



Office of the Washington State Auditor

Pat McCarthy

\$37 billion and counting: Find out how Washington spent COVID-19 relief money and other federal funding in 2021

Washington state spent more federal money than ever in 2021. As the state weathered the economic effects of the COVID-19 pandemic, state agencies invested billions of dollars in federal money to support our residents and businesses. In fiscal year 2021, state agencies spent almost \$37 billion in federal funds—a 42% increase compared to 2020.

Every year, the Office of the Washington State Auditor conducts a Single Audit, which examines whether our state agencies complied with federal grant requirements. Why is it called a Single Audit? Federal granting agencies used to be responsible for doing their own audits, but in 1984 the federal government standardized the audits of federal funds from grants for local, state and tribal governments, and called the standardized audit the “Single Audit.”

The 2021 Single Audit was the first to review an entire year of how the state spent COVID-19 emergency funding. We issued 61 findings across 21 federal programs, and we are questioning more than \$1 billion in costs—meaning we were unable to verify those dollars were spent according to federal requirements. Key findings:

- *Significant problems with how state agencies monitored the COVID-19 relief funding and other federal money they awarded to other organizations*
- *State agencies continue to lack safeguards to ensure they spend federal money only for allowable purposes and properly document their expenses. One agency’s entire program costs—more than \$273 million—were unauditible because of insufficient records.*
- *More than half of our findings are about problems that we have previously reported to state management. Thirty-one findings across seven state agencies remain unresolved from previous audits, including some issues that we have reported annually for more than a decade.*

The full report including these audit findings is 1,083 pages, and it's available on our [website](#). Keep scrolling through this summary to see a breakdown of where pandemic funding went, how state agencies spent federal money, and how Washington can improve its compliance with federal rules.

Total federal money that state agencies spent



almost \$37 billion

Total federal money that state agencies spent



\$31.6 billion

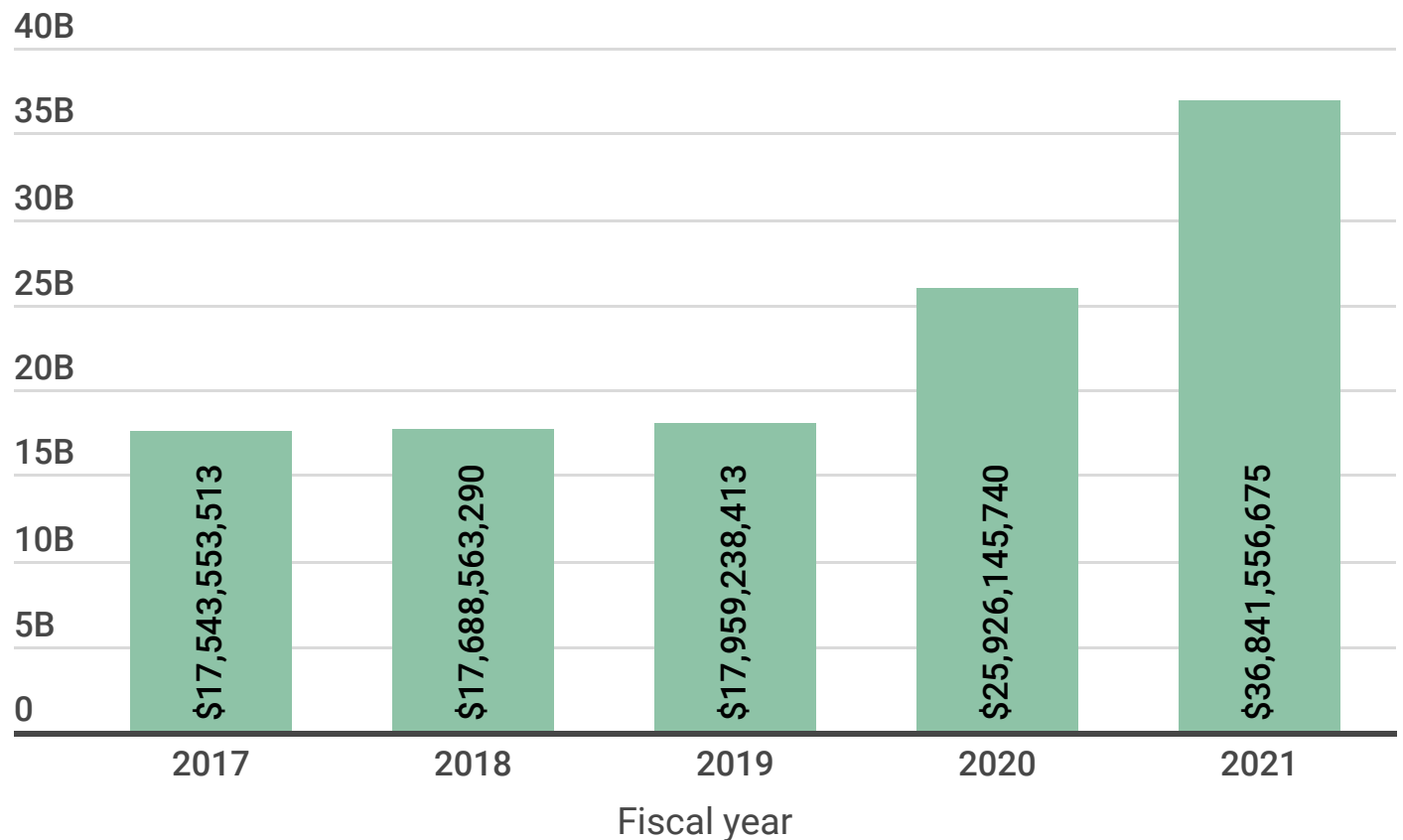
Federal money spent that we selected for audit, or about 86% of all the state's federal program expenses



