

2020 Audit Resolution Report

State of Washington
Office of Financial Management
December 2020



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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2020

Audit Resolution Report

ACCOUNTING DIVISION
DECEMBER 2020

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**State of Washington - Office of Financial Management
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THIS REPORT SUMMARIZES the status of corrective actions taken by state agencies, in conjunction with the Office of Financial Management (OFM), to resolve exceptions to specific expenditures or financial transactions reported in audits performed under RCWs 43.09.310 and 43.09.340.

Washington State laws require post audits of every state agency. As part of the audit process, exceptions to specific expenditures or financial transactions become a matter of public record. OFM is required to ensure that agencies take corrective actions to address exceptions and to annually report on the status of these audit resolutions.

This annual report is required by RCW section 43.88.160 (6)(d) which states, “The director of financial management shall annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services.”

This report summarizes the status of resolution of audit exceptions reported in conjunction with individual agency post audits and the statewide single audit, as well as other special State Auditor’s Office (SAO) reports. These reports were issued between November 1, 2019, and October 31, 2020.

The audit reports issued during that period include:

- 70 federal compliance findings
- 9 non-federal findings
- 6 findings of fraud

Agencies are required to submit corrective action plans to OFM within 30 days of issuance of audit reports in which exceptions are taken. OFM participates in the corrective action process, which is subject to a follow-up review by SAO.

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Schedule 1 – Audit Findings by Agency

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2019 F = Statewide Single Audit Report

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State of Washington

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 001 | <p data-bbox="483 422 662 449">Finding:</p> <p data-bbox="673 422 1446 512">The State’s internal controls over financial reporting were insufficient to ensure accurate recording and monitoring of financial activity in its financial statements.</p> <p data-bbox="483 552 602 609">Corrective Action:</p> <p data-bbox="673 552 1463 735">The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state’s financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Responses from each agency are listed below:</p> <p data-bbox="673 779 1240 806"><i>State Board for Community and Technical Colleges</i></p> <p data-bbox="673 842 1446 995">Since July 2017, the State Board for Community and Technical Colleges (State Board) has been working on developing and implementing an automated process to accurately and completely upload ctcLink financial transactions into the state’s accounting system, Agency Financial Reporting System (AFRS).</p> <p data-bbox="673 1031 1463 1184">As of April 2019, the State Board implemented an automated AFRS customized upload process after a yearlong design and testing effort. This upload process provided the State Board the ability to extract college data, process errors, and report data through June 2019 to the Office of Financial Management.</p> <p data-bbox="673 1220 1446 1373">On July 1, 2019, a newly re-designed global chart of accounts was implemented, which has significantly improved the college system’s ability to consistently track and report revenues and expenses. However, this implementation affected the AFRS upload process; requiring the customization to be re-configured to work with the new chart of accounts.</p> <p data-bbox="673 1409 1463 1591">As of October 2019, the re-configured customization was completed, tested, and successfully deployed. In April 2020, it was discovered that an update to the global chart of accounts affected the customized programming that uploads data into AFRS. The issues have since been identified and addressed, and the State Board is currently reviewing and uploading corrected data for November 2019 through May 2020.</p> <p data-bbox="673 1627 1430 1717">The State Board has been working on fine-tuning the automated upload process and providing training to college clients on the newly implemented process.</p> <p data-bbox="673 1753 1446 1877">As of February 2020, the State Board hired a System ctcLink Account Coordinator, a new position dedicated to coordinate, review, and support the AFRS upload process. In June 2020, an additional accounting staff member was assigned to support the year-end upload process.</p> <p data-bbox="673 1913 1446 1969">As of June 2020, State Board leadership, finance staff, and programmers meet weekly to monitor progress, identify needed resources and make</p> |

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 001 (cont'd) | <p>critical decisions. This process has led to steady progress, resulting in improved functionalities being deployed in July and August 2020.</p> <p>The State Board will continue to:</p> <ul style="list-style-type: none"> • Improve and add functionalities to the customized automated upload process. • Provide technical assistance to all colleges in their efforts to reconcile accounting records with the state accounting system. <p><i>Healthcare Authority</i></p> <p>The Authority recognizes the significance and priority of internal controls over recording and reporting financial transactions.</p> <p>The Authority disagrees that annual assurances over ProviderOne controls are necessary or that the Authority did not address monitoring in its ProviderOne contract language. Currently, the vendor provides an independent service organization control (SOC) audit every other year. The estimated additional cost to purchase an annual SOC audit report is \$470,000 each biennium.</p> <p>In both 2019 and 2020, the Authority requested funding from the Legislature to contract for the additional SOC audit report. This request was not funded.</p> <p>The Authority will continue to request funds to obtain this report in order to resolve the audit finding.</p> <p>Completion Date: Corrective action is expected to be complete by June 2021</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (564) 999-1781 brian.tinney@ofm.wa.gov</p> |

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Office of Legislative Support Services

Agency 037

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 1026816 | 2019-001 | <p>Finding: The Office of Legislative Support Services did not have adequate internal controls over the Legislative Gift Center inventory.</p> <p>Corrective Action: The Office concurs with the finding.</p> <p>To address the audit recommendations, the Office:</p> <ul style="list-style-type: none"> • Created and adopted policies and procedures for Gift Center inventory management. • Included an additional staff in the process to ensure separation of duties exists. • Reviewed procedures for scrap reporting, documenting, approval, and recording with staff involved in the process to ensure accurate records are kept. • Created a log for documenting items on scrap reports, which is reviewed by the Office Director each month. • Scheduled inventory counts on a monthly basis to monitor any inventory variances. <p>The Office will continue to ensure journal vouchers for inventory adjustments have Office Director's written approval before they are processed.</p> <p>Completion Date: September 2020, subject to audit follow-up</p> <p>Contact: Becky DeBoer Financial Analyst 416 Sid Snyder Avenue SW Olympia, WA 98504-0500 (360) 786-7793 becky.deboer@leg.wa.gov</p> |

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Office of Legislative Support Services

Agency 037

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|---|--|
| 1026816 | 2019-002 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Contact:</p> | <p>The Office of Legislative Support Services did not have adequate internal controls over the Legislative Gift Center cash receipting process.</p> <p>The Office’s Gift Center has procedures in place for cash receipting, but they were not formally incorporated into the Office’s policy manual.</p> <p>To address the audit recommendations, the Office:</p> <ul style="list-style-type: none"> • Updated the policy manual to include the Gift Center’s current procedures for user access to QuickBooks and for the cash receipting process. • Created individual login credentials and provided training to all Gift Center employees on accessing QuickBooks. • Enabled the point-of-sale system to automatically lock the register after each transaction. • Implemented procedures for documenting refunds. <p>September 2020, subject to audit follow-up</p> <p>Becky DeBoer Financial Analyst 416 Sid Snyder Avenue SW Olympia, WA 98504-0500 (360) 786-7793 becky.deboer@leg.wa.gov</p> |

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Department of Commerce

Agency 103

| Audit Report | Finding Number | Finding and Corrective Action Status |
|--------------|----------------|--|
| 2019 F | 010 | <p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department’s Crime Victims Assistance (CVA) program established procedures to expand fiscal monitoring over all reimbursements by requiring back up documentation for salaries and benefits, and subcontracted services. The documentation needs to:</p> <ul style="list-style-type: none"> • Clearly document exact costs, calculations, percentage charged to the grant, and allocation method for costs allocated across multiple fund sources. • Link actual expenditures to the amounts requested for the reimbursement. <p>In addition, CVA established procedures for documenting monitoring activities that are conducted during onsite visits, which include:</p> <ul style="list-style-type: none"> • Review of a sample of timesheets to verify and confirm salaries and benefits charged on previously submitted invoices are appropriately supported. • Review of subrecipient’s fiscal policies and procedures. • Documenting any other fiscal monitoring activities on the site visit report. <p>As of February 2020, CVA updated the subaward certification form to include whether the subrecipient has a federally negotiated indirect rate. This will ensure the subaward clearly identifies the indirect cost rate.</p> <p>Completion Date: February 2020, subject to audit follow-up</p> <p>Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p> |

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Department of Commerce

Agency 103

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 011 | <p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program or the Low-Income Home Energy Assistance program received required audits and findings were followed up on timely.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As described in the finding, the Department has written policies and procedures for subrecipient monitoring including:</p> <ul style="list-style-type: none"> • Verifying whether the subrecipient requires a single audit. • Reviewing audit reports. • Following-up on subrecipient audit findings. • Ensuring management decisions are issued timely when required. <p>The Department’s Contract Management System (CMS) contains a field to indicate if a single audit is required for a subrecipient at the time a contract is entered into the system. Staff generate quarterly reports from CMS to identify subrecipients that:</p> <ul style="list-style-type: none"> • Have audit requirements to help ensure audit reports are submitted, and any audit findings are identified and captured in the system. • Do not have audit requirements have submitted verification forms. <p>Due to the timing of the report reviews, information is not always collected timely to enable follow-up with subrecipients within the required time frame.</p> <p>To improve internal controls over monitoring subrecipients’ audit requirements, the Department:</p> <ul style="list-style-type: none"> • Updated procedures to run the CMS report prior to the end of the nine month required time frame so reminders can be sent to subrecipients. • Worked with staff responsible for entering audits into CMS to ensure audit requirements are correctly indicated. • Strengthened process to ensure audit reports are properly reviewed to identify findings that require appropriate follow-up actions. • Improved communication to staff to ensure work processes follow established policies related to subrecipient audit monitoring. <p>The Department will follow up on the subrecipient audit finding identified during the audit and issue a management decision as required by federal regulations.</p> <p>Completion Date: August 2020, subject to audit follow-up</p> |

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Department of Commerce

Agency 103

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 011 (cont'd) | Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-2739 jean.denslow@commerce.wa.gov |

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Department of Commerce

Agency 103

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 033 | <p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with earmarking requirements for the Low Income Home Energy Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>Previously, the Department’s Low-Income Home Energy Assistance (LIHEAP) program tracked conservation education, other direct services, and direct services under one budget line item of “direct services.”</p> <p>In October 2018, LIHEAP made adjustments to program practices to track program expenditures by individual master index codes in the Department’s Contract Management System and statewide accounting system. As of February 2020, master index codes have been established for the following expenditure categories:</p> <ul style="list-style-type: none"> • Administrations • Conservation education • Direct services • Other direct services • Other emergency services • Contractor advances <p>The use of tracking expenditures using master index codes will provide adequate internal controls to meet federal earmarking requirements.</p> <p>Completion Date: February 2020, subject to audit follow-up</p> <p>Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p> |

