

UNITED WAY OF KING COUNTY

Single Audit Reports

For the Year Ended June 30, 2023

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**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***

Independent Auditor's Report

**Board of Directors
United Way of King County
Seattle, 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 (*Government Auditing Standards*), the financial statements of United Way of King County (the Organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated May 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 entity'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.



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Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
May 13, 2024

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

**Board of Directors
United Way of King County
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited United Way of King County's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.



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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our Compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated May 13, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
May 13, 2024

UNITED WAY OF KING COUNTY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Identification Number	Passed Through to Subrecipients *	Total Federal Expenditures
Corporation for National and Community Service:				
Passed Through Office of Financial Management - Washington State				
AmeriCorps State and National	94.006	19FXHWA0020005/K3503 22ESIWA0010003/K3868	\$ -	\$ 969,440
AmeriCorps Volunteers in Service to America	94.013			<u>172,537</u>
Total Corporation for National and Community Service				<u>1,141,977</u>
Department of Housing and Urban Development:				
Passed Through the City of Seattle, Human Services Department COVID-19 Community Development Block Grants				
	14.228	OH-2023-01		<u>311,975</u>
Total Department of Housing and Urban Development				<u>311,975</u>
U.S. Department of the Treasury:				
Passed Through the Department of Public Health, King County COVID-19 Coronavirus State and Local Fiscal Recovery Funds- Food Security Assistance Program				
	21.027	2476 ODIR		4,184,503
Passed Through the Department of Agriculture, Washington State COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
	21.027	K3995		<u>300,000</u>
				4,484,503
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	21VITA0295/293		<u>189,856</u>
Total U.S. Department of the Treasury				<u>4,674,359</u>
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 6,128,311</u>

* No federal assistance reported on the Schedule of Expenditures of Federal Awards was passed through to subrecipients during the year.

See independent auditor's report and notes to schedule of expenditures of federal awards.

UNITED WAY OF KING COUNTY

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of United Way of King County (the Organization) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and specific Federal award guidelines, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Expenses incurred under federal programs are subject to audit by the awarding agencies. If, as a result of such an audit, certain expenses incurred are determined to be nonreimbursable, the Organization may be liable for repayment of disallowed expenses previously claimed or received.

Note 3 - Prior Year Schedule

The prior year schedule reported \$1,179,302 in federal expenditures for COVID-19 Coronavirus State and Local Fiscal Recovery Funds- Food Security Assistance Program which under-reported expenditures by \$36,195. The total federal expenditures should have been \$1,215,497.

UNITED WAY OF KING COUNTY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Programs

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
94.006	AmeriCorps State and National

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

UNITED WAY OF KING COUNTY

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Section II - Financial Statement Audit Findings

Finding 2023-001

Material weakness in internal control over financial reporting.

Criteria

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. Accounting principles generally accepted in the United States of America requires transactions to be recorded properly.

Condition/Context for Evaluation

During the audit for the year ended June 30, 2023, we determined there was a clerical error in the calculation of the Organization's share of one of the perpetual trusts in which the Organization is a beneficiary, causing an overstatement of beneficial interest in trusts and investment earnings. We also determined there were amounts in grants receivable that were not valid receivables to the Organization as of June 30, 2023, causing an overstatement in grants receivable and grants revenue. As a result, audit adjustments were recorded to reduce investments earnings and revenue by \$2,582,297, reduce grants receivable by \$1,605,453, and reduce beneficial interest in trusts held by others by \$976,844 as of June 30, 2023. Additionally, we noted no evidence of review of monthly reconciliations, specifically the bank reconciliations and reconciliations of the donor database to the general ledger.

Cause

The Organization's internal controls over financial reporting relating to month-end close were not consistently followed for reconciliations and review.

Effect

Beneficial interest in trusts held by others, grants receivable, investment earnings, and revenue were misstated as of and for the year ended June 30, 2023, which resulted in material audit adjustments recorded during the financial statement audit for the year ended June 30, 2023.

Questioned Costs

None.

Repeat Finding

Yes. 2022-001

Recommendation

We recommend management ensure that internal controls over financial reporting, specifically over period end close, are strengthened to determine proper accounting treatment and balances at year-end, and include proper review.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.

UNITED WAY OF KING COUNTY

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Section III - Federal Award Findings and Questioned Costs

Finding 2023-002

Significant deficiency in internal control over compliance for special tests and provisions.

Federal Agency: Corporation for National and Community Service
Pass-Through: Office of Financial Management
Program Title: AmeriCorps State and National
Assistance Listing Number: 94.006
Award Number: 19FXHWA0020005, Contract No. K3503
Award Period: August 1, 2021 - July 31, 2022

Criteria

Internal controls requirements contained in Title 2 U.S. Code of Federal Regulations *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Subpart D - Post Federal Award Requirements, Section 200.303, Internal Controls, require that a non-Federal entity must 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).

Condition/Context for Evaluation

The Organization's internal controls require management of the program to keep ongoing records for each person enrolled in the program. Maximum stipend amounts are determined and set forth by the national Americorps program, and Americorps program staff update the member service agreements (MSAs) when updates are obtained.