42%

Increase in federal funding spent compared to fiscal year 2020

Federal money spent over time



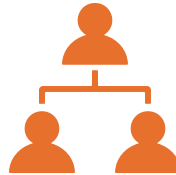
FEDERAL COVID-19 RELIEF

Thanks to federal legislation like the Coronavirus Aid, Relief and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA), new and previously existing federal programs sent billions of dollars to Washington state in an effort to support our citizens and businesses during the pandemic. The federal government has established new and complex requirements for these programs that recipients must follow.



\$17.6 billion

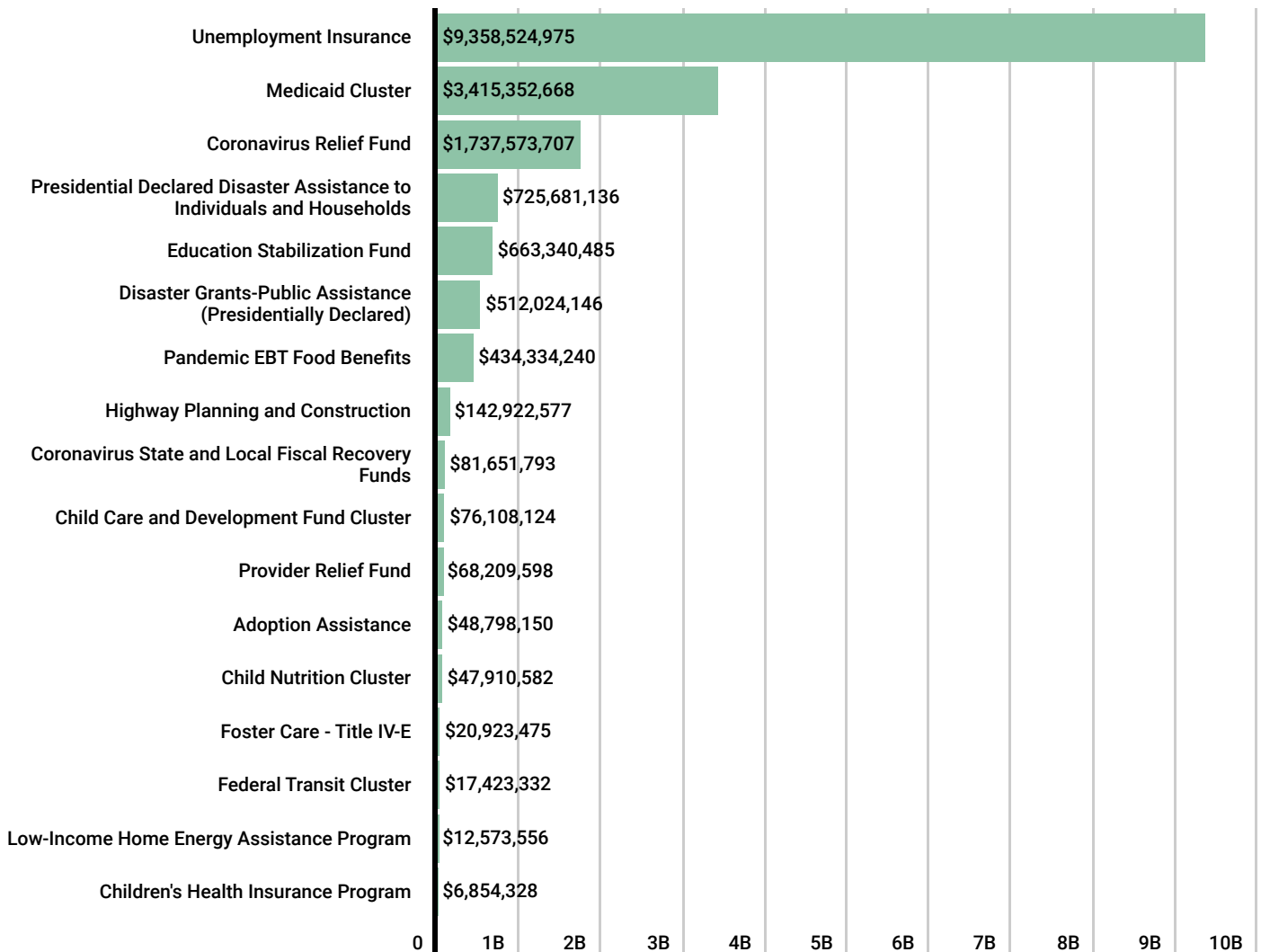
COVID-19-related funding that state agencies spent between July 1, 2020, and June 30, 2021



