



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Department of Agriculture

For the period July 1, 2023 through June 30, 2025

Published July 23, 2026

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**Office of the Washington State Auditor
Pat McCarthy**

July 23, 2026

Derek Sandison
Director
Department of Agriculture
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Department's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Department operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the Department could make improvements. These recommendations are included with our report as a finding.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Department of Agriculture from July 1, 2023 through June 30, 2025.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Department's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended June 30, 2025 and 2024, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Inspection compliance for egg packing plants
- State grants - Emergency Food Assistance Program
- Procurement and contracts
- Collection of licensing and fees revenue - organic certification fees
- Purchase card payments
- Vendor payments

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Department of Agriculture July 1, 2023 through June 30, 2025

2025-001 The Washington State Department of Agriculture did not have adequate internal controls over and did not comply with state law related to egg packing plant inspections.

Background

The Washington State Department of Agriculture's Food Safety Program (FSP) is responsible for the regulation, licensing and inspection of food processing facilities, food storage warehouses, dairy farms and processing plants, cottage food operations, custom meat facilities, eggs and marijuana-infused edibles. Eggs and egg products are an important source of the state's total food supply and are used in food in various forms. Therefore, it is essential, in the public interest, that the health and welfare of consumers be protected. In 1975, the state implemented the Washington Wholesome Eggs and Egg Products Act (Act) under the Revised Code of Washington (RCW) 69.25 to prevent the sale of misbranded or adulterated egg products.

Under the Act, the Department is required to perform inspections at egg packing plants at least once each calendar quarter.

Additionally, under Washington Administrative Code (WAC) 16-167-050(2), the Department has adopted federal food for human consumption requirements under 21 CFR 100-118 and 21 CFR 120-190. The Department uses current good manufacturing practices under 21 CFR 117, which covers personnel disease control and cleanliness, condition of plant and grounds, pest control, sanitation of facilities, as well as equipment and utensils.

Description of Condition

The Department did not have adequate internal controls over and did not comply with state law related to egg packing plant inspections. We identified this issue in the prior audit, which the Department has not fully addressed.

The Department did not inspect egg packing plants at least once each calendar quarter in fiscal years 2024 and 2025 as state law requires.

In state fiscal year 2024, the Department was required to perform 165 quarterly inspections, but it performed 13 (8%) inspections. In state fiscal year 2025, 294 quarterly inspections were required, but the Department only performed two (1%) inspections.

Overall, the Department did not perform 444 (97%) of 459 required quarterly inspections during the audit period.

Cause of Condition

The Department's FSP is in discussion with its Administrative Regulations Program to have the RCW revised as they do not believe that quarterly inspections of egg facilities are needed to protect public health. The Department said this requirement was enacted in 1975 when the Department had a stand-alone egg inspection program. Today, the Department's FSP not only covers shell egg facility inspections but is also responsible for regulation of food processing plants, food storage warehouses, cottage food operations, marijuana-infused edible processors, custom meat operations, hemp extract processors, milk processing plants and milk producers.

The Department maintains the FSP does not have sufficient inspection staff to visit egg packing facilities quarterly.

Effect of Condition

By not performing inspections required by state law, there is an increased risk that eggs unfit for human consumption may reach the consumer, posing serious health and safety risks.

Because this finding reports noncompliance with state law, RCW 43.09.312 (1) requires the Office of Financial Management to submit the agency's response and plan for remediation to the Governor, the Joint Legislative Audit and Review Committee, and the relevant fiscal and policy committees of the Senate and House of Representatives.

Recommendation

We recommend the Department implement policies and procedures to ensure it performs quarterly inspections at egg packing plants, as required by state law.

Department's Response

We would like to thank the State Auditor's Office for providing an outside assessment of our egg inspection program. We have read through the findings and understand what has been identified. We agree that RCW 69.25.080(4) includes a requirement that shell egg packers be inspected at least once each calendar quarter. Furthermore, we do not dispute the finding that 97% of the shell egg packer inspections directed by that section of the RCW were not performed during the last biennium.

