

STATE OF WASHINGTON
SINGLE AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2010



WASHINGTON
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STATE AUDITOR

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State of Washington Single Audit Summarized Results

The state of Washington received more than \$18 billion in cash and other federal assistance, such as food for school children and vaccines for at-risk or low-income people, in fiscal year 2010. This is an increase of nearly \$5 billion from fiscal year 2009. Approximately \$2.5 billion of that came from the American Recovery and Reinvestment Act (ARRA).

As summarized and explained later in this report, we found \$8.7 million in questioned costs for 2010.

What is the Statewide Single Audit?

The statewide single audit originated from the federal Single Audit Act of 1984. It is a rigorous, independent review of the state's systems or internal controls over federally funded programs and compliance with federal regulations. It is intended to assess how well the state is doing in ensuring the federal dollars it receives are used only for the right things and in the right way. Governments that spend \$500,000 or more each year in federal assistance must have a single audit.

Agencies may use the results of the audit to make improvements to the programs they administer. If significant system or compliance problems are identified, the federal government could require the state to pay back some, if not all, of the federal money and assistance, and restrict or even deny future assistance.

We conduct the audit in accordance with the provisions of the federal Office of Management and Budget's (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and in accordance with U.S. Government Auditing Standards. The Office of Financial Management publishes the report on its [website](#) by the end of March each year.

Audit Findings

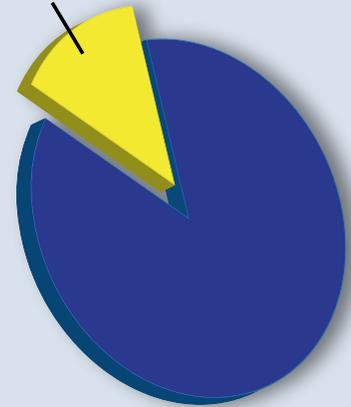
The federal government, through OMB Circular A-133, defines several conditions we are required to report as audit findings if we identify them during our work. It may also require us to report questioned costs. These include issues with the design or operation of internal controls

or noncompliance with federal regulations. Internal controls include having policies and procedures that protect public resources and a system of monitoring to ensure the controls are followed.

Questioned costs are expenditures of federal money that are not allowable based on OMB criteria and other laws and regulations. These costs are subject to reimbursement to the federal government.

Federal awards received by Washington state agencies

ARRA money
\$2.5 billion



Findings Summary	
Total 2010 findings	57
Total 2009 findings	32
Total repeated from 2009 audit	17
Total questioned costs in 2010: \$8.2 million	
Total questioned costs in 2009: \$8.7 million	



By the Numbers

\$\$

Federal assistance received
by state agencies

\$18,280,120,745
reported to federal
government*

\$\$

Dollars audited

\$15 billion

\$\$

How many agencies spent
federal money

50

\$\$

Number of federal programs
we audited

31

\$\$

*OMB Circular A-133 includes the criteria we must use when selecting federal programs to audit. Based on that criteria, we were required to audit 31 programs representing more than \$15 billion in federal assistance during fiscal year 2010.

What are some high-level causes of findings?

Many state agencies received Recovery Act money, which carried new requirements as well as more stringent and shorter deadlines for spending than other federal grants. Additionally, many agencies experienced staff reductions that resulted in fewer people to do the work. At times, this has led to errors and delays in complying with the regulations. Some agencies are not adequately training and monitoring employees who are expected to pick up work left by unfilled positions; sometimes agencies give responsibilities to employees but do not provide the needed support and oversight.

Findings by topic areas

We reported findings in the following federal grant areas:

- Client eligibility
- Provider eligibility
- Subrecipient monitoring, particularly Recovery Act
- Payroll/time and effort reporting
- Financial and performance reporting
- Davis-Bacon Act (prevailing wage) compliance
- Period of grant availability
- Cash management
- Suspension and debarment verification

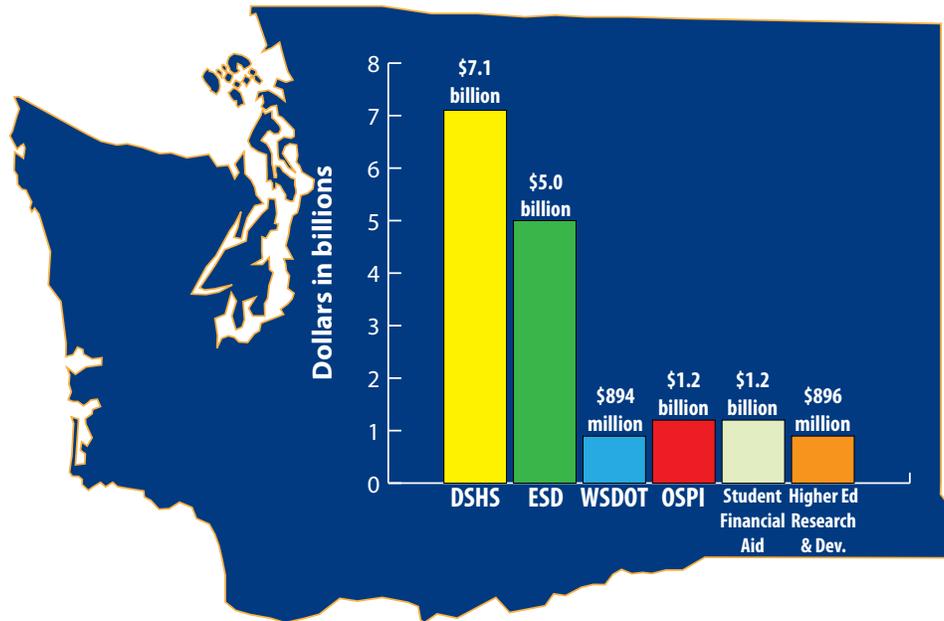
Key conclusions about the Medicaid program

The Department of Social and Health Services (DSHS) received \$6.9 billion in Medicaid funding from the federal and state government in fiscal year 2010; \$561 million of that amount was Recovery Act funding.