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Department of Commerce

Agency 103

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 034 | <p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Low-Income Home Energy Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In response to prior year’s audit recommendations, the Low-Income Home Energy Assistance program (LIHEAP) had strengthened internal controls over monitoring activities of subrecipients to ensure program subawards are used for authorized purposes. The current monitoring process:</p> <ul style="list-style-type: none"> • Increased the threshold for onsite and desk monitoring review from one to three months of fiscal transactions. • Required general ledger and back up documentation to be submitted for each selected transaction to verify costs are allowable. <p>LIHEAP has established procedures to expand fiscal monitoring over reimbursements by requiring back up documentation for each request, which include a roll-up summary that:</p> <ul style="list-style-type: none"> • Documents the exact costs charged to the grant by specific codes in the accounting system assigned to the grant. • Links actual expenditures to the amounts requested for reimbursement. <p>LIHEAP has also established procedures for documenting monitoring activities that are conducted during onsite visits, which include:</p> <ul style="list-style-type: none"> • Review of a sample of timesheets to verify and confirm salary/benefits charged on previously submitted invoices are appropriately supported. • Review of subrecipient’s fiscal policies and procedures. • Documenting any other fiscal monitoring activities on the site visit report. <p>As of February 2020, LIHEAP updated the subaward certification form to include whether the subrecipient has a federally negotiated indirect rate. This will ensure the subaward clearly identifies the indirect cost rate.</p> <p>The conditions noted in this finding were previously reported in finding 2018-032.</p> <p>Completion Date: February 2020, subject to finding follow-up</p> <p>Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 028 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</p> <p>Corrective Action: In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs.</p> <p>The Authority has already taken steps to address the audit recommendations including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"> • Assessing and updating policies and procedures related to subrecipient monitoring. • Strengthening internal controls to ensure: <ul style="list-style-type: none"> ○ Subrecipients submit required audits. ○ Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews. ○ All audit findings and correction action plans are tracked and management decisions are issued promptly. <p>Due to the Authority’s COVID-19 pandemic response, the subrecipient monitoring workgroup efforts have been delayed. The Authority will work to ensure these efforts continue and the audit findings are addressed.</p> <p>The conditions noted in this finding were previously reported in findings 2018-025, 2017-016, 2016-014, 2015-016, and 2014-019.</p> <p>Completion Date: Corrective action is expected to be complete by March 2021</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 047 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.</p> <p>Corrective Action: This finding is based on a specific data exchange method in which most insurance carriers have chosen not to participate and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. While it is not within the Authority’s scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability.</p> <p>The Authority drafted legislation for the 2020 legislative session to modify existing state law to more appropriately align with state practices. House Bill 2677 unanimously passed both the House of Representatives and Senate and was signed into law by the governor on March 27, 2020.</p> <p>The Authority believes this finding is resolved through the enactment of the new law effective June 2020.</p> <p>The conditions noted in this finding were previously reported in findings 2018-041, 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.</p> <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 048 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.</p> <p>Corrective Action: The Authority has prioritized revalidation work, and has made progress towards revalidation compliance.</p> <p>As of October 2019, the Authority implemented a process that ensures a provider’s risk level is adjusted as required under federal requirements.</p> <p>As of November 2019, the Authority completed screening of all medical providers in accordance with the Affordable Care Act rules, which included:</p> <ul style="list-style-type: none"> • All new providers who enrolled within the last five years after November 2014. • All existing providers who were last revalidated since November 2014. <p>All providers have been notified of approaching revalidations.</p> <p>The COVID-19 pandemic put on hold efforts to implement the fingerprint-based criminal background checks. The Center for Medicare and Medicaid Services COVID-19 Emergency Declaration Blanket Waivers for Health Care Providers waived the screening requirements associated with fingerprint-based criminal background checks through the end of the emergency declaration. The Authority plans to continue its efforts after the federal and state COVID-19 emergency waiver ends.</p> <p>The conditions noted in this finding were previously reported in findings 2018-042, 2017-033, and 2016-035. The auditors determined 2016-035 as resolved.</p> <p>Completion Date: Corrective action is expected to be complete by March 2021</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 049 | <p>Finding: The Health Care Authority did not have adequate internal controls to ensure Medicaid expenditures for Children’s Health Insurance Program Funds were allowable.</p> <p>Corrective Action: The Authority does not concur with the description or effect of condition of the finding.</p> <p>The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in our federally approved verification plan, and the Authority does not agree that a significant deficiency in internal control exists.</p> <p>The condition that led to the \$4 in unallowable claims for additional CHIP funds was corrected in July 2017.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2018-048, 2017-038, 2016-034, 2015-039, and 2014-037. The auditors determined 2014-037 as resolved.</p> <p>Completion Date: Not Applicable</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 050 | <p>Finding: The Health Care Authority made improper Medicaid payments to clients that were not eligible for the Modified Adjusted Gross Income Medicaid program.</p> <p>Corrective Action: The Authority concurs with the finding and will work with the federal grantor to resolve the questioned costs.</p> <p>As of May 2020, the Authority completed a system change request to correct the claims reported under the Medicaid grant instead of the Children’s Health Insurance Program (CHIP). Since the correction resulted in a higher federal participation rate for the claims under CHIP, there are no federal funds to return.</p> <p>The Authority will continue to ensure post eligibility reviews are completed according to the Authority’s policies and procedures.</p> <p>Completion Date: May 2020, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 051 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.</p> <p>Corrective Action: The Authority completed corrective actions to improve internal controls and compliance with the suspension and debarment requirements.</p> <p>As of November 2019, the Authority fully implemented the Automated Provider Screening process to conduct the following monthly database checks for medical providers:</p> <ul style="list-style-type: none"> • Excluded Parties List System • Federal System for Award Management <p>The Authority will also continue to monitor Managed Care Organizations' compliance with their contractual requirements to perform these monthly checks.</p> <p>The conditions noted in this finding were previously reported in findings 2018-046 and 2017-037.</p> <p>Completion Date: November 2019, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|--|
| 2019 F | 052 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure reports of potential fraud obtained through the Medicaid Service Verification process were investigated.</p> <p>The Authority concurs with the finding.</p> <p>The Authority’s Section of Program Integrity responsible for the Medicaid service verification process recently underwent a major reorganization. As a result, the Authority was unable to conduct preliminary investigations due to limited audit and investigation staff.</p> <p>The Authority has substantially completed the review and update of existing policies and procedures to:</p> <ul style="list-style-type: none"> • Strengthen internal controls and ensure compliance with federal requirements. • Ensure an effective process is in place for conducting preliminary investigations when the Medicaid service verification process identifies potential fraud. <p>Corrective action is expected to be complete by March 2021</p> <p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 053 | <p>Finding: The Health Care Authority, Section of Program Integrity, Audit and Investigations Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.</p> <p>Corrective Action: The Authority concurs with the finding.</p> <p>The Audit and Investigations Unit underwent two reorganizations in the past few years. Some of the policies and procedures were outdated and did not accurately reflect the Authority’s current audit practices.</p> <p>The Authority has substantially completed the review and update of existing policies and procedures to:</p> <ul style="list-style-type: none"> • Strengthen internal controls and ensure compliance with federal requirements. • Ensure adequate monitoring is in place for the Audit and Investigations Unit. <p>The Authority is also working on developing policies and procedures around the methods and criteria for identifying and investigating suspected fraud cases.</p> <p>The conditions noted in this finding were previously reported in finding 2018-047.</p> <p>Completion Date: Corrective action is expected to be complete by March 2021</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 064 | <p>Finding: The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the State Opioid Response Grants were allowable and met period of performance requirements.</p> <p>Corrective Action: The Authority concurs with the finding. In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the operations and management of the State Opioid Response Grant. Due to insufficient resources to effectively support the transfer of all grant management tasks, other accounting units assisted the program’s accounts payable unit in processing a backlog of payments. During this period, some of the established procedures to ensure payments include proper approvals were not followed. As of August 2019, the Authority increased the staffing level of the accounts payable unit from three to six.</p> <p>Completion Date: August 2019, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 065 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required audits.</p> <p>Corrective Action: In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Health Care Authority (Authority). The Authority assumed the responsibilities over the State Opioid Response grant program.</p> <p>The Authority has already taken steps to address the audit recommendations including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"> • Assessing and updating policies and procedures related to subrecipient monitoring • Strengthening internal controls to ensure: <ul style="list-style-type: none"> ○ Subrecipients submit required audits. ○ Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews. ○ All audit findings and corrective action plans are tracked and management decisions are issued promptly. <p>Due to the Authority’s COVID-19 pandemic response, the subrecipient monitoring workgroup efforts have been delayed. The Authority will work to ensure these efforts continue and the audit findings are addressed.</p> <p>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 066 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required risk assessments.</p> <p>Corrective Action: In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the State Opioid Response grant program.</p> <p>The Authority has already taken steps to address the audit recommendations including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"> • Assessing and updating policies and procedures related to subrecipient monitoring. • Strengthening internal controls to ensure: <ul style="list-style-type: none"> ○ Monitoring is in place to ensure risk assessments are performed for all subrecipients. ○ Results of risk assessments are used to determine the type and level of monitoring to be performed for subrecipients. <p>Due to the Authority’s COVID-19 pandemic response, the subrecipient monitoring workgroup efforts have been delayed. The Authority will work to ensure these efforts continue and the audit findings are addressed.</p> <p>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|---|
| 2019 F | 068 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the Block Grants for Prevention and Treatment of Substance Abuse were allowable and met earmarking requirements.</p> <p>The Authority concurs with the audit finding.</p> <p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the operations and management of the Block Grants for Prevention and Treatment of Substance Abuse programs.</p> <p>Due to insufficient resources to effectively support the transfer of all grant management tasks, other accounting units assisted the program’s accounts payable unit in processing a backlog of payments. During this period, some of the established procedures to ensure payments include proper approvals were not followed.</p> <p>As of August 2019, the Authority:</p> <ul style="list-style-type: none"> • Increased the staffing level of the accounts payable unit from three to six. • Created and staffed a new Grants Management unit, and identified staff specifically responsible for monitoring and managing the fiscal requirements of all federal grants administered by the Authority. • Implemented a process to manage the earmarking requirement at an aggregate level. The Grants Management unit will monitor and adjust expenditures if needed to ensure compliance. <p>August 2019, subject to audit follow-up</p> <p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 069 | <p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.</p> <p>Corrective Action: The Authority concurs with the finding.</p> <p>In July 2018, the operations and management of the Block Grants for Prevention and Treatment of Substance Abuse program was transferred from the Department of Social and Health Services to the Authority. During the program transition, the Authority identified some qualifying state expenditures not included in the maintenance of effort (MOE) for fiscal year 2018. This information was subsequently communicated to the auditors during fieldwork.</p> <p>As of January 2020, the Authority adjusted the fiscal year 2019 expenditures to meet the MOE requirement.</p> <p>During 2019, the Authority implemented the following internal controls to strengthen compliance with the federal level of effort requirements:</p> <ul style="list-style-type: none"> • Created and staffed a new unit for grants management. • Identified staff specifically responsible for monitoring and managing the MOE requirements of all federal grants administered by the Authority. • Implemented procedures to track pertinent MOE requirements and consistently monitor balances. • Established reporting procedures of MOE information to the relevant program and financial services management teams. <p>Completion Date: January 2020, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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State Health Care Authority

