



U.S. Department  
of Transportation  
**Federal Transit  
Administration**

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August 2, 2021

Roger Millar  
Secretary of Transportation  
Washington State Department of Transportation  
P.O. Box 47387  
340 Maple Park Ave. SE  
Olympia, WA, 98504-7387

**Re: Federal Transit Administration (FTA) Fiscal Year 2021 Combined Triennial and State Management Review – Final Report**

Dear Mr. Millar:

I am pleased to provide you with a copy of this FTA report as required by 49 U.S.C. Chapter 53 and other Federal requirements. The enclosed final report documents the FTA's Combined Triennial and State Management Review of Washington State Department of Transportation (WSDOT) in Olympia, WA. Although not an audit, the Combined Triennial and State Management Review is the FTA's assessment of WSDOT's compliance with Federal requirements, determined by examining a sample of award management and program implementation practices. As such, the Combined Triennial and State Management Review is not intended as, nor does it constitute, a comprehensive and final review of compliance with award requirements.

The Combined Triennial and State Management Review focused on WSDOT's compliance in 21 areas. Deficiencies were found in two areas: Financial Management and Capacity and Technical Capacity – Award Management. WSDOT had no repeat deficiencies from the 2017 Combined Triennial and State Management Review.

Given the delay in completing the FY 2020 reviews until FY 2021 and the significant amount of additional Federal financial support provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the FTA developed a supplement to the FY2020 Contractors' Manual to assist in the evaluation of how recipients have used CARES Act and Emergency Response (ER) funding. This supplement details the specific flexibilities and administrative relief provided by the FTA for the use of these funds.

Subsequent to the virtual site visit, WSDOT provided corrective action responses to address and close deficiencies noted in the Financial Management and Capacity and Technical Capacity – Award Management area of the report that follows.

**Regulations and Guidance**

As WSDOT moves forward with its transit program, FTA would like to provide a look-ahead for future oversight activities related to new and/or updated requirements, below.

### Public Transportation Agency Safety Plan (PTASP) Regulation

The PTASP regulation requires all operators of public transportation systems that are recipients and subrecipients of FTA's Urbanized Area Formula Grants (Section 5307) to develop safety plans that include the processes and procedures to implement Safety Management Systems (SMS). FTA has deferred applicability of this requirement for operators that only receive funds through FTA's Enhanced Mobility of Seniors and Individuals with Disabilities Formula Program (Section 5310) and/or Rural Area Formula Program (Section 5311).

As part of the Annual Certifications and Assurances, transit operators must certify they have a safety plan in place for meeting the requirements of the rule by July 20, 2020. However, in response to the COVID-19 public health emergency, on December 11, 2020, FTA issued a Notice of Enforcement Discretion, effectively extending the PTASP compliance deadline to July 21, 2021. All plans will be reviewed starting October 1, 2021 through FTA's oversight process. For guidance and updates to assist in the preparation and implementation of the PTASP Final Rule, please visit FTA's website at [www.transit.dot.gov/PTASP](http://www.transit.dot.gov/PTASP).

### Random Drug Testing Rate Increase

On October 17, 2018, FTA published a dear colleague letter "2019 Random Drug Testing Increase". In its letter, FTA notified recipients that effective January 1, 2019 and as mandated by its drug and alcohol regulation at 49 C.F.R. 655.45, the random drug testing rate will change. FTA increased the minimum rate of random drug testing from 25 percent to 50 percent of covered employees, for employers subject to FTA's drug and alcohol regulation. This increased random drug testing rate results from an uptick in the proportion of violations identified through random drug testing.

The 50 percent random drug testing rate applies to entities receiving Federal assistance under 49 U.S.C. 5307, 5309, 5311 or 5339, including recipients, subrecipients, and safety-sensitive contractors. The required minimum rate for random alcohol testing is unaffected and remains at 10 percent.

Thank you for your cooperation and assistance during this Triennial Review. If you need any technical assistance or have any questions, please do not hesitate to contact Mr. Scot Rastelli, Transportation Program Specialist, at 206-220-7965 or by email at [Scot.Rastelli@dot.gov](mailto:Scot.Rastelli@dot.gov).

Sincerely,

Linda M. Gehrke  
Regional Administrator

Enclosure

cc: Brian Lagerberg, Director, Public Transit Division, WSDOT  
Patty Rubstello, Assistant Secretary, WSF  
Firas Makhoul, Capital Projects & Funding Manager, WSDOT  
Donna Thomas, Performance Measurement Specialist, Washington State Ferries  
Terry Brown, Milligan & Company, LLC  
John Clare, Milligan & Company, LLC

## IV. Results of the Review

### 1. Legal

Basic Requirement: The recipient must promptly notify the FTA of legal matters, include clauses in its third party and subrecipient agreements, and additionally notify the U.S. DOT Office of Inspector General (OIG) of any instances relating to false claims under the False Claims Act or fraud. Recipients must comply with restrictions on lobbying requirements.

Finding: During this Combined Triennial and State Management Review of WSDOT, no deficiencies were found with the FTA requirements for Legal.

### 2. Financial Management and Capacity

Basic Requirement: The recipient must have financial policies and procedures; an organizational structure that defines, assigns and delegates authority; and financial management systems in place to match, manage, and charge only allowable cost to the award. The recipient must conduct required single audits and provide financial oversight of subrecipients.

Finding: During this Combined Triennial and State Management Review of WSDOT, a deficiency was found with the FTA requirements for Financial Management and Capacity.