\$2 billion

COVID-19-related funding passed through to other entities

Total COVID-19 relief funding spent in each audited program



BACKGROUND

Who receives a Single Audit?

Governments that spend \$750,000 or more in federal awards in a year must prepare a Schedule of Expenditures of Federal Awards and arrange for an audit of their federal assistance. This audit is known as a Single Audit.

What happens if a finding is issued?

State agencies must respond to audit findings by preparing a corrective action plan. This plan is sent to the grantor—the federal agency issuing the funds—with our audit report. Grantors must issue a decision on audit findings within six months after receiving the audit report and action plan. The grantor also must ensure the agency takes appropriate and timely corrective action. We have found this does not always occur. Grantors also decide whether states must pay back questioned costs.

As the auditor, we must follow up on the status of that corrective action during the next audit and may again report any uncorrected issues as findings. At the bottom of this infographic is a list showing the programs audited for state fiscal year 2021, and another list summarizing all federal findings issued.

Some terms used in this report

Questioned costs

Costs are questioned in a finding (a) that resulted from a violation or possible violation of a provisions of a law or other requirement, (b) for which the costs, at the time of the audit, were not supported by adequate documentation or (c) for which the costs incurred appear unreasonable and do not reflect the actions a prudent person would take under the circumstances.

Likely improper payments

These are calculated by projecting questioned costs identified in an audit sample to the entire population from which the sample was drawn, generally in a statistically valid method.

Subrecipient

This is an entity that spends awards received from a pass-through entity to carry out a program. The agency passing along these funds is expected to monitor how the subrecipient manages the funds it receives.

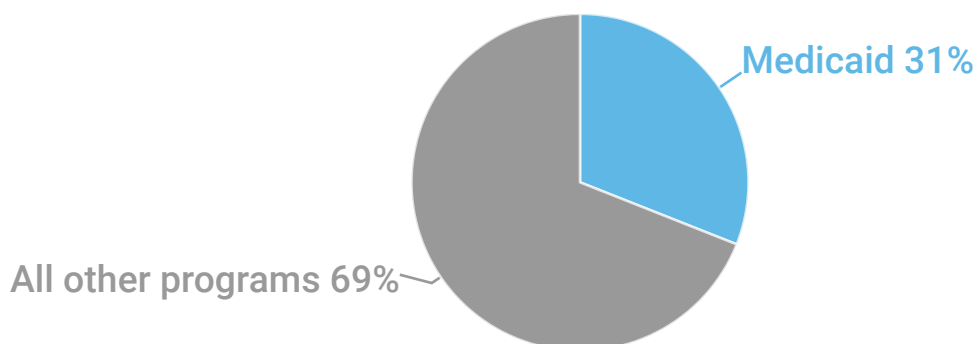
MEDICAID PROGRAMS



\$11.3 billion

Medicaid funds that state agencies spent, including COVID-19 relief funding

Medicaid accounts for one third of the federal money that state agencies spent



Two agencies with Medicaid-related findings



Health Care Authority



5

Findings



\$78,774

Questioned costs



Department of Social and Health Services



3

Findings



\$251,573,081

Questioned costs

Four key Medicaid findings and special tests



Supported Living Program

The Department of Social and Health Services did not ensure Medicaid payments to supported living providers were allowable and properly supported. This is a finding we've issued annually since 2012.