We found \$2.2 million in questioned Medicaid costs. Issues with Medicaid we identified include:

- A loss of approximately \$1 million of public funds that resulted from the Medicaid Purchasing Administration's failure to ensure managed care premium payments were made only for Medicaid-eligible clients. DSHS paid premium payments for 53 people who were disenrolled from the program; 38 of those people were disenrolled for more than a year. We also noted the Department paid managed care premiums for 3,344 people who were disenrolled or terminated from Medicaid prior to the benefit month. The Department has identified the source of the errors and has established additional controls in its new payment system to help prevent them.

Top Six Recipients of Federal Assistance



- We also found questioned costs related to payments for:
 - Prescription drugs
 - In-home services
 - Healthy Options managed care
 - Services that may not have been provided

The causes for some of these issues include increased demand for Medicaid services; reductions in employees resulting in higher workload for staff who administer and oversee Medicaid money; new and increased regulations attached to Recovery Act funding; and a service delivery model that limits the use of preventative controls.

Key conclusions in other areas that received federal funding

- The state's Schedule of Expenditures of Federal Awards (SEFA), the form the state uses to report how it spent federal grant money, was inaccurate. We identified reporting errors totaling approximately \$1 billion. The errors prevented the State Auditor's Office from correctly identifying federal programs for audit in accordance with federal regulations. This resulted in additional work late in the audit process and an associated audit costs to the state of \$14,268. It also puts the state at risk of not meeting the federally mandated audit deadline. Failure to meet the deadline could affect the state's ability to receive federal assistance.

These errors occurred because OFM did not review the SEFA for accuracy before submitting it to us for audit.

- The Department of Social and Health Services did not accurately identify and claim all eligible Children's Health Insurance Program (CHIP) expenditures. It is in the process of identifying Medicaid clients and expenditures that qualify for additional CHIP funds and determining how much additional money it can claim.

- The Department of Commerce’s Community Services and Housing Division did not comply with monitoring requirements for its low-income weatherization program. This lack of monitoring led to services being performed for ineligible individuals. The Department is working to improve monitoring and inspection procedures.

Findings and questioned costs by state agency

State Agency	Program/ Federal Grantor	Questioned Costs
Department of Social and Health Services	Supplemental Nutrition Assistance Program (SNAP)/ U.S. Department of Agriculture	\$ 15,000
	Vocational Rehabilitation/ U.S. Department of Education	\$ 1,610,372*
	Adoption Assistance/ U.S. Department of Health and Human Services	\$ 61,918
	Children’s Health Insurance Program/ U.S. Department of Health and Human Services	\$ 2,807,381
	Medicaid/ U.S. Department of Health and Human Services	\$ 2,183,223
	Agency Total	\$6,677,894
Department of Transportation	Highway Planning and Construction Cluster/ U.S. Department of Transportation Federal Highway Administration	\$ 75,147
	Formula Grants for other than Urbanized Areas/ U.S. Department of Transportation, Federal Transit Administration	\$ 759,869
	Agency Total	\$835,016
Department of Commerce	State Energy Plan/ U.S. Department of Energy	\$ 13,691
	Weatherization Assistance for Low-Income Persons/ U.S. Department of Energy	\$ 38,694
	Community Services Block Grant Cluster/ U.S. Department of Health and Human Services	\$ 55,593
	Agency Total	\$107,978
Department of Health	Public Health Emergency Preparedness/ U.S. Department of Health and Human Services	\$ 253,669
	National Bioterrorism Hospital Preparedness Program/ U.S. Department of Health and Human Services	\$ 349,666
	Agency Total	\$603,335

* Also includes money provided to Department of Services for the Blind



Previous Single Audits

Since we do not look at the same programs every year, we find different issues every year. The number of concerns we report may vary significantly from year to year, as does the amount of program expenses we identify as questioned costs.

Below is a summary of the number of significant single audit issues we've reported over the past few years, and the amount of expenditures we tested that were questioned:

Audit year	Number of issues we reported	Costs we questioned
2007	18	\$7,521,611
2008	37	\$2,812,310
2009	32	\$8,784,536
2010	57	\$8,224,226

Previous years' federal grant totals

Audit year	Amount of federal assistance
2007	\$9,731,695,192
2008	\$10,328,237,085
2009	\$13,790,569,864
2010	\$18,280,120,745

What Happens Next?

When we issue audit findings, the state agency responsible must prepare a corrective action plan to submit to its grantor. Regulations require the federal granting agency to issue a management decision on audit findings within six months after receipt of the audit report and ensure the grantee takes appropriate and timely corrective action. We are required to follow up on the status of that corrective action during the next audit and may be required to again report any uncorrected issues as audit findings.

Federal agencies that award grants also determine what, if any, questioned costs the state will be required to pay back.



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