We do acknowledge the requirement in RCW 69.25.080(4). However, we would like to again highlight several other sections of Chapter 69.25 RCW which we believe indicate that the legislature did not necessarily intend for the program to conduct that number of inspections ad infinitum. Specifically, RCW 69.25.030 states that any regulations adopted under the federal egg products inspection act are "hereby deemed to have been adopted under the provisions hereof." The program would like to point out that these federal regulations exempt egg packers that have fewer than 3,000 laying hens from registration under the act and therefore from regular inspection. Currently in our state, there are fewer than 10 of these egg packing facilities with greater than 3,000 laying hens.

Additionally, RCW 69.25.120 states that the director "shall, whenever he or she determines that it would effectuate the purposes of this chapter, cooperate with any state, federal, or other governmental agencies in carrying out any provisions of this chapter." We would like to call attention to the letter we provided from the United States Department of Agriculture stating that they conducted quarterly inspections of the large egg packing facilities in Washington during the entirety of the last biennium.

Finally, RCW 69.25.170 provides several exemptions to specific provisions of the law that the director may establish by regulation. These exemptions include the sale of eggs by any egg producer with an annual egg production from a flock of three thousand hens, the sale of eggs by shell egg packers on their own premises directly to household consumers for use by such consumers, etc. These exemptions are nearly identical to exemptions already provided by the federal regulations, which RCW 69.25.030 already adopts. It is not clear why a section in the state law was included to allow exemptions by rule when the federal regulations adopted by the same state law allow for the same exemptions. In any case, the section shows that the legislature provided the director with the option to allow exemptions indicating that quarterly inspections of any and all egg packers in the state were not essential to ensuring the safety of the state's egg supply.

As we mentioned in the previous audit, the program intended to initiate rulemaking to codify allowable exemptions in the Washington Administrative Code. Since the previous audit, the program has met with USDA, the Food and Drug Administration, and egg regulatory officials from other states to gain input prior to filing. Additionally, the program has surveyed state egg producers and packers to gauge support for the effort. We have also started working on possible draft language for updates to Chapter 16-104 WAC Shell Eggs – Standards, Grades and Weight Classes and expect to file the CR-101 before the end of FY2026.

The program is committed to ensuring a safe food supply, including shell eggs from egg packers and believes that frequency of inspections should be based on a modern risk-based approach that considers production volume, firm history, facility activity and other factors. Nevertheless, we recognize that more inspections need to occur and we are committed to shifting resources where possible to inspect more egg packers. While not a part of the scope of the current audit, we wanted to mention that the department was conducting inspections of egg warehouses as well as retail shell egg surveillance throughout the state. These two activities provide opportunities to conduct temperature checks, review product labeling, spot check egg conditions and evaluate storage conditions in both the distribution channels and the retail points of sale. Should potential issues with shell eggs be found at warehouses or retail points of sale, the program has the opportunity to follow up with the responsible party for corrections.

Finally, we would like to mention a few more relevant items pertaining to egg facilities. High pathogenic avian influenza (HPAI) reemerged as a threat to the industry in 2022. HPAI has a high mortality rate for poultry and a contamination event at a facility results in a depopulation event which is not only a severe economic impact on large producers, but also impacts food availability and consumer prices. Additionally, HPAI can pose a food safety risk to consumers. With the reemergence of HPAI in 2022, the program had to adjust operations. This means taking increased biosecurity measures (no visits to multiple producers in the same day, cleaning and sanitizing boots and vehicles between visits, etc). These measures, while necessary, also mean fewer days available to inspect one of the egg producers in our inventory. Since 2022, there have been numerous cases of HPAI in backyard flocks as well as two incidences of HPAI at large egg packing facilities.

Auditor's Remarks

While the Department maintains that quarterly inspections are unnecessary for egg packing plants, current regulations require these quarterly inspections in the interest of public safety. Additionally, the Department has not met its own risk-based annual inspection frequency for egg packing plants. Therefore, even if the packing plant inspection frequency requirement was reduced, the Department still has not inspected high-risk egg packing plants timely in accordance with its own policies.

We would also like to confirm that we did not include egg firms with over 3,000 hens in our audit scope due to the letter provided by the Department from the United States Department of Agriculture stating they conducted quarterly inspections of these large egg packing facilities in Washington during the last biennium.

