which the auditors determined to be resolved.
		Completion Date:	July 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	
2015	050	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.
		Questioned Costs:	<u>CFDA #</u> <u>Amount</u> 93.775 $52,592 93.777 93.778 ARRA and non-ARRA
		Status:	Corrective action complete
		Corrective Action:	The Department partially concurs with this finding. 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. 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: • 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 to ensure providers are in compliance with background check laws, rules, and policies. The Department took the following actions to ensure ineligible individuals do not have access to vulnerable Medicaid clients and background checks are renewed timely: • During fiscal year 2016, provided information, education, and training to providers on background check policy and Washington Administrative Code. • Dedicated a Department headquarters position to provide direct support and consultation to providers on interpretation of background check result letters. • Monitored for background check compliance through Residential Care Services certification reviews. • Continued to partner with the Background Check Central Unit on developing processes for background check renewals and disqualifying results.

Department of Social and Health Services Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2015	050 (cont'd)		The Department consulted with the U.S. Department of Health and Human Services and all questioned costs have been resolved. The conditions reported in this finding were previously reported in 2014-044. This issue was also previously reported in finding 2013-034 which the auditors determined to be resolved.
		Completion Date:	April 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Workforce Training and Education Coordinating Board

Agency 354

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2014	012	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.
		Questioned Costs:	CFDA # 84.048 — Amount $0
		Status:	Corrective action in progress
		Corrective Action:	The Board, in coordination with its subrecipients, works to ensure that the maintenance of effort (MOE) requirements are met for the Career and Technical Education grant. The Board, however, has not implemented a process to monitor progress towards meeting these requirements throughout the year. To address the audit recommendations, the Board consulted with its subrecipients and developed a process of monitoring the MOE. As of January 2018, the Board has developed written policies and procedures documenting the monitoring process, which includes: • Reviewing subrecipients' billings to verify the level of expenditures. • Requiring subrecipients to report administrative MOE semi-annually. By June 2018, the Board will incorporate the review of administrative MOE into the annual on-site monitoring review of its subrecipients.
		Completion Date:	Estimated June 2018
		Agency Contact:	Victoria DeBoer Chief Financial Officer PO Box 43105 Olympia, WA 98504-3105 (360) 709-4620 Victoria.DeBoer@wtb.wa.gov

Department of Social and Health Services **Agency 300**

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2014	018	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.
		Questioned Costs:	<u>CFDA #</u> 93.243 — <u>Amount</u> $0
		Status:	Corrective action complete
		Corrective Action:	As of September 2016, the Department's Budget and Finance Director for the Behavioral Health and Service Integration Administration: • Issued a management bulletin (#16-09-001) communicating the requirement of strong internal controls in reporting subawards. The bulletin also stipulates the need 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. • Developed and maintained a tracking methodology and validation procedure to ensure reports are submitted timely and are properly completed in accordance with FFATA requirements.
		Completion Date:	September 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Washington State Agency Codes (By Agency Alphabetically)