Agency 107

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|--|
| 2019 F | 070 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse contained all required information.</p> <p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the operations and management of the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>The Authority has already taken steps to address the audit findings including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"> • Assessing and updating policies and procedures related to subrecipient monitoring. • Strengthening internal controls to ensure: <ul style="list-style-type: none"> ○ Subrecipients are accurately classified during the contract review and approval process. ○ All required information is included when subawards are issued. <p>Due to the Authority’s COVID-19 pandemic response, the subrecipient monitoring workgroup efforts have been delayed. The Authority will work to ensure these efforts continue and the audit findings are addressed.</p> <p>Corrective action is expected to be complete by December 2020</p> <p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p> |

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Office of Minority and Women's Business Enterprises

Agency 147

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 1026533 | 2019-001 | <p>Finding: The Office of Minority and Women’s Business Enterprises did not have adequate internal controls over and did not comply with state and office policies related to travel and purchase cards.</p> <p>Corrective Action: The Office concurs with the finding.</p> <p>The Office recouped the funds involved in the personal purchase identified in the audit and promptly counseled the employee about the proper use of agency credit cards.</p> <p>As of October 2020, the Office:</p> <ul style="list-style-type: none"> • Updated internal policies and procedures over travel and purchase cards. • Conducted staff training on travel and purchase card use. • Completed employee credit card user agreement for each employee who is authorized to use a travel or purchase card. <p>Additionally, the Office implemented additional procedures to ensure:</p> <ul style="list-style-type: none"> • Employees complete credit card log forms when using the office travel or purchase credit card. • Reconciliation of credit card logs are completed, reviewed and signed by the Director each month. • Adequate supporting documentation and written approvals are obtained for card purchases to comply with office and state policies. <p>Completion Date: October 2020, subject to audit follow-up</p> <p>Agency Contact: Jennifer Willms Assistant Director of Executive Operations PO Box 41160 Olympia, WA 98504-41160 (360) 664-9755 jenniferw@omwbe.wa.gov</p> |

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Department of Social and Health Services

Agency 300

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 002 | <p>Finding: The Department of Social and Health Services improperly charged \$717,011 to the SNAP Cluster.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>While the Department concurs \$717,011 in expenditures were initially charged to the SNAP-Ed grant before the start of the performance period, the Department does not concur it was out of compliance with grant regulations. The Department corrected the charges during August 2019, which is within the grant’s two-year federal period of performance cycle.</p> <p>As of February 2020, the Department implemented the following:</p> <ul style="list-style-type: none"> • Monthly reviews to identify and correct expenditures that are out of compliance with period of performance requirements. • A final end-of-the-year review to ensure all expenditures charged outside the period of performance are corrected before the state accounting records close. <p>During February 2020, the Department requested an additional full-time accounting position to assume the responsibility for monitoring compliance with period of performance requirements. As of May 2020, the Department added a full time accounting position to assume the responsibility for monitoring compliance with period of performance requirements.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the Department of Health and Human Services and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2018-002, 2017-002, 2016-002, 2015-003 and 2014-022.</p> <p>Completion Date: May 2020, subject to audit follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Social and Health Services

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| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|--|
| 2019 F | 008 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan requirements.</p> <p>The Department concurs with the finding.</p> <p>As of May 2020, the Department:</p> <ul style="list-style-type: none"> • Updated the Public Assistance Cost Allocation (CAS) Plan to reflect current practice of allowing Random Moment Time Sample (RMTS) coordinators to complete samples on behalf of the workers. • Submitted the updated CAS Plan to the federal grantor for approval. <p>By December 2020, the Department will:</p> <ul style="list-style-type: none"> • Develop and implement a process to ensure the monthly RMTS staff reconciliations are performed when key personnel are out of the office. • Work with region staff to develop and implement standard guidelines and procedures for updating the eligible staff list in the Barcode system. • Conduct a monthly review on a subset of the staff listed on the reconciliation report to ensure the RMTS coordinators are properly updating the eligible staff list in the Barcode system. <p>Corrective action is expected to be complete by December 2020</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Social and Health Services

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| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|---|
| 2019 F | 009 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.</p> <p>The Department concurs with the finding.</p> <p>The Department maintains and regularly updates the general terms and conditions of federal contracts which address the broad federal rules that apply to all federal sub-awards.</p> <p>As of December 2019, the Department implemented a secondary review process to ensure federal requirements are met before issuing subawards.</p> <p>As of January 2020, the Department modified the funding application form requiring contractors to indicate whether they have ever negotiated a federally-negotiated indirect rate with the federal government.</p> <p>As of August 2020, the Department:</p> <ul style="list-style-type: none"> • Modified the federal contract templates for the Crime Victims Assistance program to include the indirect cost rate. The template update request was submitted to the contract unit for implementation. • Worked with the Department of Commerce to ensure a coordinated and unified approach for expanding the fiscal monitoring of subrecipients to include reimbursement requests for all activities, and not just those for goods and services. <p>These process changes and additional requirements for subrecipients became effective for contracts awarded beginning in state fiscal year 2021.</p> <p>August 2020, subject to audit follow-up</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Social and Health Services

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 023 | <p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of May 2020, the Department issued communication to the field staff to clarify and reinforce the requirements for:</p> <ul style="list-style-type: none"> • Proper authorization and payment for client services. • Obtaining both client signature and date on the service plan. • Maintaining all necessary documents in case records. <p>As of June 2020, the Department reviewed the current contract language, policy and payment process related to the age requirements for pre-employment transition services. Contract language will be updated as appropriate as contracts come due for renewal.</p> <p>By February 2021, the Department will:</p> <ul style="list-style-type: none"> • Review current policies and the case management system related to service plan changes and implement recommendations if needed. These could include: <ul style="list-style-type: none"> ○ Conditions for amendments and edits to the service plan. ○ Case management system changes. • Review procedures regarding authorization and payment timelines and implement recommendations if needed. <p>The Department will contact the federal grantor to determine if questioned costs are to be reimbursed.</p> <p>The conditions noted in this finding were previously reported in findings 2018-023, 2017-014, and 2016-013.</p> <p>Completion Date: Corrective action is expected to be complete by February 2021</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Social and Health Services

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 024 | <p>Finding: The Department of Social and Health Services improperly charged \$279,844 to the Vocational Rehabilitation grant.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of May 2020, the Department:</p> <ul style="list-style-type: none"> • Moved the expenditures to the proper grant year to ensure funds were correctly charged to the grant. • Developed process and procedures to ensure federal grant expenditures are obligated during the period of performance. <p>The Department contacted the federal grantor to determine if questioned costs identified in the audit should be repaid, and is awaiting a response.</p> <p>Completion Date: May 2020, subject to audit follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|--|
| 2019 F | 025 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Social and Health Services did not have adequate internal controls to ensure its federal program cost report for the Vocational Rehabilitation grant was accurately prepared.</p> <p>The Department concurs with the finding.</p> <p>As of December 2019, the Department established written procedures to re-implement secondary reviews for the program cost reports (RSA-2). A secondary review was completed for the most recent RSA-2 report that was submitted in December 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2018-024.</p> <p>December 2019, subject to audit follow-up</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 029 | <p>Finding: The Department of Social and Health Services did not have adequate internal controls to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department collaborated with the Department of Children, Youth, and Families (DCYF) to procure an electronic attendance record system. The system enables accurate and real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. As of December 2018, licensed providers who accept subsidies are required to use DCYF’s electronic attendance record system or an approved third party system to track attendance. As of November 2019, Family, Friends, & Neighbors (FFN) providers were added to this requirement.</p> <p>Of the nine exceptions reported, the Department concurs that six of the payments were partially or fully unallowable. As of March 2020, the Department worked with DCYF to establish overpayments where appropriate and referred these overpayments to the Office of Financial Recovery for collection. .</p> <p>The Department does not concur that three of these payments were unallowable. The auditor found these payments to be unallowable because the providers submitted records for the correct month, but not for the child sampled. However, the Department was not given the opportunity to follow up with the providers to obtain the appropriate attendance records. The Department and DCYF have already reached out to the providers and will continue to follow up on the missing attendance records and determine the appropriate next steps.</p> <p>If the Department of Health and Human Services (HHS) contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with HHS and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2018-026, 2017-017, and 2016-019.</p> <p>Completion Date: March 2020, subject to finding follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Social and Health Services

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 030 | <p>Finding: The Department of Social and Health Services did not have adequate internal controls in place to ensure it submitted accurate quarterly reports for the Temporary Assistance for Needy Families grant.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>In response to prior years' audit finding for the Temporary Assistance for Needy Families (TANF) grant, the Department established written code change policies and procedures and developed a process to track code changes.</p> <p>As of September 2019, the Department implemented:</p> <ul style="list-style-type: none"> • IT industry standard formal change control procedures and change control logs. The change control procedures include written descriptions of the roles and responsibilities of staff who make coding changes and management who review the changes. • Microsoft Team Foundation Server for source code control, testing, and quality assurance activities. • The requirement of completing a technical assessment form when changes are requested for the TANF federal reporting process. Technical assessment forms are subject to independent review and approval by the TANF Reporting Manager before code changes are executed. <p>Due to the timing of implementation, these process changes and the resulting improvement in internal controls will not be reflected until the fiscal year 2020 audit cycle.</p> <p>The Department continues to:</p> <ul style="list-style-type: none"> • Conduct a review of each quarterly report to identify potential fatal and warning edits. • Conduct a quarterly quality assurance process by randomly selecting a sample of the reported cases to verify against source data system records for accuracy. The department manager reviews a summary of the results and assigns cases for correction as needed. <p>As of June 2020, the Department filled a position for performing and documenting independent reviews and testing of code changes prior to deployment to the production environment.</p> <p>The conditions noted in this finding were previously reported in findings 2018-028, 2017-020, and 2016-016.</p> <p>Completion Date: June 2020, subject to audit follow-up</p> |