Inpatient hospital services

The Health Care Authority did not periodically audit cost report data for rate setting, hospital billings and other records for inpatient hospital services.



Complaint resolution

The Department of Social and Health Services did not ensure timely investigation of complaints of client abuse and neglect at Medicaid residential facilities.



Program integrity

The Health Care Authority did not ensure it safeguarded against unnecessary use of Medicaid services.

ALL PROGRAMS

Quick breakdown



25

Federal programs audited



21

Programs received at least 1 finding



61

Total findings



11

Findings for COVID-19-related programs



8

Findings for Medicaid programs



\$724 million

Known questioned costs



\$299 million

Likely questioned costs

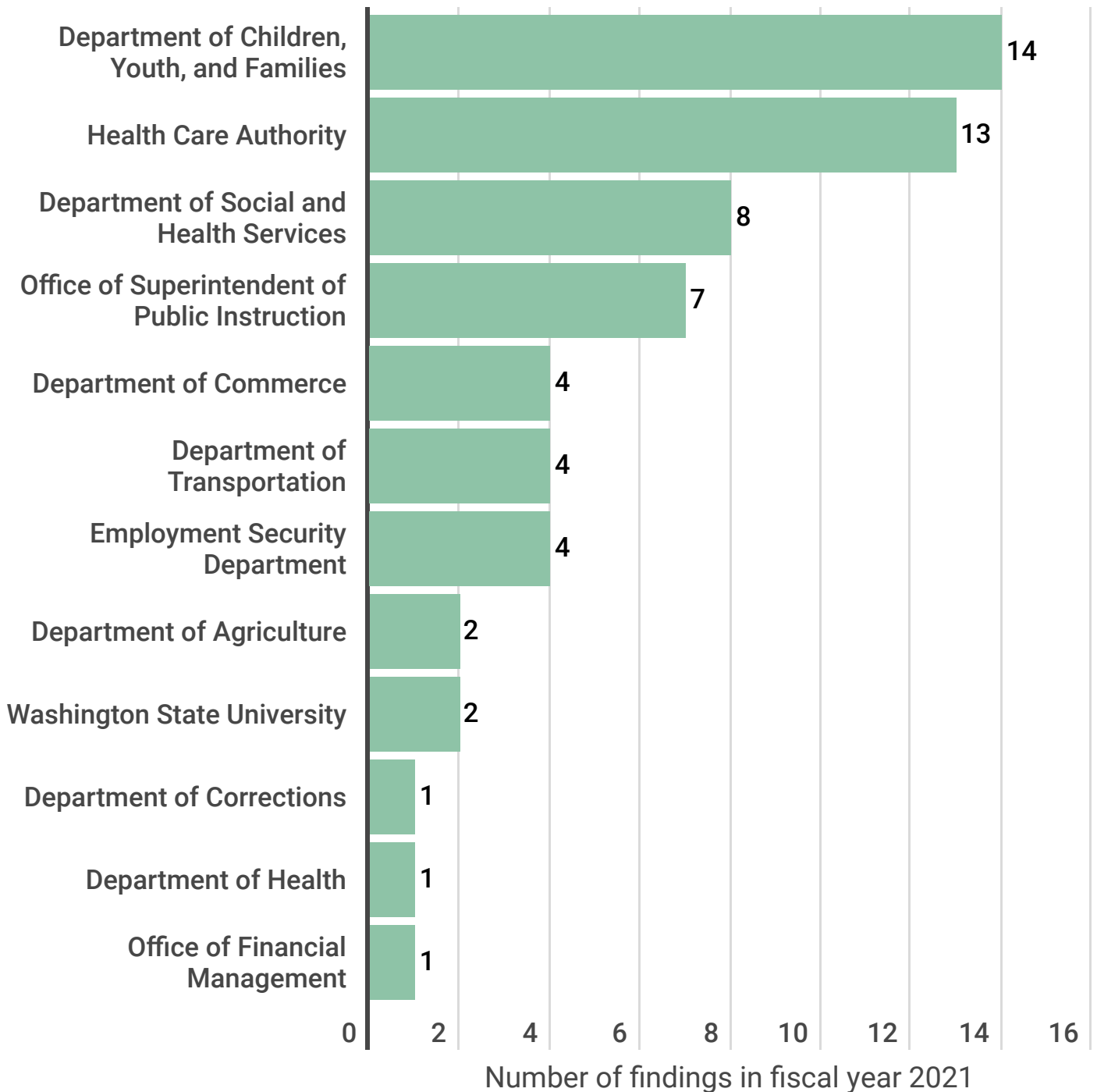


\$293 million

Unauditable dollars spent by the Department of Children, Youth, and Families from the Child Care and Development Fund

FINDINGS

Sixty-one findings for 21 federal programs in 12 state agencies



Significant findings and modified audit opinions for 6 programs in 7 agencies

As part of our Single Audit report, we express opinions on the state's compliance with each of its major federal programs. There are two types of audit opinions we can express: *unmodified and modified*. We issue an unmodified opinion, or clean audit opinion, when we find the state has generally complied with a federal program's requirements, and we issue a modified opinion when we find significant noncompliance with a federal program's requirements. Since the significance of noncompliance varies, there are three types of modified opinions we can issue: *qualified, adverse and disclaimer*.

Qualified

We express a qualified opinion when we find the state did not comply with a federal program's requirements, but the noncompliance was not pervasive.

Adverse

We express an adverse opinion when we find the state did not comply with a federal program's requirements, and the noncompliance was pervasive.

Disclaimer

We express a disclaimer of opinion when we are unable to obtain sufficient evidence from the state to determine whether it complied with a federal program's requirements.

Qualified

Block Grants for Prevention & Treatment of Substance Abuse

Health Care Authority



6

Findings



\$838,514

Questioned costs