Of the 15 employees we tested for signed MSAs, 2 did not have MSAs on file and 3 had MSAs signed by the employees but not signed by the Organization's management.

Cause

The Organization's internal controls related to enrolling participants in the program and reviewing that signed MSAs were on file was not consistently applied.

Effect or Potential Effect

Deficiencies in internal controls related to member service agreements could result in material noncompliance.

Questioned Costs

None.

Repeat Finding

Yes. 2022-002

Recommendation

We recommend the Organization enforce its policies for retention and review of records for each person enrolled in the program.

UNITED WAY OF KING COUNTY

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Section III - Federal Award Findings and Questioned Costs (Continued)

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.



Schedule of Prior Audit Findings and Questioned Costs

Finding 2022-001

Significant deficiency in internal control over financial reporting.

Condition/Context for Evaluation

During the audit for the year ended June 30, 2022, it was determined that \$1,468,208 related to 2023 expenses were recorded in 2022, when management tried to correct this error, the entry posted was to record prepaid expense advances and reduce expense, however this entry caused accounts payable and prepaid expense advances to be overstated as of June 30, 2022. As a result, an audit adjustment was recorded to reduce prepaid expense advances and accounts payable as of June 30, 2022.

Current Year Status

There were similar issues noted during the current year. See finding noted at 2023-001.



Finding 2022-002

Significant deficiency in internal control over compliance for special tests and provisions.

Federal Agency:	Corporation for National and Community Service
Pass-Through:	Office of Financial Management
Program Title:	AmeriCorps State and National
Assistance Listing Number:	94.006
Award Number:	19FXHWA0020005, Contract No. K3503
Award Period:	August 1, 2021 – July 31, 2022



Condition/Context for Evaluation

The Organization's internal controls require management of the program to keep ongoing records for each person enrolled in the program. Maximum stipend amounts are determined and set forth by the national AmeriCorps program, and AmeriCorps program staff update the member service agreements (MSAs) when updates are obtained. Of the 7 employees we tested for signed MSAs, 3 did not have MSAs on file and 2 had MSAs signed by the employees but not signed by the Organization's management. Additionally, we noted 2 employees who were being paid higher living allowance stipends than their MSAs stated.



Current Year Status

The Organization has implemented new controls for review of payroll to the underlying records. However, there were issues over review of records for enrolled participants noted in the current year. See finding noted 2023-002.



Finding 2022-003

Significant deficiency in internal control over compliance related to reporting.

Federal Agency: U.S. Department of the Treasury
Pass-Through: City of Seattle, Human Services Department
Program Title: COVID-19 Emergency Rental Assistance Program
Assistance Listing Number: 21.023
Award Number: ERA0208, Contract No. OH-2021-02
Award Period: May 1, 2021 – December 31, 2022

Condition/Context for Evaluation

The Organization’s internal controls require management to review reports to assure accuracy and completeness of data and information included in the reports. Of the 5 reports we tested, 2 did not have evidence of review.

Current Year Status

The Organization has implemented controls to address this area.

**Management Corrective Action Plan
For the Year Ended June 30, 2023**

Finding 2023-001

Recommendation: We recommend management ensure that internal controls over financial reporting, specifically over period-end close, are strengthened to determine proper accounting treatment and balances at year-end and include proper review.

Corrective Actions: Management agrees with the recommendation. Once discovered in fiscal year 2024, immediate action was taken to correct the clerical error in the calculation of the Organization's share of one of the perpetual trusts. This activity is now reviewed and signed off by the Controller or Assistant Controller and reconciled to the general ledger as part of the month-end close.

An open position for grants accounting has been filled by a specialized Senior Grants Accountant in fiscal year 2024, and grants receivable and revenue are reconciled to the general ledger, then reviewed and signed off by the Controller as part of the month-end close.

Bank and donor database reconciliations are reviewed and signed off by the Controller or Assistant Controller as part of the month-end close throughout fiscal year 2024.

Person(s) Responsible for Corrective Actions: Mark Jacobs, Controller, Jennifer Johnston, Chief Financial Officer

Anticipated Completion Date: March 2024, already in effect.

Finding 2023-002

Recommendation: We recommend the Organization enforce its policies for retention and review of records for each person enrolled in the program.

Corrective Action: Management agrees with the recommendation. Corrective action taken includes preparation of and communication of standard operating procedures for enrollment, payroll set up, and member service agreement document review and retention. In addition, program management staff will conduct a secondary review of biweekly program payroll prior to submission, to ensure wage rate compliance with member service agreements. The issues identified in the finding all occurred before corrective action was taken in March of 2023.

Person(s) Responsible for Corrective Action: Elizabeth StoDomingo, Chief Human Resources Officer, Corey Taylor Payroll Manager, Tamarack Randall, Director of Financial and Housing Stability; Regina Malveaux, Chief Impact Officer, Cheyenne Stolmeier, Community Services; National Service Program Manager, AmeriCorps.



Anticipated Completion Date: March 31, 2023, already in effect.