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|---------------------|-----------------------|---|
| 2019 F | 030 (cont'd) | Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov |

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| 2019 F | 031 | <p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure quarterly and annual reports for the Temporary Assistance for Needy Families grant were submitted accurately.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department concurs that one of the four quarterly reports tested did not have supporting accounting records, and that a data entry error of \$1 million was found on one other quarterly report. The Department corrected the error in a subsequent quarterly report prior to the audit. Following the discovery of this error, the Department implemented a secondary review process to prevent data entry errors.</p> <p>The Department does not concur with the auditors' statement that the Department did not maintain adequate documentation to support the \$480 million expenditures of other state agencies reported as part of the maintenance of effort (MOE) requirement.</p> <p>In response to the prior two years' audit findings, the Department:</p> <ul style="list-style-type: none"> • Added an additional control by updating the attestations at the beginning of each year to include written declarations for all participants to state that the previous year's sources are viable for the current fiscal year. • Implemented a quarterly monitoring/reporting schedule for all MOE sources to ensure timely confirmation that reported expenditures are allowable and accurate. <p>By using the attestations, quarterly monitoring/reporting and data exchanges, the Department reviews the expenditures of each partnering agency to ensure they are accurate, verifiable, not used for any other federal matching purpose, and are adequately supported.</p> <p>The Department maintains that these compensating controls meet federal regulations requiring expenditures to be "verifiable."</p> <p>As of June 2020, the Department hired an additional full time accounting position that will be responsible for managing the Temporary Assistance for Needy Families grant to include preparation and submission of quarterly reports. In addition, this position will be responsible for creating a sustainable emergency backup plan to ensure coverage during absences, as well as strengthening and enhancing internal controls.</p> <p>The conditions noted in this finding were previously reported in findings 2018-029, 2017-021, 2016-018, and 2015-021.</p> <p>Completion Date: June 2020, subject to audit follow-up</p> |

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| 2019 F | 031 (cont'd) | Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov |

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| 2019 F | 032 | <p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.</p> <p>Corrective Action: The Department partially concurs with the audit finding.</p> <p>Effective July 1, 2019, the Department transferred responsibility for administering all aspects of client (consumer) eligibility determination and child care provider payment under the Child Care Development Fund (CCDF) to the Department of Children, Youth, and Families (DCYF). Further changes and enhancements to this program are within the purview of DCYF.</p> <p>The Department concurs that eligibility was not properly determined before services were authorized in the 14 cases identified by the auditors. The Department will work with DCYF to establish overpayments where appropriate and refer to the Office of Financial Recovery for collection.</p> <p>Since July 2019, DCYF has been working on strengthening internal controls over consumer eligibility determination for the Working Connections Child Care (WCCC) program. As of November 2019, DCYF:</p> <ul style="list-style-type: none"> • Implemented consumer program violation rules and processes. • Provided training to employees on policy and procedural changes for verifying household composition. • Developed desk aids and letter templates for employee use when requesting information from families. <p>To address consumer child care fraud, DCYF submitted legislation which resulted in a new state law that disqualifies consumers for five years when found guilty of obtaining child care benefits fraudulently. DCYF also:</p> <ul style="list-style-type: none"> • Developed policies and procedures to support the new state law. • Developed and provided new training to help employees better utilize available systems to detect fraud. <p>Currently, DCYF is conducting post-eligibility review audits for data input accuracy.</p> <p>As of October 2020, DCYF:</p> <ul style="list-style-type: none"> • Implemented and communicated procedure for determining approved activity hours for WorkFirst participants. • Implemented an IT system change to automatically close consumer cases on the 61st day for cases approved under presumptive eligibility with new employment, but the consumer subsequently failed to provide employment verification. • Worked with the Office of Fraud and Accountability to update the process of writing overpayments for recent investigations. |

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| 2019 F | 032 (cont'd) | <ul style="list-style-type: none"> • Developed verification procedures when families report changes. • Improved automated logic and provided training to assist eligibility staff in tracking and verifying residence of the non-custodial parent. • Assigned internal auditors to conduct statewide reviews of audits performed by field lead workers related to household composition. <p>By April 2021, DCYF will:</p> <ul style="list-style-type: none"> • Develop and deliver employee training on using available data systems, specifically those from the Department’s Division of Child Support and Division of Employment Security • Add language to the application form addressing household composition verification and fraud penalty notice. <p>If the Department of Health and Human Services (HHS) contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with HHS and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017, and 12-30.</p> <p>Completion Date: Corrective action is expected to be complete by April 2021</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 054 | <p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable and adequately supported.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department uses cost report information to establish rates and determine settlements with supported living providers.</p> <p>During the audit period, the Department was in transition to a new rate methodology:</p> <ul style="list-style-type: none"> • July 1 to December 31, 2018: based on number of support hours a client needs to live successfully in the community. • January 1 to June 30, 2019: a tiered rate is assigned based on a client’s support needs. <p>July 1 to December 31, 2018</p> <p>For the audit exceptions reported on cost reports, settlements and employee timesheets, the Department disagrees with the cause of condition which stated that the Department did not perform procedures to determine if a client received their assessed level of support hours, or reconcile the payments to provider timesheets.</p> <p>Cost reports are submitted on a calendar year basis. The 2018 cost reports were due on March 31, 2019. As of June 2019, the Department completed an internal audit of all the 2018 cost reports including a comparison to payroll records for the calendar year. The auditors did not evaluate this activity even though it was completed within the audit period.</p> <p>In regards to the auditors’ exceptions of payroll records not supporting direct service hours and more direct service hours paid than reported hours on cost reports, the Department:</p> <ul style="list-style-type: none"> • Has the authority to reimburse the service provider for services delivered. • Can grant an exception to the payment rate per established division policy, which included: <ul style="list-style-type: none"> ○ Referencing “extraordinary cost” to include overtime costs. ○ Approving overtime costs when necessary to adequately support clients’ health and safety needs. • Will continue to act within its authority to consider provider circumstances, such as overtime, and grant exceptions as necessary when calculating settlements. |

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| 2019 F | 054 (cont'd) | <p><i>January 1 to June 30, 2019</i></p> <p>The Department strongly disagrees with the audit approach and the auditors' disallowance of all tiered-rate reimbursements for the second half of the fiscal year.</p> <p>The Centers for Medicare and Medicaid Services (CMS) requires a periodic review of rate methodology and the Department's hours-based methodology was established over 10 years ago. With the goal of improving efficiency without losing oversight or monitoring of costs, the Department reviewed various rate methodologies suggested by CMS, and decided on the tiered-rate methodology, which:</p> <ul style="list-style-type: none"> • Provides increased flexibility for providers to deliver services. • Gives the providers the ability to increase focus on positive client outcomes. • Improves the cost reporting process. • Reduces unnecessary administrative burdens. <p>The Department amended the federal waiver to include:</p> <ul style="list-style-type: none"> • Description of the tiered rates and the reimbursement methodology. • Internal controls for: <ul style="list-style-type: none"> ○ cost reporting ○ payment review ○ rate assessment and budget process • Cost report review process to reflect the tiered-rate methodology. <p>The tiered rates and amended federal waiver were approved by CMS prior to the January 1, 2019, implementation.</p> <p>The Legislature approved the process where providers prepared and submitted cost reports for each calendar year, and has established strict fiscal requirements to ensure payments are made accurately. This involves routine review of expenditures by budget and rates divisions, resource administrators and the Developmental Disabilities Administration's (DDA) Central Office teams.</p> <p>However, the fiscal year 2019 audit only covered the first six months of the new tiered-rate methodology. Of the \$114,435,961 in questioned costs identified in the audit, \$111,498,751 (97 percent) was based upon services provided from January through June 2019. The Department believes this portion of the questioned costs was the result of an incomplete fiscal review process when the 2019 cost reports are not available until March 2020.</p> <p>During the audit, the Department provided evidence showing:</p> <ul style="list-style-type: none"> • Client service plans had been reviewed and approved by Department staff and clients or their legal representative. |

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| 2019 F | 054 (cont'd) | <ul style="list-style-type: none"> • Individual per diem rates met the Department’s approval process. • Clients’ Individual Instruction and Support Plans, progress notes, goals and objectives were developed and implemented by the provider. • Support services were provided to clients per their assessed needs. <p>The Department would like to note that the documentary evidence provided to the auditors was deemed sufficient in the most recently completed Federal Payment Error Rate Measurement (PERM) audit conducted by CMS. Documents submitted for the PERM audit included:</p> <ul style="list-style-type: none"> • Daily progress notes • Attendance logs • Worksheets • Service treatment plans and goals • Individual Service Plans <p>The Department’s system of oversight includes various teams working together to ensure the clients receive the services and support they need, as follows:</p> <ul style="list-style-type: none"> • Residential Care Services and DDA staff monitor client services for safety and quality. Evidence of services not being provided will be investigated. • Management Services Division and the DDA Central Office review rates through the Residential Rates for Developmental Disabilities database. <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in finding 2018-058, 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39. The auditors determined 2016-041, 2015-052, 2014-041 and 2013-038 as resolved.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 055 | <p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>Currently, Medicaid claims are processed in two separate payment systems, specifically:</p> <ul style="list-style-type: none"> • ProviderOne system for hospitals and long-term care (LTC) facilities where delay in submitting claims is typical, sometimes several months after services have been delivered. • IOne system for individual providers where claims are generally submitted shortly after services are provided. <p>Due to different claim requirements in two payment systems, it is currently impossible to establish an automated process to prevent personal care providers from claiming unallowable costs when clients were hospitalized or in an LTC facility. The Department can only detect duplicate payments after both payments have been made.</p> <p>The Department has the following mitigating controls in place:</p> <ul style="list-style-type: none"> • As of November 2018, developed a report to identify payments made to all providers for in-home personal care services and mileage while a client was either hospitalized or admitted to an LTC facility. • As of March 2019, implemented a process to review claims made in the prior month and identify potentially unallowable claims. If determined unallowable, these claims are flagged for overpayments. • As of January 2020, a functionality was implemented in IOne to allow the Department to process overpayments. <p>By April 2021, the Department will send written reminders to all individual providers that claiming in-home personal care hours is prohibited while a client is either hospitalized or admitted into an LTC facility.</p> <p>The Department will return the questioned costs to the Department of Health and Human Services for the unallowable claims.</p> <p>The conditions noted in this finding were previously reported in finding 2018-050.</p> <p>Completion Date: Corrective action is expected to be complete by April 2021</p> |