The Health Care Authority did not comply with subrecipient monitoring requirements and certain federal reporting requirements. We also found the agency improperly charged expenses to the program, and did not comply with earmarking requirements and time restrictions for spending funds. We reported similar issues in the 2020 Single Audit.

Adverse

Coronavirus Relief Fund

Department of Commerce

Department of Social and Health Services

Office of Financial Management



5

Findings



\$4,124,518

Questioned costs

We found several issues over subrecipient monitoring at the Department of Commerce and Department of Social and Health Services. This included not evaluating subrecipients' risk of not complying with program requirements, and not monitoring them to ensure they spent funds appropriately. We also found the Office of Financial Management did not comply with reporting requirements.

Adverse

Coronavirus State and Local Fiscal Recovery Funds

Department of Agriculture

Department of Corrections



3

Findings



\$31,279,387

Questioned costs

The Department of Corrections did not use funds for allowable purposes within the program's specified timeframe, and the Department of Agriculture did not comply with federal procurement and subrecipient monitoring requirements.

Adverse

Temporary Assistance for Needy Families

Department of Children, Youth, and Families
Department of Social and Health Services



3

Findings



\$119,918,044

Questioned costs

The Department of Children, Youth, and Families did not comply with requirements to ensure payments to child care providers were allowable. The Department of Social and Health Services did not comply with requirements to reduce or deny program assistance to recipients who did not comply with the Child Support Program.

Disclaimer

Child Care Development Fund

Department of Children, Youth, and Families



7

Findings



\$293,237,395

Questioned costs/Unauditable program funds

More than 90% of the agency's program expenses were unauditible. In 2021, the Department of Children, Youth, and Families made significant changes to its accounting practices, which made it impossible for us to trace the federal money spent to a level of detail necessary to determine whether the agency spent program funds appropriately. Our most significant finding—one we've issued annually since 2005—questions more than \$271 million because the agency did not ensure payments to child care providers were allowable and properly supported.