For the Fiscal Year Ended June 30, 2017

Agency No.	Agency
165	Accountancy, State Board of (ACB)
035	Actuary, Office of the State (OSA)
110	Administrative Hearings, Office of (OAH)
055	Administrative Office of the Courts (AOC)
119	African-American Affairs, Washington State Commission on (CAA)
495	Agriculture, Department of (AGR)
355	Archaeology and Historic Preservation, Department of (DAHP)
387	Arts Commission, Washington State (ART)
087	Asian-Pacific-American Affairs, Washington State Commission on (APA)
100	Attorney General, Office of the (ATG)
095	Auditor, Office of the State (SAO)
695	Bates Technical College (BATES)
627	Bellevue College (BC)
694	Bellingham Technical College (BTC)
629	Big Bend Community College (BBC)
315	Blind, Department of Services for the (DSB)
351	Blind, State School for the (SFB)
634	Cascadia College (CC)
101	Caseload Forecast Council (CFC)
375	Central Washington University (CWU)
632	Centralia College (CEC)
353	Childhood Deafness and Hearing Loss, Washington State Center for (CDHL)
057	Civil Legal Aid, Office of (OCLA)
635	Clark College (CLC)
696	Clover Park Technical College (CPTC)
639	Columbia Basin College (CBC)
460	Columbia River Gorge Commission (CRG)
103	Commerce, Department of (COM)
352	Community and Technical Colleges, State Board for (SBCTC)
699	Community and Technical College System (CTCS)
471	Conservation Commission, State (SCC)
163	Consolidated Technology Services (CTS)
310	Corrections, Department of (DOC)
406	County Road Administration Board (CRAB)
048	Court of Appeals (COA)
227	Criminal Justice Training Commission, Washington State (CJT)
357	Early Learning, Department of (DEL)
370	Eastern Washington University (EWU)
461	Ecology, Department of (ECY)
104	Economic and Revenue Forecast Council (ERFC)
106	Economic Development Finance Authority, Washington (EDA)
610	Edmonds Community College (EDC)
540	Employment Security Department (ES)
179	Enterprise Services, Department of (DES)
468	Environmental and Land Use Hearings Office (ELUHO)
605	Everett Community College (EVC)
102	Financial Institutions, Department of (DFI)
105	Financial Management, Office of (OFM)
477	Fish and Wildlife, Department of (DFW)
167	Forensic Investigations Council (FIC)
411	Freight Mobility Strategic Investment Board (FMSIB)
117	Gambling Commission, Washington State (GMB)
075	Governor, Office of the (GOV)
648	Grays Harbor College (GHC)
649	Green River College (GRC)
521	Hardwoods Commission (HRWD)
303	Health, Department of (DOH)
107	Health Care Authority, State (HCA)
599	Health Care Facilities Authority, Washington (WHCFA)
346	Higher Education Facilities Authority, Washington (WHEFA)
652	Highline College (HC)
118	Hispanic Affairs, Washington State Commission on (CHA)
395	Historical Society, Eastern Washington State (EWH)
390	Historical Society, Washington State (WHS)
185	Horse Racing Commission, Washington (HRC)
011	House of Representatives (REP)
148	Housing Finance Commission, Washington State (HFC)
120	Human Rights Commission (HUM)
086	Indian Affairs, Governor's Office of (INA)
190	Industrial Insurance Appeals, Board of (IND)
160	Insurance Commissioner, Office of the (INS)
126	Investment Board, State (SIB)
014	Joint Legislative Audit and Review Committee (JLARC)
038	Joint Legislative Systems Committee (JLS)
013	Joint Transportation Committee (JTC)

Washington State Agency Codes (By Agency Alphabetically)
For the Fiscal Year Ended June 30, 2017

Agency No.	Agency
050	Judicial Conduct, Commission on (CJC)
235	Labor and Industries, Department of (L&I)
692	Lake Washington Institute of Technology (LWIT)
341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF)
046	Law Library, State (LAW)
020	Legislative Evaluation and Accountability Program Committee (LEAP)
037	Legislative Support Services, Office of (LSS)
240	Licensing, Department of (DOL)
080	Lieutenant Governor, Office of the (LTG)
356	Life Sciences Discovery Fund Authority (LSDFA)
195	Liquor and Cannabis Board (LCB)
116	Lottery Commission, State (LOT)
657	Lower Columbia College (LCC)
412	Materials Management and Financing Authority, Washington (WMMFA)
245	Military Department (MIL)
147	Minority and Women's Business Enterprises, Office of (OMWBE)
490	Natural Resources, Department of (DNR)
662	Olympic College (OLC)
465	Parks and Recreation Commission, State (PARKS)
225	Patrol, Washington State (WSP)
665	Peninsula College (PEC)
637	Pierce College (PIE)
205	Pilotage Commissioners, Board of (BPC)
462	Pollution Liability Insurance Program, Washington (PLI)
056	Public Defense, Office of (OPD)
082	Public Disclosure Commission (PDC)
275	Public Employment Relations Commission (PERC)
350	Public Instruction, Superintendent of (SPI)
478	Puget Sound Partnership (PSP)
467	Recreation and Conservation Funding Board
091	Redistricting Commission (RDC)
693	Renton Technical College (RTC)
124	Retirement Systems, Department of (DRS)
140	Revenue, Department of (DOR)
099	Salaries for Elected Officials, Washington Citizens' Commission on (COS)
670	Seattle Community College - District 6 (SCCD-6)
085	Secretary of State, Office of the (SEC)