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| 2019 F | 055 (cont'd) | Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov |

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| 2019 F | 056 | <p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>Currently, Medicaid claims are processed in two separate payment systems, specifically:</p> <ul style="list-style-type: none"> • ProviderOne system for hospitals and long-term care (LTC) facilities where delay in submitting claims is typical, sometimes several months after services have been delivered. • IOne system for individual providers where claims are generally submitted shortly after services are provided. <p>Due to different claim requirements in two payment systems, it is currently impossible to establish an automated process to prevent personal care providers from claiming unallowable costs when clients were hospitalized or in a LTC facility. The Department can only detect duplicate payments after both payments have been made.</p> <p>The Department has the following mitigating controls in place:</p> <ul style="list-style-type: none"> • As of March 2019, implemented a process to review claims made in the prior month and identify potential unallowable claims. If determined unallowable, these claims are flagged for overpayments. • As of January 2020, a functionality was implemented in IOne to allow the Department to process overpayments. <p>The Department will:</p> <ul style="list-style-type: none"> • Continue to enhance monitoring procedures to identify unallowable costs. • Return the questioned costs for the unallowable claims and associated costs to the Department of Health and Human Services. <p>The conditions noted in this finding were previously reported in finding 2018-051.</p> <p>Completion Date: January 2020, subject to audit follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 057 | <p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department agrees that a person-centered service plan should be signed by the Department, client, and provider responsible for its implementation.</p> <p>However, the Department disagrees that:</p> <ul style="list-style-type: none"> • A lack of required signatures on the service plan should result in questioned costs when the client is eligible for the services and the provider is qualified to deliver services. The Centers for Medicare & Medicaid Services (CMS) has also provided guidance to the Department that services should not be terminated if required signatures cannot be obtained. • A service plan that is not signed by a client, a provider, or the Department within 60 days should be considered an exception. The 60-day timeline in the state law outlines an administrative option that could be utilized by the Department to terminate services when deemed necessary. <p>The Department also has concerns over the objectives of the additional reviews performed in the fiscal year 2019 audit, as follows:</p> <ul style="list-style-type: none"> • The auditors significantly broadened the scope of the audit by including interim assessments, which increased the number of asserted exceptions compared to when only full assessments were included. • The auditors performed follow-up testing on the 59 exceptions previously reported in the fiscal year 2018 audit finding. The auditors subsequently took exceptions on the client service plans that were still not complete for part or all of the current audit period and assigned questioned costs to the current audit finding. <p>The Department does not agree that re-testing of the prior year’s audit exceptions is valid. By performing audit testing on outdated client service plans included in the prior year’s audit, the auditor’s approach essentially disregarded the Department’s good faith effort in attempting to remediate exceptions from the prior audit.</p> <p>As of June 2019, the Department:</p> <ul style="list-style-type: none"> • Revised policies and procedures to require providers’ signatures on person-centered service plans. • Issued a management bulletin to communicate the updated policies and procedures, and address the use of electronic signature technology in the field. |

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| 2019 F | 057 (cont'd) | <ul style="list-style-type: none"> • Created a mechanism for case managers to collect signatures on an electronic signature pad. The Department will continue to work with field staff to encourage the use of this technology. • Conducted numerous meetings with the directors of Area Agency on Aging to discuss policy changes on service summary signatures and staffing issues caused by the increased workload. <p>The Department currently included reviewing compliance with signature requirements on client service plans as part of the formal quality assurance (QA) reviews. However, the outcomes of these enhanced QA activities were not reflected in the fiscal year 2019 audit period.</p> <p>The Department continues to implement process improvement plans. As of September 2020, the Department identified under-performing offices and provided assistance in conducting root-cause analysis. Based on the results, the Department will create a report summarizing statewide trends and develop action steps as needed.</p> <p>As of November 2020, the Department submitted a request in the Governor’s budget for:</p> <ul style="list-style-type: none"> • Adding dedicated staff to collect signed service plans. • Implementing an information technology enhancement that will reduce, but not eliminate, the manual effort necessary to collect signed service plans. <p>By June 2021, the Department anticipates completing the following corrective actions:</p> <ul style="list-style-type: none"> • Provide additional training to staff on relevant federal regulations and state policies. • Establish guidance on the appropriate use of interim assessments. <p>The Department is consulting with CMS to determine if person-centered service plans that are missing signatures should result in an unallowable payment. Pending response from CMS, and if necessary, the Department will:</p> <ul style="list-style-type: none"> • Identify associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid funds must be repaid. <p>The conditions noted in this finding were previously reported in finding 2018-059 and 2017-045.</p> <p>Completion Date: Corrective action is expected to be complete by June 2021</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 058 | <p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department agrees that a person-centered service plan should be signed by the Department, client, and provider responsible for its implementation.</p> <p>However, the Department disagrees that:</p> <ul style="list-style-type: none"> • A lack of required signatures on the service plans should result in questioned costs when the client is eligible for the services and the provider is qualified to deliver services. The Centers for Medicare & Medicaid Services (CMS) has also provided guidance to the Department that services should not be terminated if required signatures cannot be obtained. • A service plan that is not signed by a client, a provider, or the Department within 60 days should be considered an exception. The 60-day timeline in the state law outlines an administrative option that could be utilized by the Department to terminate services when deemed necessary. <p>The Department also has the following concerns over the objectives of the additional reviews performed in the fiscal year 2019 audit, as follows:</p> <ul style="list-style-type: none"> • The auditors performed follow-up testing on the exceptions previously reported in the fiscal year 2018 audit finding. The auditors subsequently took exceptions on the client service plans that were still not complete for part or all of the current audit period and assigned questioned costs to the current audit finding. • The Department does not agree that re-testing of the prior year’s audit exceptions is valid. By performing audit testing on outdated client service plans included in the prior year’s audit, the auditor’s approach essentially disregarded the Department’s good faith effort in attempting to remediate exceptions from prior audit. <p>Currently, the Department has the following quality assurance process in place to monitor compliance in obtaining required signatures on person-centered service plans:</p> <ul style="list-style-type: none"> • The Quality Compliance Coordination team reviews a statewide sample for required signatures or documented attempts to obtain signatures. • The review measures statewide proficiency for obtaining required signatures in an established annual cycle. If the review finds a proficiency rate below 86 percent, the Department will implement a quality improvement plan to improve statewide performance. |

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| 2019 F | 058 (cont'd) | <ul style="list-style-type: none"> • Case manager supervisors monitor compliance by ensuring all case managers meet the requirement of obtaining signatures through all available department-approved options. <p>The Department will continue to work towards implementing the electronic signature option.</p> <p>The Department is consulting with CMS to determine if person-centered service plans that are missing signatures should result in unallowable payments. Pending response from CMS, and if necessary, the Department will:</p> <ul style="list-style-type: none"> • Identify associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid funds must be repaid. <p>The conditions noted in this finding were previously reported in finding 2018-060, 2017-046, and 2016-043.</p> <p>Completion Date: Corrective action is expected to be complete by June 2021</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 059 | <p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community First Choice individual providers had proper background checks.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department concurs there were three instances when a fingerprint background check was not performed within the required timeframe.</p> <ul style="list-style-type: none"> • For those three cases, fingerprint background checks were completed and no disqualifying crimes were found. • The Department feels that the 98 percent compliance rate reflected in the audit testing results provided assurances that current policies are effective. • The Department will continue to follow established processes to materially ensure Community First Choice individual providers have proper background checks. <p>The Department concurs there were three instances where the renewal of background checks were not completed within the exact two-year timeframe.</p> <ul style="list-style-type: none"> • The two-year renewal time-frame is only noted in the Department policy. There are no federal or state laws that state an individual provider will become unqualified if a background check is not rerun within two years. • The three individual providers with late renewal checks did not have disqualifying crimes at any point during the audit period. <p>The Department does not concur that the one exception where the absence of a formal Proficiency Improvement Plan (PIP) represented a material weakness. In this instance, instead of the standard PIP process, the Department held an in-person consultation with the specific Area Agency on Aging (AAA) to address contractual compliance issues and the significant staff turnover problem.</p> <ul style="list-style-type: none"> • As of September 2019, the AAA corrected the background check deficiency following Department guidance. • The Department will continue to review internal policies and controls and to ensure compliance with background check requirements. <p>The Department will identify questioned costs related to unallowable payments for personal care services, and will work with the U.S. Department of Health and Human Services to return questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2018-056, 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41,</p> |