In addition, while state law does allow for certain inspection exemptions for small egg producers and packers, these exempt egg facilities are not required to register with the Department of Revenue as licensed egg handlers/dealers. Since the list of egg facilities we received was for licensed egg handlers/dealers, these egg facilities would fall under state inspection requirements.

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

RCW 69.25.080, Continuous inspection at processing plants-Exemptions-Condemnation and destruction of adulterated eggs and egg products-Reprocessing-Appeal-Inspection of egg handlers, states, in part:

(4) The director shall cause such other inspections to be made of the business premises, facilities, facilities, inventory, operations, and records of egg handlers, and the records and inventory of other persons required to keep records under RCW 69.25.140, as he or she deems appropriate (and in the case of shell egg packers, packing eggs for the ultimate consumer, at least once each calendar quarter) to assure that only eggs fit for human food are used for such purpose, and otherwise to assure compliance by egg handlers and other persons with the requirements of RCW 69.25.140, except that the director shall cause such inspections to be made as he or she deems appropriate to assure compliance with such requirements at food manufacturing establishments, institutions, and restaurants, other than plants processing egg products. Representatives of the director shall be afforded access to all such places of business for purposes of making the inspections provided for in this chapter.

Title 21 U.S. Code of Federal Regulations (CFR), Chapter I Food and Drug Administration, Department of Health and Human Services, Subchapter B Food for Human Consumption, states, in part:

Section 117.10 Personnel.

(b) Cleanliness. All persons working in direct contact with food, food-contact surfaces, and food-packaging materials must conform to hygienic practices while on duty to the extent necessary to protect against allergen cross-contact and against contamination of food. The methods for maintaining cleanliness include:

(1) Wearing outer garments suitable to the operation in a manner that protects against allergen cross-contact and against the contamination of food, food-contact surfaces, or food-packaging materials.

(2) Maintaining adequate personal cleanliness.

(6) Wearing, where appropriate, in an effective manner, hair nets, headbands, caps, beard covers, or other effective hair restraints.

WAC 16-167-050, General requirements, states, in part:

The following provisions of 21 CFR Chapter I are adopted as Washington requirements for regulating food in intrastate commerce.

(2) All parts of Subchapter B – Food for Human Consumption, except for part 119.

Department of Agriculture Policy/Procedures FS-301, Risk-Based Inspections, states, in part:

(3) FSCS prioritizes inspections according to determined inspectional frequencies and allocates inspection resources to cover the Compliance, Critical and High risk inspections as a high priority, and the medium and low risk firms as medium and low priority.

RCW 43.09.312, Post-audits of state agencies under RCW 43.09.310—Noncompliance—Remediation—Referral to attorney general.

(1) Within thirty days of receipt of an audit under RCW 43.09.310 containing findings of noncompliance with state law, the subject state agency shall submit a response and a plan for remediation to the office of financial management. Within sixty days of receipt of an audit under RCW 43.09.310 containing findings of noncompliance with state law, the office

of financial management shall submit the subject state agency's response and a plan for remediation to the governor, the state auditor, the joint legislative audit and review committee, and the relevant fiscal and policy committees of the senate and house of representatives.

(2) If, at the next succeeding audit of the subject state agency, the state auditor determines that the subject state agency has failed to make substantial progress in remediating the noncompliance with state law, the state auditor shall notify the entities specified in subsection (1) of this section.

(3) Upon receipt of a notification under subsection (2) of this section, a fiscal or policy committee of the senate or house of representatives may refer the matter to the senate committee on facilities and operations or the executive rules committee of the house of representatives, which committee may refer the matter to the attorney general for appropriate legal action under RCW 43.09.330.



STATE OF WASHINGTON
DEPARTMENT OF AGRICULTURE
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Department of Agriculture
July 1, 2023 through June 30, 2025**

This schedule presents the status of findings reported in prior audit periods.