Agency No.	Agency
012	Senate (SEN)
672	Shoreline Community College (SHC)
674	Skagit Valley College (SVC)
300	Social and Health Services, Department of
675	South Puget Sound Community College (SPS)
676	Spokane Community Colleges - District 17 (SCCD-17)
040	Statute Law Committee (SLC)
340	Student Achievement Council (SAC)
045	Supreme Court (SUP)
678	Tacoma Community College (TCC)
142	Tax Appeals, Board of (BTA)
376	The Evergreen State College (TESC)
304	Tobacco Settlement Authority (TOB)
228	Traffic Safety Commission, Washington (STS)
405	Transportation, Department of (DOT)
410	Transportation Commission (TRC)
407	Transportation Improvement Board (TIB)
090	Treasurer, Office of the State (OST)
360	University of Washington (UW)
215	Utilities and Transportation Commission (UTC)
305	Veterans' Affairs, Department of (DVA)
220	Volunteer Firefighters and Reserve Officers, Board for (BVFFRO)
683	Walla Walla Community College (WLC)
359	Washington Charter School Commission (WCSC)
365	Washington State University (WSU)
686	Wenatchee Valley College (WVC)
380	Western Washington University (WWU)
621	Whatcom Community College (WHC)
354	Workforce Training and Education Coordinating Board (WFTECB)
691	Yakima Valley Community College (YVC)

Washington State Agency Codes (By Agency Assigned Number)
For the Fiscal Year Ended June 30, 2017

Agency No.	Agency
011	House of Representatives (REP)
012	Senate (SEN)
013	Joint Transportation Committee (JTC)
014	Joint Legislative Audit and Review Committee (JLARC)
020	Legislative Evaluation and Accountability Program Committee (LEAP)
035	Actuary , Office of the State (OSA)
037	Legislative Support Services, Office of (LSS)
038	Joint Legislative Systems Committee (JLS)
040	Statute Law Committee (SLC)
045	Supreme Court (SUP)
046	Law Library, State (LAW)
048	Court of Appeals (COA)
050	Judicial Conduct , Commission on (CJC)
055	Administrative Office of the Courts (AOC)
056	Public Defense, Office of (OPD)
057	Civil Legal Aid, Office of (OCLA)
075	Governor , Office of the (GOV)
080	Lieutenant Governor, Office of the (LTG)
082	Public Disclosure Commission (PDC)
085	Secretary of State , Office of the (SEC)
086	Indian Affairs , Governor's Office of (INA)
087	Asian Pacific American Affairs, Washington State Commission on (APA)
090	Treasurer, Office of the State (OST)
091	Redistricting Commission (RDC)
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117	Gambling Commission, Washington State (GMB)
118	Hispanic Affairs, Washington State Commission on (CHA)
119	African-American Affairs, Washington State Commission on (CAA)
120	Human Rights Commission (HUM)
124	Retirement Systems, Department of (DRS)
126	Investment Board, State (SIB)
140	Revenue, Department of (DOR)
142	Tax Appeals, Board of (BTA)
147	Minority and Women's Business Enterprises, Office of (OMWBE)
148	Housing Finance Commission, Washington State (HFC)
160	Insurance Commissioner, Office of the (INS)
163	Consolidated Technology Services (CTS)
165	Accountancy, State Board of (ACB)
167	Forensic Investigation Council (FIC)
179	Enterprise Services, Department of (DES)
185	Horse Racing Commission, Washington (HRC)
190	Industrial Insurance Appeals, Board of (IND)
195	Liquor and Cannabis Control Board (LCB)
205	Pilotage Commissioners, Board of (BPC)
215	Utilities and Transportation Commission (UTC)
220	Volunteer Firefighters and Reserve Officers, Board for (BVFFRO)
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228	Traffic Safety Commission, Washington (STS)
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240	Licensing, Department of (DOL)
245	Military Department (MIL)
275	Public Employment Relations Commission (PERC)
300	Social and Health Services, Department of (DSHS)
303	Health, Department of (DOH)
304	Tobacco Settlement Authority (TOB)
305	Veterans' Affairs, Department of (DVA)
310	Corrections, Department of (DOC)
315	Blind, Department of Services for the (DSB)
340	Student Achievement Council (SAC)
341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF)
346	Higher Education Facilities Authority, Washington (WHEFA)
350	Public Instruction, Superintendent of (SPI)
351	Blind, State School for the (SFB)
352	Community and Technical Colleges, State Board for (SBCTC)
353	Childhood Deafness and Hearing Loss, Washington State Center for (CDHL)