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| 2019 F | 059 (cont'd) | <p>and 11-34. The auditors determined 2016-040, 2014-049, 2013-040, 12-41 and 11-34 as resolved.</p> <p>Completion Date: September 2019, subject to audit follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 060 | <p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid payments to home care agencies were allowable.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>Area Agencies on Aging (AAA) monitor home care agencies (HCAs) for contractual compliance in many areas, including verification of time and task performance. In response to the prior year’s audit finding, the Department modified the tool provided to AAAs for more effectively monitoring HCAs’ compliance with electronic timekeeping contractual requirements.</p> <p>The Aging and Long-Term Support Administration State Unit on Aging (SUA) reviews a random sample of HCAs to determine if the AAA monitored and reviewed compliance with the electronic time keeping requirements as outlined in the HCA Monitoring Tool.</p> <p>The Department maintains that the monitoring by the AAA and SUA is adequate to provide assurance that Medicaid payments to home care agencies were allowable.</p> <p>Additionally, the fiscal year 2019 audit did not identify any exceptions related to electronic time keeping compliance, which provided further evidence that the current internal controls implemented by the Department are working as intended.</p> <p>The conditions noted in this finding were previously reported in finding 2018-054.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 061 | <p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with survey requirements for Medicaid intermediate care facilities.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department maintains adequate internal controls to ensure survey requirements for Medicaid intermediate care facilities are met. The Department uses a tracking spreadsheet to monitor and track the frequency of facilities' recertification surveys to meet the survey timeline for both federal and state requirements.</p> <p>The auditors identified one facility for which the Department did not complete a recertification survey within the federally required 15.9 month survey interval. This facility was under an 11-month alternate sanction of a Denial of Payments for New Admissions effective September 13, 2017. The due date for the facility's recertification survey fell within this 11-month sanction, during which the Department waited for the facility to submit a credible allegation of compliance indicating the deficiencies that led to the alternate sanction had been corrected.</p> <p>The Department received the facility's letter of credible allegation on August 1, 2018, and subsequently conducted a revisit survey on August 6, 2018, confirming that the facility achieved substantial compliance. The Department completed the facility's recertification survey two days later.</p> <p>Effective January 1, 2019, the facility voluntarily terminated participation from the Medicaid program.</p> <p>The conditions noted in this finding were previously reported in findings 2018-052, 2017-042, 2016-037, 2015-045, and 2014-046. The auditors determined 2017-042, 2016-037 and 2015-045 as resolved.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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| 2019 F | 062 | <p>Finding: The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.</p> <p>Corrective Action: The Department concurs with the finding and has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of November 2017, developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurs within the five-year requirement. All nursing facility screenings were completed as of September of 2018. • As of October 2018, implemented the new automated provider screening process in the Agency Contracts Database (ACD). The new process includes an internal control that prevents a new or renewal Medicaid contract to be approved or signed before the screening process is successfully completed in ACD. No exceptions were identified in the fiscal year 2019 audit after the implementation of the new screening process. • As of January 2020, notified local offices of the revalidation exceptions and communicated the need to ensure valid photo identification and authorization to work in the U.S. is maintained in the provider file. Local offices subsequently remediated the exceptions. <p>As of November 2020, the Department developed processes to:</p> <ul style="list-style-type: none"> • Adjust the provider risk level when the overpayment threshold is met or if there is a Medicaid fraud referral. • Conduct fingerprint-based criminal background checks for high-risk providers. <p>The Department anticipates the finding will be resolved once all existing contracts are renewed through the automated provider screening process.</p> <p>The conditions noted in this finding were previously reported in finding 2018-057.</p> <p>Completion Date: November 2020, subject to audit follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Social and Health Services

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 063 | <p>Finding: The Department of Social and Health Services did not report fraud affecting the Medicaid program to the federal grantor.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In July 2011, the Department transferred responsibility for the Medicaid program to the Health Care Authority (HCA). Prior to this transfer, the Department reported Medicaid fraud to the federal grantor.</p> <p>After the transfer, the Department provided Medicaid fraud information to HCA upon request on an annual basis. However, the Department has not received any recent requests, which resulted in Medicaid fraud cases not being reported to the federal government.</p> <p>As of March 2020, the Department:</p> <ul style="list-style-type: none"> • Notified the Office of the Inspector General of the six cases identified in the fiscal year 2019 audit. • Initiated conversations with HCA to determine: <ul style="list-style-type: none"> ○ Which agency should be responsible for reporting confirmed fraud to the federal grantor. ○ The frequency of reporting. <p>Completion Date: March 2020, subject to audit follow-up</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p> |

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Department of Health

Agency 303

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 006 | <p>Finding: The Department of Health did not have adequate internal controls over and did not comply with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children grant.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of July 2019, the Department updated the Cash Management Improvement Act (CMIA) agreement to accurately reflect planned cash draw actions for fiscal year 2020.</p> <p>To strengthen internal controls over program cash management, the Department:</p> <ul style="list-style-type: none"> • Reviewed and updated agency procedures to ensure cash draws are performed in accordance with the current CMIA agreement. • Provided training to ensure staff understand the federal requirements related to cash management. • Began cross training on the cash draw process to ensure draws are performed timely and in compliance with federal regulations. <p>The conditions noted in this finding were previously reported in finding 2018-006.</p> <p>Completion Date: January 2020, subject to audit follow-up</p> <p>Agency Contact: Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 kristina.white@doh.wa.gov</p> |

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Department of Health

Agency 303

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 007 | <p>Finding: The Department of Health did not have adequate internal controls over and did not comply with requirements for procurements of goods and services funded by the Special Supplemental Nutrition Program for Women, Infants, and Children program.</p> <p>Corrective Action: This finding resulted from a misunderstanding about an entity thought to be a quasi-governmental entity, which led to the procurement using an intergovernmental agreement instead of a competitive contracting process.</p> <p>As of December 2019, the Department:</p> <ul style="list-style-type: none"> • Terminated the contract with the entity that listed itself as a quasi-governmental entity. • Processed a replacement contract with the entity for grant program services using established contract procedures and the appropriate non-interagency contract terms. • Executed contracts for other grant programs with the entity that met sole source criteria following procedures stipulated in the Department of Enterprises Services procurement policies. • Communicated to contract staff that they must confirm the legal status of all entities. <p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Send periodic reminders to staff regarding the legal status of entities. • Confirm and document the quasi-governmental status of all new entities in the procurement files. <p>Completion Date: January 2020, subject to audit follow-up</p> <p>Agency Contact: Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 Kristina.White@doh.wa.gov</p> |

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Department of Health

Agency 303

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 046 | <p>Finding: The Department of Health did not have adequate internal controls over and did not comply with requirements to ensure complaints for Medicaid hospitals were responded to promptly.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department is committed to ensuring grant programs comply with state and federal regulations related to assessment of and response to hospital complaints. Program staff hold weekly meetings with the Centers for Medicare and Medicaid Services to discuss complaint cases that are in process.</p> <p>To address the audit recommendations, the Department has hired additional staff to assist with the complaint intake process for the entire division. The new staff are currently receiving training on processes and related federal regulations.</p> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Review the current process to identify areas for improvement to ensure hospital complaints are handled promptly and meet federal requirements. • Evaluate current policies and procedures to determine if any additional controls need to be implemented. <p>Completion Date: Corrective action is expected to be complete by January 2021</p> <p>Agency Contact: Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 Kristina.White@doh.wa.gov</p> |

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Department of Children, Youth, and Families

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 035 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payments to childcare providers for the Child Care and Development Fund program were allowable.</p> <p>Corrective Action: The Department partially concurs with the audit finding.</p> <p>The Department concurs that, out of the 22 exceptions identified in the finding, 20 payments were partially or fully unallowable due to incomplete records or billing hour errors. The Department will establish overpayments where appropriate and refer the overpayments to the Office of Financial Recovery for collection.</p> <p>In response to prior audit findings, the Department implemented an electronic attendance system that:</p> <ul style="list-style-type: none"> • Enables accurate, real-time recording of childcare attendance, tracking of daily attendance, and capturing data on childcare usage. • Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities. • Generates reports allowing the Department to conduct focused audits beginning in April 2019. New and enhanced reports will also be developed by October 2020. <p>The Department has also taken the following actions:</p> <ul style="list-style-type: none"> • As of December 2018, required all licensed providers who accept subsidy payments to use the Department’s electronic attendance system or an approved third party system to track attendance. • As of July 2019, implemented rules to address provider and family fraud and intentional program violations, including the following: <ul style="list-style-type: none"> ○ Provide technical assistance to providers with billing issues and recommend steps to eliminate billing errors. ○ Exclude providers with repeat violations from receiving childcare subsidy. ○ Disqualify providers convicted of fraud from receiving subsidy payments and subsidy benefits. • As of August 2019, required all new licensed and license-exempt providers to use the Department’s new electronic system within three full months after authorization to receive subsidy payments. • As of November 2019, updated and published new billing guides to assist providers with understanding the billing rules, authorization, and the billing process. • As of December 2019, required family, friend, and neighbor (FFN) providers to use an electronic attendance system; updated training curriculum and required all licensed homes and FFN providers to complete the training prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union. |

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| 2019 F | 035 (cont'd) | <p>The auditors reported overpayments due to providers billing for overtime. During the audit period, state law required a policy be in place to also charge overtime to private paying families. The Department updated rules to eliminate this requirement in April 2020, and expects no further associated payment errors will occur for this issue.</p> <p>To continue strengthening internal controls over payments to child care providers, the Department will:</p> <ul style="list-style-type: none"> • Continue to research options for simplifying authorization and billing rules. • Explore options for verifying provider rates and fees. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings and questioned costs. The audit resolution process includes conducting a case-by-case review and providing additional documentation.</p> <p>The conditions noted in this finding were previously reported in findings 2018-034, 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p> <p>Completion Date: Corrective action is expected to be complete by June 2021</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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Department of Children, Youth, and Families

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| Audit Report | Finding Number | Finding and Corrective Action Status | |
|--------------|----------------|--|---|
| 2019 F | 036 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Children, Youth, and Families did not have adequate internal controls and did not comply with requirements to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.</p> <p>The Department concurs with the finding.</p> <p>During the audit period, semi-annual certifications were not completed timely because the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented a payroll certification policy effective August 2019. • Completed the semi-annual certifications for July 2018 through December 2018. • Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate. <p>By December 2020, the Department will complete the semi-annual certifications for January 2019 through December 2019.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in finding 2018-033.</p> <p>Corrective action is expected to be complete by December 2020</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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Department of Children, Youth, and Families

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|---------------------|-----------------------|--|---|
| 2019 F | 037 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with matching requirements for the Child Care and Development Fund.</p> <p>The Department does not concur with the finding.</p> <p>The Department works closely with the Department of Social and Health Services (DSHS) and maintains that both agencies have adequate internal controls in place to ensure compliance with matching requirements of the Child Care and Development Fund grant. There has been no audit exception in this compliance area reported by the State Auditor’s Office (SAO) in previous audits.</p> <p>Due to miscommunication between DSHS and SAO on the request for information during audit testing, the Department did not have sufficient time to provide the level of details needed for clear and convincing evidence that the Department complied with the requirement and met the required state match.</p> <p>By April 2020, the Department will work with DSHS to obtain the appropriate documentation to submit to the U.S. Department of Health and Human Services (HHS) that supports the amount of state match reported by the Department.</p> <p>If HHS contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Not applicable</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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Department of Children, Youth, and Families

