



## STATE OF WASHINGTON

November 28, 2017

The Honorable Jay Inslee  
Governor of Washington  
P.O. Box 40002  
Olympia, WA 98504-0002

Members of the Legislature  
110 Legislative Building  
Olympia, WA 98504-0600

Dear Governor Inslee and Members of the Legislature:

State law (RCW 39.26.220) requires the State Auditor and Attorney General to annually give the Governor and the policy and fiscal committees of the Legislature a collaborative report on state agency contract audit and investigative findings, enforcement actions and status of the state agency resolution.

This letter serves as our report of findings issued and actions taken from July 1, 2016, to June 30, 2017.

### **STATE AUDITOR'S OFFICE**

#### *Performance Audits*

During the most recent fiscal year, the State Auditor's Office (Office) issued two performance audit reports related to contracting issues.

#### Ensuring Economical and Efficient Printing in Washington<sup>1</sup>

On October 31, 2016, our Office issued a performance audit report related to the Department of Enterprise Services' (DES) Printing & Imaging (P&I) program.

---

<sup>1</sup> <http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1017881&isFinding=false&sp=false>

We noted as a key concern that DES' Printing and Imaging (P&I) program faces many challenges demonstrating its prices are competitive. However, P&I's customers chose to use it despite now being able to contract with private print shops, suggesting that those customers find P&I's prices to be fairly competitive. We also determined that DES has taken several steps to promote print management and encourage state agencies to implement strategies that help them reduce their printing costs.

We recommended that P&I needs to take additional steps to ensure it is providing the state with the lowest cost or with the best balance of cost and quality. It could do this by collecting performance information on vendor product quality and delivery, analyzing and benchmarking P&I's performance against vendor performance in these areas and exploring ways to collect additional pricing information to identify trends and adjust business strategies accordingly. We additionally recommended that P&I should continue to promote and monitor state agencies' implementation of print management strategies.

The resolution to these findings is in progress. DES is collecting high-level vendor performance information on jobs outsourced by P&I. DES also says that collecting additional vendor performance data will require additional time, resources and expense for DES and its customers.

DES also issued a survey to gauge state agencies' progress implementing print management strategies. DES is giving state agencies additional resources, assistance, training and other guidance.

#### Washington State Patrol's Radio Narrowbanding Project<sup>2</sup>

On August 8, 2016, our Office issued a performance audit report related to Washington State Patrol's Radio Narrowbanding Project. The Federal Communications Commission (FCC) required all public safety agencies to convert their wideband radio systems to narrowband technology by 2013. This audit examined how the Patrol's narrowbanding project planning, funding requests, and procurement and contracting approaches have affected its radio system's performance and use by state troopers.

We determined the Patrol could have planned more effectively for the narrowbanding project by implementing leading practices that recommend measuring the existing system's coverage and conducting an engineering study. These leading practices were not implemented, in part due to a misunderstanding between the Legislature and the Patrol about the use of project funding as well as the approaching FCC deadline. We determined the Patrol effectively partnered with other public safety agencies to mitigate radio coverage problems. Additionally, we identified the Patrol recently increased project transparency.

We recommended State Patrol establish an informed long-term plan and budget for future project work, and work with the Governor's Office and Legislature to approve funding for needed upfront engineering studies and to establish the minimum statewide coverage.

---

<sup>2</sup> <http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1015481&isFinding=false&sp=false>

During the 2017 legislative session, no bills were passed in response to our audit recommendations. In its official response to the audit report, the Patrol said it believes it has already been successful in meeting the narrowbanding mandate, meeting budgets and improving public-safety-grade radio coverage and interoperability.

### *Fraud and Whistleblower Audits*

#### Department of Health<sup>3</sup>

On February 16, 2017, we reported reasonable cause to believe Department of Health (Department) employees violated state contracting laws when they specifically:

- Approved the use of improper sole source exemptions and signed contracts awarded non-competitively in violation of state policies
- Purchased non-competitively and above the direct-buy threshold without proper sole source approval
- Authorized the issuance of a contract that was awarded non-competitively and in violation of state policies

The Department created the following plan of resolution:

- Ensure that it uses one of the two appropriate methods for deeming a contract exempt from sole source contracting
- Reach out to DES in the future for guidance regarding competitive bidding or sole source approval

### *Compliance and Accountability Audits*

#### Department of Fish and Wildlife<sup>4</sup>

On July 7, 2016, our office issued a report on the Department of Fish and Wildlife (Department). In this audit, we found the Department did not comply with required state contracting policies related to the procurement of goods and services, and did not ensure written contracts were in effect before beginning projects.

The Department uses contracts to procure goods and services necessary to operate its programs. Staff who have completed the required Department of Enterprise Services (DES) procurement training may procure goods and services on behalf of the Department for purchases that do not exceed \$10,000. If the purchase exceeds this amount, a contract must be executed by the contracts and purchasing division. According to Department policies, the contracts and purchasing division requires a written statement of work and cost estimate by project managers who request items or services before a contract can be executed.

---

<sup>3</sup> <http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1018638&isFinding=false&sp=false>

<sup>4</sup> <http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1016961&isFinding=false&sp=false>

Our audit found:

- Nineteen payments, totaling \$124,269, were issued to one vendor without a contract in place. The Department had begun the competitive solicitation process and received the lowest bid from the vendor. However, payments were issued to the vendor before the contract was executed.
- One payment, totaling \$27,000, was made without a contract in place. A Department project manager authorized a vendor to perform work even though a contract was required by state procurement policies.
- One payment, totaling \$39,781, was issued to a vendor whose contract had expired. The Department did not file an amendment to extend the contract or increase the amount of the contract, therefore exceeding the total amount awarded to the vendor.
- Four of 22 competitively solicited contracts did not contain indication of the successful bidder in the Washington Electronic Business Solution (WEBS); additionally, one contract file did not contain all submitted proposals to ensure the lowest responsive bidder was selected to perform the work.

We recommended the Department improve internal controls over procurement and contracts, specifically by following required state contracting policies for the future procurement of goods and services and ensuring project managers are notified when a contract has been executed.

In resolution to the finding, the Department determined that the items in this finding were exceptions to the Department's standard rules, and it will be taking further steps to ensure the quality and standards required are in place.

#### Washington Turfgrass Seed Commission<sup>5</sup>

On June 8, 2017, our office issued a report on the Washington Turfgrass Seed Commission (the Commission). In this audit, we found that the Commission entered into an agreement that did not meet state law requirements for allowable uses of funds. The Commission entered into an agreement with the Washington State University Foundation to establish an endowed professorship. The Commission contributed \$150,000 to fund an endowment during the audit period and \$150,000 in the prior audit period, for a total of \$300,000. The University has not spent the funds. The agreement to begin the endowment began under a different administration. The Commission board and prior administration were not aware that the endowment was not under its statutory authority as a commission.

We recommended that the Commission work with the University to have the funds returned to the Commission, with interest. We also recommended that the Commission use funds in accordance with Washington Administrative Code (WAC).

---

<sup>5</sup> <http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1019302&isFinding=false&sp=false>

In resolution to the finding, the Commission will work with the Washington State Department of Agriculture and the Attorney General's Office to determine how to fulfill the Auditor's Office recommendation. Moving forward, the Commission will fund only projects that comply with WAC.

**ATTORNEY GENERAL'S OFFICE**

The Auditor's Office issued no audit or investigative findings that required referrals to the Attorney General's Office for enforcement.

Sincerely,



Pat McCarthy  
State Auditor



Shane Esquibel  
Chief Deputy Attorney General