Washington State Agency Codes (By Agency Assigned Number)
For the Fiscal Year Ended June 30, 2017

Agency No.	Agency
354	Work Force Training and Education Coordinating Board (WFTECB)
355	Archaeology and Historic Preservation, Department of (DAHP)
356	Life Sciences Discovery Fund Authority (LSDFA)
357	Early Learning, Department of (DEL)
359	Washington Charter School Commission (WCSC)
360	University of Washington (UW)
365	Washington State University (WSU)
370	Eastern Washington University (EWU)
375	Central Washington University (CWU)
376	The Evergreen State College (TESC)
380	Western Washington University (WWU)
387	Arts Commission, Washington State (ART)
390	Historical Society, Washington State (WHS)
395	Historical Society, Eastern Washington State (EWH)
405	Transportation, Department of (DOT)
406	County Road Administration Board (CRAB)
407	Transportation Improvement Board (TIB)
410	Transportation Commission (TRC)
411	Freight Mobility Strategic Investment Board (FMSIB)
412	Materials Management and Financing Authority, Washington (WMMFA)
460	Columbia River Gorge Commission (CRG)
461	Ecology, Department of (ECY)
462	Pollution Liability Insurance Program, Washington (PLI)
465	Parks and Recreation Commission, State (PARKS)
467	Recreation and Conservation Funding Board (RCFB)
468	Environmental and Land Use Hearings Office (ELUHO)
471	Conservation Commission, State (SCC)
477	Fish and Wildlife, Department of (DFW)
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)

Agency No.	Agency
627	Bellevue College (BC)
629	Big Bend Community College (BBC)
632	Centralia College (CEC)
634	Cascadia College (CC)
635	Clark College (CLC)
637	Pierce College (PIE)
639	Columbia Basin College (CBC)
648	Grays Harbor College (GHC)
649	Green River College (GRC)
652	Highline College (HC)
657	Lower Columbia College (LCC)
662	Olympic College (OLC)
665	Peninsula College (PEC)
670	Seattle Community College - District 6 (SCCD-6)
672	Shoreline Community College (SHC)
674	Skagit Valley College (SVC)
675	South Puget Sound Community College (SPS)
676	Spokane Community Colleges - District 17 (SCCD-17)
678	Tacoma Community College (TCC)
683	Walla Walla Community College (WLC)
686	Wenatchee Valley College (WVC)
691	Yakima Valley Community College (YVC)
692	Lake Washington Institute of Technology (LWIT)
693	Renton Technical College (RTC)
694	Bellingham Technical College (BTC)
695	Bates Technical College (BATES)
696	Clover Park Technical College (CPTC)
699	Community and Technical College System (CTCS)

Community and Technical College Reporting
For the Fiscal Year Ended June 30, 2017

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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