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|---------------------|-----------------------|--|
| 2019 F | 038 | <p>Finding: The Department of Children, Youth, and Families improperly charged \$4,212,863 to the Child Care and Development Fund program.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>During the audit period, grant reconciliations were not performed timely because the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees.</p> <p>Since then, the Department has prioritized reconciliations of the Child Care and Development Fund grants. Based on these reconciliations, the Department has identified and made corrections to expenditures to comply with the period of performance requirements. However, these corrections were made outside of the audit period and therefore were not taken into consideration when the auditors concluded audit work and issued this finding.</p> <p>It should also be noted that due to the late timing of the auditors' request for and review of financial records, the Department was not given sufficient time to complete verification of \$6,591 and determine if this amount was actually charged to the incorrect grant period.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Strengthened internal controls to ensure grant expenditures are obligated and liquidated within the grant period of performance. • Completed journal voucher corrections of the expenditures identified as charged to the incorrect grant period. <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: April 2020, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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Department of Children, Youth, and Families

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 039 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <p>Corrective Action: The Department concurs with the finding and is strongly committed to ensuring the health, safety, and well-being of all children in care.</p> <p><i>Provider Inspections</i></p> <p>The Department has taken corrective actions to ensure timely follow-up on health and safety violations identified on the Facility Licensing Compliance Agreement.</p> <p>As of August 2019, the Department:</p> <ul style="list-style-type: none"> • Established three different risk levels for corresponding violations, which require follow-up within specific timelines depending on the level of risk associated with the violations. • Updated policies and procedures to reflect the new risk-based methodology for ensuring health and safety violations follow-up are conducted timely and are adequately documented. <p>As of February 2020, the Department added an enhancement in the new electronic licensing system, WA Compass, to track when follow-up health and safety visits are due.</p> <p><i>Background Checks</i></p> <p>In October 2018, the Department implemented the new background check rules for license-exempt Family, Friends, & Neighbors (FFN) providers. Due to limited staffing resources and high volume of providers, the portable background check (PBC) process often did not commence timely, resulting in delay in processing provider applications. During this period of transition to bring the Department into compliance with changes in the new federal grant reauthorization rules, the Department’s license exempt team would request backdating FFN providers’ payment start date in some instances when their PBC results were returned as approved.</p> <p>As of March 2020, the Department has ceased the backdating practice for all new PBCs.</p> <p>The Department will consult with the grantor to discuss whether the estimated questioned costs identified in the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in findings 2018-035, 2017-025, 2016-022, and 2015-024.</p> <p>Completion Date: March 2020, subject to audit follow-up</p> |

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Department of Children, Youth, and Families

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|---------------------|-----------------------|--|
| 2019 F | 039 (cont'd) | Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov |

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Department of Children, Youth, and Families

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|---------------------|-----------------------|--|---|
| 2019 F | 040 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Children, Youth, and Families improperly charged \$161,394 to the federal Foster Care grant.</p> <p>The Department does not concur with the audit finding.</p> <p>As of July 1, 2018, the Department took over the responsibilities of managing the Foster Care program from the Department of Social and Health Services.</p> <p>The auditors determined that \$161,394 of federal expenditures were not supported because this amount could not be reconciled between the Department’s provider payment system (SSPS) and the State’s accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.</p> <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in finding 2018-038 and 2017-028.</p> <p>Not applicable</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 041 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure direct payroll charges for the foster care grant were allowable and properly supported.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, semi-annual certifications were not completed timely.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented a payroll certification policy effective August 2019. • Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate. <p>The Department is currently working on completing fiscal year 2020 payroll certifications. By December 2020, the Department will complete the semi-annual certifications for July 2018 through June 2019.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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Department of Children, Youth, and Families

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 042 | <p>Finding: The Department of Children, Youth, and Families made improper payments to Foster Care providers.</p> <p>Corrective Action: The Department concurs with the audit finding.</p> <p>A new federal law became effective in October 2018 that required all providers to pass fingerprint-based background checks before providing services to clients. Due to stakeholders' concerns, the Department implemented a provisional hire policy and submitted a waiver request to the Administration for Children and Families (ACH) to seek additional time to comply with the new law. In April of 2019, the request was denied.</p> <p>In response to ACH's denial of the Department's waiver request, the Department took the following actions:</p> <ul style="list-style-type: none"> • As of July 2019, implemented new policies regarding fingerprint-based background check requirements in accordance with the new federal law requirements. • As of September 2019, calculated the amount of improper payments made between October 2018 and June 2019. • Submitted a budget request to the Legislature to repay the ineligible reimbursements. <p>In June 2020, the Department reviewed the spreadsheet provided to the auditors for the reconciliation of improper payments. During this review, it was identified that the improper payments included both the Title IV-E (Foster Care) and Title XIX (Medicaid) programs. The actual Foster Care portion of the improper payments was \$1,624,228.64, of which the federal share is \$812,114.32.</p> <p>The Department has returned the overpayment amount for the Foster Care program as a reduction to the expenditures reported on the federal financial report for the period ending June 2020.</p> <p>Completion Date: September 2020, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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Department of Children, Youth, and Families

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|---------------------|-----------------------|---|
| 2019 F | 043 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department is responsible for managing the state’s Foster Care program since July 2018. As of October 2019, the Department implemented the following corrective actions in response to the prior year’s finding:</p> <ul style="list-style-type: none"> • Assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes track payments made for the demonstration project. • Revised the reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and the demonstration project. <p>The Department will work with the grantor if revisions to prior reports are determined to be necessary.</p> <p>The conditions noted in this finding were previously reported in finding 2018-037.</p> <p>Completion Date: October 2019, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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|---------------------|-----------------------|---|
| 2019 F | 044 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan Requirements.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department has process and procedures in place for the monthly employee reconciliation of the Random Moment Time Study (RMTS) sampling universe.</p> <p>The audit found the headquarter cost allocation team was following procedures to create and communicate monthly employee reports to the RMTS Coordinators. However, not all RMTS coordinators sent updates to the Program Manager regarding employee changes.</p> <p>In response to the finding, the Department will strengthen internal controls, including monitoring, over the monthly update process to ensure the RMTS sampling populations are complete.</p> <p>By December 2020, the Department will provide training to RMTS coordinators to update understanding of the requirement and emphasize the importance of following procedures regarding the monthly data validation process.</p> <p>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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|---------------------|-----------------------|---|
| 2019 F | 045 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, documentation for allocating administrative expenditures to federal grants was not properly completed.</p> <p>In response to the audit recommendations, the Department has strengthened internal controls over processing changes to the cost allocation bases in the state accounting system. These included:</p> <ul style="list-style-type: none"> • Ensuring segregation of duties for inputting and reviewing of changes. • Maintaining adequate and proper documentation to show what updates are made. • Providing training to employees on following Department’s policies and procedures to properly allocate costs to the federal government. <p>Completion Date: August 2019, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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|---------------------|-----------------------|---|
| 2019 F | 067 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll costs charged to the Maternal, Infant, and Early Childhood Home Visiting grant were allowable and properly supported.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, semi-annual certifications were not completed timely.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented a payroll certification policy effective August 2019. • Completed the semi-annual certifications for July 2018 through June 2019. • Began working on completing fiscal year 2020 payroll certifications. • Provided training to program and cost allocation employees on the proper completion of timesheets and journal vouchers. • Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate. <p>In November 2020, the Department returned the unallowed costs of \$71,798 to the grantor.</p> <p>Completion Date: November 2020, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

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| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 1027095 | 2019-001 | <p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls to ensure licensed in-home providers complied with child care capacity requirements.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department does not concur with the cause of condition that internal controls were not implemented to detect if providers exceed their licensed capacity. In addition to the annual reviews conducted by the licensors, other programs within the Department also monitor licensed capacity, including:</p> <ul style="list-style-type: none"> • Random audits conducted by the subsidy team and referrals to licensing unit for providers that appear to be over capacity. • Investigations initiated by the Public Health and Safety Complaints Unit. • Referrals for investigation initiated by other divisions, including Child Protective Services and Child Care Subsidy. <p>As of December 2019, the Department implemented an electronic time and attendance reporting system that maintains electronic copies of attendance records. The Department continues to develop reports that allow increased data analysis to detect noncompliance issues, including child care capacity requirements. This data is used to conduct provider payment audits and to notify licensors when providers are identified as exceeding capacity requirements.</p> <p>The Department reviewed the exceptions identified by the auditors and agreed that 19 providers had instances of either not providing records for the audit (nine providers) or operating at over licensed capacity during the audit period based on records provided (10 providers). The Department disagreed with the remaining six exceptions and determined the providers were not overcapacity during the audit period.</p> <p>To address the audit recommendation, the Department will:</p> <ul style="list-style-type: none"> • Investigate and provide technical assistance to providers who did not provide attendance records. • Establish overpayments for any subsidy payments as necessary. <p>Completion Date: Corrective action is expected to be complete by March 2021</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

Department of Services for the Blind

Agency 315

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 026 | <p>Finding: The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and made timely for the Vocational Rehabilitation program.</p> <p>Corrective Action: The Department continued to experience staff turnover in the fiscal unit that affected the level of oversight over the federal draw process. In response to prior audit findings, the Department implemented corrective actions to address the audit recommendations and to strengthen internal controls over cash management.</p> <p>As of December 2018, the Department hired consultants to:</p> <ul style="list-style-type: none"> • Recommend an organizational structure for the fiscal unit. • Assist with drafting agency policies and procedures related to cash management. <p>As of February 2020, the Department:</p> <ul style="list-style-type: none"> • Recruited a Senior Financial Officer with an understanding of grant requirements. Working in tandem with the Deputy Financial Officer, a secondary review process is in place. • Completed the draft policies and procedures for cash management and submitted them for review. <p>As of June 2020, the Department:</p> <ul style="list-style-type: none"> • Adopted the new cash management policies and procedures. • Implemented separation of duties within the fiscal unit when drawing federal funds. • Provided training to staff on the new processes. <p>The conditions noted in this finding were previously reported in finding 2018-020.</p> <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