Most common types of significant problems



Improper or unsupported payments

These primarily included payroll costs and payments on behalf of clients (21)



Insufficient monitoring of subrecipients

These included not performing risk assessments and not ensuring audits were performed (15)



Not meeting special provisions

Not meeting special program provisions the federal government requires (15)



Inadequate reports

Reports to federal government that were not accurate, complete and adequately supported (8)

Programs audited in fiscal year 2021

(Listed in alphabetical order)

Program	Audited program federal dollars	Known questioned costs	Likely improper payments	Findings	Agencies with findings
Adoption Assistance	\$58,617,420	-	-	2	Department of Children, Youth, and Families
Block Grants for Prevention and Treatment of Substance Abuse	\$48,891,372	\$838,514	\$438,889	7	Health Care Authority
Child Care and Development Fund Cluster	\$327,572,988	\$293,237,395	\$19,818	7	Department of Children, Youth, and Families
Child Nutrition Cluster	\$374,071,913	-	-	2	Office of Superintendent of Public Instruction
Child Support Enforcement Program	\$120,362,563	\$224,752	-	1	Department of Social and Health Services
Children's Health Insurance Program (CHIP)	\$158,707,252	\$10,244	\$6,819,642	1	Health Care Authority
Coronavirus Relief Fund	\$1,737,573,707	\$4,124,518	\$6,408,565	5	Department of Commerce; Department of Social and Health Services; Office of Financial Management

Programs audited in fiscal year 2021

(Continued in alphabetical order)

Program	Audited program federal dollars	Known questioned costs	Likely improper payments	Findings	Agencies with findings
Coronavirus State and Local Fiscal Recovery Funds	\$81,651,793	\$31,279,387	\$21,218,069	3	Department of Agriculture; Department of Corrections
Disaster Grants-Public Assistance (Presidentially Declared disasters)	\$512,035,764	-	-	-	-
Education Stabilization Fund	\$663,340,485	-	-	2	Office of Superintendent of Public Instruction
Federal Transit Cluster	\$73,868,119	-	-	-	-
Foster Care - Title IV-E	\$122,501,083	\$16,291,183	\$38,242	4	Department of Children, Youth, and Families
Highway Planning and Construction Cluster	\$755,969,296	-	-	4	Department of Transportation
Low-Income Home Energy Assistance Program	\$58,769,629	-	-	2	Department of Commerce
Medicaid Cluster	\$11,252,790,603	\$251,651,855	\$252,286,875	8	Department of Social and Health Services; Health Care Authority

Programs audited in fiscal year 2021

(Continued in alphabetical order)

Program	Audited program federal dollars	Known questioned costs	Likely improper payments	Findings	Agencies with findings
Pandemic EBT Food Benefits (P-EBT)	\$434,334,240	-	-	-	-
Presidential Declared Disaster Assistance to Individuals and Households	\$725,681,136	-	-	1	Employment Security Department
Provider Relief Fund	\$68,209,598	-	-	-	-
Special Education Cluster	\$234,282,935	-	-	2	Office of Superintendent of Public Instruction
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$83,538,110	\$6,711,342	\$12,329,235	1	Department of Health
Student Financial Assistance Programs Cluster	\$1,008,865,322	-	-	2	Washington State University
Temporary Assistance for Needy Families (TANF)	\$321,054,120	\$119,918,044	-	3	Department of Children, Youth, and Families; Department of Social and Health Services

Programs audited in fiscal year 2021

(Continued in alphabetical order)

Program	Audited program federal dollars	Known questioned costs	Likely improper payments	Findings	Agencies with findings
Title I, Part A - Grants to Local Education Agencies (LEAs)	\$236,295,389	-	-	1	Office of Superintendent of Public Instruction
Unemployment Insurance	\$12,138,636,512	-	-	1	Employment Security Department
Workforce Innovation and Opportunity Act (WIOA) Cluster	\$67,363,849	-	-	2	Employment Security Department

LOOKING AHEAD TO 2022

With additional federal funds flowing into Washington over the next several years, including historic investments in infrastructure, the 2021 Single Audit gives our residents and legislators a sense of how state agencies can improve their compliance with federal requirements. Though our audits offer recommendations for improvement, our office engages in several outreach efforts to help state agencies improve their compliance with federal requirements. We offer classes on federal award requirements multiple times a year, cooperate with state agencies on resolving audit findings, and more.

The influx of federal money to Washington will require a significant increase in audit work over the next couple of years. In 2022, the State Auditor's Office received additional funding from the Legislature to ensure we can meet our statutory Single Audit requirements and to report whether the state is using these funds properly. We've already started our 2022 Single Audit, and we expect to audit more programs because of federal changes to audit requirements.