*Ineligible operating expense calculation (F8-1); **This relates to PTD***

During the review of WSDOT, a sample of nine ECHO drawdowns processed since the last Comprehensive Review were selected. Of these nine, two were drawdowns from CARES award, WA-2020-038-01. One of the drawdowns from the CARES award, totaling \$5,401,607, was to reimburse eight subrecipients for operating costs incurred between February and May 2020. Reimbursements for two of the eight subrecipients were reviewed further (People for People and Mason Transit), and it was determined that “Lost Revenue” was incorrectly included as an expense in both those requests. Lost Revenue was calculated in both cases by comparing revenues collected in 2019 to those collected in 2020 and adding the amount of shortfall to the reimbursement request. The total amount included for the two subrecipients was \$160,643.

Subsequent to the Virtual Site Visit but prior to the issuance of the draft report, WSDOT refunded the \$160,643 to the FTA, along with \$2,168.68 in interest as determined by the FTA Regional Office. This action is sufficient to address the corrective action for this deficiency and the finding is closed.

*FTA Circular 9030.1E, Ch. IV, Section 4. Operating Assistance*

*FTA provides funding to eligible recipients for costs incurred in the operation of public transportation service. In general, operating expenses are those costs necessary to operate, maintain, and manage a public transportation system. Operating expenses usually include such costs as driver salaries, fuel, and items having a useful life of less than one year.*

**State of Washington**  
**Single Audit Report**  
**For Fiscal Year Ended**  
**June 30, 2020**

**Financial Statements Section**

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### State of Washington July 1, 2019 through June 30, 2020

#### 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 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 identified 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 each of its major federal programs, with the exception of the Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and

Matching Funds of the Child Care and Development Fund) and 21.019 Coronavirus Relief Fund, on 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.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.551	SNAP Cluster - Supplemental Nutrition Assistance Program
10.551	SNAP Cluster – COVID-19 – Supplemental Nutrition Assistance Program
10.553	Child Nutrition Cluster – School Breakfast Program
10.553	Child Nutrition Cluster – COVID-19 – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.555	Child Nutrition Cluster – COVID-19 – National School Lunch Program
10.556	Child Nutrition Cluster – Special Milk Program for Children
10.556	Child Nutrition Cluster – COVID-19 – Special Milk Program for Children
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
10.559	Child Nutrition Cluster – COVID-19 – Summer Food Service Program for Children
10.561	SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.565	Food Distribution Cluster – Commodity Supplemental Food Program
10.568	Food Distribution Cluster – Emergency Food Assistance Program (Administrative Costs)
10.568	Food Distribution Cluster – COVID-19 – Emergency Food Assistance Program (Administrative Costs)
10.569	Food Distribution Cluster – Emergency Food Assistance Program (Food Commodities)
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
17.225	COVID-19 – Unemployment Insurance

<b>CFDA No.</b>	<b>Program or Cluster Title</b>
17.258	WIOA Cluster – WIOA Adult Program
17.259	WIOA Cluster – WIOA Youth Activities
17.278	WIOA Cluster – WIOA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
20.219	Highway Planning and Construction Cluster – Recreational Trails Program
20.224	Highway Planning and Construction Cluster – Federal Lands Access Program
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.525	Federal Transit Cluster – State of Good Repair Grants Program
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs
21.019	COVID-19 – Coronavirus Relief Fund
64.015	Veterans State Nursing Home Care
64.015	COVID-19 – Veterans State Nursing Home Care
84.007	Student Financial Assistance Cluster – Federal Supplemental Educational Opportunity Grants
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education State Grant Program
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.033	Student Financial Assistance Cluster – Federal Work-Study Program
84.033	Student Financial Assistance Cluster – COVID-19 – Federal Work-Study Program
84.038	Student Financial Assistance Cluster – Federal Perkins Loan Program
84.063	Student Financial Assistance Cluster – Federal Pell Grant Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
84.268	Student Financial Assistance Cluster – Federal Direct Student Loans
84.379	Student Financial Assistance Cluster – Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
84.425	COVID-19 – Education Stabilization Fund
93.264	Student Financial Assistance Cluster – Nurse Faculty Loan Program (NFLP)

<b>CFDA No.</b>	<b>Program or Cluster Title</b>
93.342	Student Financial Assistance Cluster – Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students
93.364	Student Financial Assistance Cluster – Nursing Student Loans
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.568	COVID-19 – Low-Income Home Energy Assistance
93.575	CCDF Cluster – Child Care and Development Block Grant
93.596	CCDF Cluster – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.596	CCDF Cluster – COVID-19 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care Title IV-E
93.658	COVID-19 – Foster Care Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
93.767	COVID-19 – Children's Health Insurance Program
93.775	Medicaid Cluster – State Medicaid Fraud Control Units
93.777	Medicaid Cluster – State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.777	Medicaid Cluster – COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medicaid Cluster – Medical Assistance Program
93.778	Medicaid Cluster – COVID-19 - Medical Assistance Program
93.788	Opioid STR
93.870	Maternal, Infant and Early Childhood Home Visiting Grant
93.925	Student Financial Assistance Cluster – Scholarships for Health Professions Students from Disadvantaged Backgrounds
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$38,889,219.

The State did not qualify as a low-risk auditee under the Uniform Guidance.



## SECTION II – FINANCIAL STATEMENT FINDINGS

Finding Number	Finding Title
2020-001	The State's internal controls were insufficient to prevent fraudulent unemployment benefit payments.
2020-002	The State did not have adequate internal controls over financial reporting to ensure financial activity is properly classified, recorded in the correct period and reconciles to its financial statements.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## **Twin Transit** **January 1, 2020 through December 31, 2020**

### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of Twin Transit 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 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 no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

#### **Federal Awards**

##### **Internal Control over Major Programs:**

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.509	Formula Grants for Rural Areas and Tribal Transit Program
20.509	COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Authority did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.