Audit Period: July 1, 2021 - June 30, 2023	Report Ref. No.: 1035267	Finding Ref. No.: 2023-001				
Finding Caption: The Washington State Department of Agriculture did not have adequate internal controls and did not comply with state law and Department policies related to egg production and egg packing plant inspections.						
Background: The Department policies and procedures state that all egg inspections should occur based on risk assessment, which was yearly during the audit period. This timeline does not comply with state law that requires inspections at least once each calendar quarter. The FSP Manager approved this policy most recently in 2020, but this has been a long-standing written policy, that former FSP managers approved, since 2015. The Department did not perform the required number of inspections because of a staffing shortage and because management believed the presence of inspectors on site increased the risk of spreading the avian flu. The Department could not support the inspection of three personnel cleanliness criteria due to an oversight by the Department in the setup of the digital inspection checklist. Additionally, the Department configured the digital checklist with criteria pre-checked for ease of use and to help ensure that the inspector did not miss inspection criteria.						
Status of Corrective Action: (check one) <table><tr><td>☐ Fully Corrected</td><td>☒ Partially Corrected</td><td>☐ Not Corrected</td><td>☐ Finding is considered no longer valid</td></tr></table>			☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid
☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid			

Corrective Action Taken:*Rulemaking activities:*

- *Met with the AAG to confirm the department's authority to create exemptions for egg inspection requirements, particularly inspection frequency. RCW 69.25.170 gives the director authority to exempt certain firms from specific provisions of the statute. Additionally, RCW 69.25.030 already adopts the federal egg products inspection act and any regulations adopted under that act, which include certain exemptions. Finally, RCW 69.25.120 allows the Department to cooperate with any state, federal, or other governmental agencies in carrying out any provisions of Chapter 69.25.*
- *Met with USDA to discuss rulemaking plans, federal exemptions, current USDA inspection coverage in the state and proposed frequencies, and federal egg regulations. The Department confirmed that USDA has been conducting quarterly egg handler inspections for non-exempt egg packers.*
- *Drafted a CR-101 to initiate rulemaking*
- *Pre CR-101 filing meeting has been scheduled for May 2026.*

Actions to maintain a current inventory and provide access to inspection staff:

- *The Department has established a monthly process to obtain the most current list of egg handler/dealers in the Department of Revenue database and make the current inventory available to all program staff on a shared MS Teams channel.*
- *The Department has met with the Department of Revenue to discuss the possibility of requiring firms applying for or renewing egg handler endorsements to report what type of facility they are (warehouse, farm, packer, etc.) and to capture that information in the database. A formal request for this change has been submitted.*
- *The Department has updated their inspection database to add firm type classifications to firms as they are entered into the system for improved inventory and inspection tracking.*
- *As of May 2026, all known egg handler/dealers have been added to the program's database.*

Training and Inspections:

- *The Department trained program staff at an all-program meeting in October 2025 regarding location of the egg handler inventory, state and federal egg regulations, and program policy and expectations for egg inspection frequency.*
- *The program staff in the Department started to increase number of inspections of egg handlers in FY2026. As these inspections are performed, staff are updating firm statuses and classifications in the program database.*

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Annual Comprehensive Financial Report (ACFR). The ACFR reflects the financial activities of all funds, organizations, agencies, departments and offices that are part of the state's reporting entity. The results of that audit are published in a report issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Special investigations

We issued a report on a fraud investigation report on activities at the Department. That report is available on our website, <https://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DEPARTMENT

The Washington State Department of Agriculture serves the people of Washington by supporting the agricultural community and promoting consumer and environmental protection. The Department carries out more than 25 distinct programs including: Animal Health, Livestock Identification, Food Assistance, Food Safety, Food Safety Lab, Animal Feed Regulation, Agricultural Fairs, Commodity Commissions, Nursery Inspection, Organic Certification, Pesticide Regulation, Dairy Nutrient Management, Fertilizer Regulation, Plant Protection, Planting Stock Certification, Invasive Pests, Chemical and Hop Lab, Weights And Measures, Commission Merchants, Grain Inspection, Fruit And Vegetable Inspection, Seed Inspection/Certification, Grain Warehouse Audit, and International and Regional Marketing.

A Director is appointed by the Governor to oversee the Department's activities as well as its approximately 1,000 employees. Approximately 800 employees work year-round and approximately 200 employees work seasonally, primarily as fruit and vegetable inspectors and insect trappers. For the 2023-2025 biennium, the Department's budget was \$445.7 million.

Contact information related to this report

Contact:	Natasha Roberts, Chief Financial Officer
Telephone:	(360) 902-1988
Website:	www.agr.wa.gov

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Agriculture at <https://portal.sao.wa.gov//ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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