Department of Services for the Blind

Agency 315

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 027 | <p>Finding: The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.</p> <p>Corrective Action: The Department continued to experience staff turnover in the fiscal unit that affected the level of oversight over the federal reporting process. In response to prior audit findings, the Department implemented corrective actions to address the audit recommendations and to strengthen internal controls over creating and reviewing program cost reports.</p> <p>As of December 2018, the Department hired consultants to:</p> <ul style="list-style-type: none"> • Recommend an organizational plan for the fiscal unit. • Assist with evaluating current processes and controls relating to federal reporting. <p>As of February 2020, the Department:</p> <ul style="list-style-type: none"> • Recruited a Senior Financial Officer with an understanding of grant reporting requirements. Working in tandem with the Deputy Financial Officer, a secondary review process is in place. • Completed the draft policies and procedures for federal grant reporting and submitted them for review. <p>As of June 2020, the Department:</p> <ul style="list-style-type: none"> • Adopted the new policies and procedures for federal grant reporting. • Formalized a review process to ensure program cost reports are prepared accurately and adequately supported. • Provided training to staff on the new processes. <p>The conditions noted in this finding were previously reported in finding 2018-019 and 2017-010.</p> <p>Completion Date: June 2020, subject to finding follow-up</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

The Office of Superintendent of Public Instruction

Agency 350

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 003 | <p>Finding: The Office of the Superintendent of Public Instruction did not ensure Child Nutrition Cluster program reimbursements were made only to entities operating under a written agreement with the Office.</p> <p>Corrective Action: The Office concurs with this finding.</p> <p>The Office renews all program agreements annually in addition to processing new sponsor agreements. The Office maintains adequate internal controls to ensure program reimbursements are made only to entities operating under a written agreement with the Office. This finding resulted from an isolated incident where the sponsor switched between programs during the initial application process. As a result, a permanent agreement for the program was not collected from the sponsor.</p> <p>In response to the audit finding, the Office:</p> <ul style="list-style-type: none"> • Developed a new Child Nutrition Programs agreement to minimize confusion over the appropriate type of program agreement to be used. • Updated internal processes for review and approval of sponsor program applications. <p>As of December 2019, the contract department approved the updated agreement template and started working on implementation of the new process.</p> <p>As of February 2020, the Department:</p> <ul style="list-style-type: none"> • Started the new process with the updated Child Nutrition Programs agreement. • Consulted with the federal grantor and was informed that the known questioned costs identified by the audit are not required to be repaid. <p>Completion Date: February 2020, subject to audit follow-up</p> <p>Agency Contact: Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504-40970 (360) 725-0410 Leanne.eko@k12.wa.us</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

The Office of Superintendent of Public Instruction

Agency 350

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|---|
| 2019 F | 004 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with suspension and debarment requirements for Child Nutrition Cluster program subrecipients.</p> <p>The Office concurs with this finding.</p> <p>To improve internal controls over federal suspension and debarment requirements, the Office:</p> <ul style="list-style-type: none"> • Developed a new Child Nutrition Programs agreement template to include information and attestation to suspension and debarment requirements. • Updated internal processes for review and approval of program applications. <p>As of December 2019, the contract department approved the updated agreement template. The Office is currently working on the implementation of the new process.</p> <p>As of February 2020, the Department started the new process with the updated Child Nutrition Programs agreement.</p> <p>February 2020, subject to audit follow-up</p> <p>Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504-47200 (360) 725-0410 Leanne.eko@k12.wa.us</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
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The Office of Superintendent of Public Instruction

Agency 350

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|---|
| 2019 F | 005 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to properly account for USDA donated foods.</p> <p>The Office concurs with the finding.</p> <p>The Office has taken corrective actions to strengthen internal controls over accounting for USDA donated foods. As of August 2020, the Office drafted and implemented internal policies and procedures regarding the reconciliation process for donated foods and ensuring physical inventories are reconciled with inventory records.</p> <p>By August 2021, the Office will pursue a new/updated electronic food distribution system that includes tracking and reporting capabilities to assist with the reconciliation process. The Office is currently undertaking current system review and documenting needs of the new system.</p> <p>Corrective action is expected to be complete by August 2021</p> <p>Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504-47200 (360) 725-0410 Leanne.eko@k12.wa.us</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 014 | <p>Finding: The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.</p> <p>Corrective Action: The Department is committed to ensuring grant programs comply with federal regulations. The Department’s program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments were suspended or debarred.</p> <p>In response to prior year’s audit finding, the Department:</p> <ul style="list-style-type: none"> • Updated the Local Agency Guidelines (LAG) Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts. • Updated the contract template to include a suspension and debarment clause for subrecipients to certify. <p>Since the prior year’s audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement corrective actions during the 2019 audit period.</p> <p>The Department anticipates full compliance with the suspension and debarment requirement by fiscal year 2020.</p> <p>The conditions noted in this finding were previously reported in finding 2018-011.</p> <p>Completion Date: June 2019, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 015 | <p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to conduct program and fiscal monitoring of subrecipients for the Highway Planning and Construction cluster.</p> <p>Corrective Action: The Department is committed to ensuring that our grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department’s Local Programs Division will examine current policies and procedures/practices related to the audit issues.</p> <p>As of March 2021, the Department updated the Local Agency Guidelines (LAG) Manual to reflect the scheduling of a Project Management Review (PMR) once the project is substantially complete or complete.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • Work with the Federal Highway Administration (FHWA) to approve updates to the LAG Manual, recognizing the modification to the scheduling of PMRs. • Attempt to complete PMRs in the required 3-year timeframe until the LAG Manual updates are completed and approved by FHWA. • Communicate changes to policies and procedures and the LAG Manual updates to Local Program staff and stakeholders. <p>Completion Date: Corrective action is expected to be complete by April 2021</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

**State of Washington - Office of Financial Management
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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 016 | <p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.</p> <p>Corrective Action: The Department is committed to ensuring grant programs comply with federal regulations regarding required risk assessments.</p> <p>In response to prior year’s audit finding, the Department took corrective actions to address the audit recommendations, as follows:</p> <ul style="list-style-type: none"> • As of June 2019, established a risk assessment program to inform required monitoring activities. • Developed a risk assessment form to document assessments performed. • Communicated information on the risk assessment program to appropriate headquarters and regional staff. • Reviewed initial risk assessment forms completed by regional staff to ensure they were proper. <p>Since the prior year’s audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement corrective actions during the 2019 audit period.</p> <p>The Department anticipates full compliance with the risk assessment requirement by fiscal year 2020.</p> <p>The conditions noted in this finding were previously reported in findings 2018-012.</p> <p>Completion Date: June 2019, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

**State of Washington - Office of Financial Management
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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 017 | <p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with requirements to ensure subrecipients received required single audits, findings related to federal program awards were followed up on, and management decisions were issued.</p> <p>Corrective Action: The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>The Department received an informal audit recommendation in a prior audit regarding monitoring all subrecipients' single audit status. The Department subsequently consulted with the Federal Highway Administration's (FHWA) Washington Division Office to determine the extent of the responsibilities of state agencies. FHWA agreed that the Department's guidance in the Local Agency Guidelines Manual appeared to meet the intent of the requirements in 2 CFR 200.331 and 2 CFR 200.501 with respect to subrecipient audit requirements. FHWA further stated that obtaining written verification from each subrecipient below the audit threshold is not the only means to achieve compliance.</p> <p>To resolve the issues in this finding, the Department:</p> <ul style="list-style-type: none"> • Implemented an electronic method to communicate with subrecipients regarding whether a single audit is required. As of August 2020, notifications were sent to all subrecipients. However, the progress was delayed due to the pandemic. • Issued management decisions for subrecipient single audit findings when required. <p>The Department will continue to work with FHWA, the Office of the State Auditor, and other stakeholders to take any required actions to remain compliant with all federal requirements, and communicate those actions to appropriate staff and stakeholders.</p> <p>Completion Date: August 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

State of Washington - Office of Financial Management
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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|--------------|----------------|--|
| 2019 F | 018 | <p>Finding: The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>After consulting with the Federal Highway Administration (FHWA) and conducting additional research, the Department maintains that the current process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p>In April 2019, the Department received a management decision letter from FHWA for the fiscal year 2018 finding, in which it stated:</p> <ul style="list-style-type: none"> • <i>FHWA approved the Department's Construction Manual and Standard Specifications and confirmed that documented procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and the Davis-Bacon and Related Acts.</i> • <i>FHWA agreed that current processes in place are reasonable and satisfy the intent of the Department of Labor's certified payroll requirements.</i> <p>In July 2020, the Department received a management decision letter from FHWA for the fiscal year 2019 finding, in which it stated:</p> <ul style="list-style-type: none"> • <i>In response to these findings and similar findings in the previous year, WSDOT released a construction bulletin and revised their Construction Manual and Specification with more stringent controls to facilitate reasonable compliance. FHWA has approved WSDOT's Construction Manual and Standard Specifications.</i> • <i>FHWA believes that WSDOT's procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and FHWA Davis-Bacon and Related Acts Questions and Answers (https://www.fhwa.dot.gov/construction/contracts/dbra_qa.pdf).</i> • <i>FHWA considers this finding to be resolved.</i> <p>In an effort to continue to improve, the Department took the following actions to collect certified payrolls timely:</p> <ul style="list-style-type: none"> • Highlighted the requirements for collecting certified payrolls at statewide construction meetings. • Released an agency-wide Construction Bulletin regarding the monitoring and timely collection of certified payrolls. • Worked with the Department of Labor and Industries (L&I) to utilize their Prevailing Wage Intent & Affidavit (PWIA) system to electronically collect and store certified payrolls. The PWIA system went live on January 1, 2020, and is expected to obtain federal system certification by the end of 2020. |

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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 018 (cont'd) | <p>Since the prior year's audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement these improvements during the current audit period, The full effectiveness of these changes cannot be determined until the fiscal year 2020 audit cycle.</p> <p>The Department continues to strive for improvements in this area. To further address the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Updated the Prime Contractor's Performance Report Manual to include certified payrolls submission. • Updated training on the requirements to collect certified payrolls. • Updated the Construction Manual to include language for certified payroll collection requirements under the new L&I PWIA System. • Continued to work with FHWA for any further actions needed to resolve this finding. <p>The conditions noted in this finding were previously reported in finding 2018-013.</p> <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|---|
| 2019 F | 019 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conform to approved plans and specifications for projects funded by the Highway Planning and Construction Cluster.</p> <p>The Department is committed to ensuring that grant programs comply with federal regulations related to quality assurance requirements, safeguarding that materials and workmanship conform to approved plans and specifications through testing, inspections, or certifications.</p> <p>To address the audit recommendations, the Department’s Construction Division examined current processes, policies, and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated policies and procedures, including the Department’s Construction (M46-01) and Standard Specifications (M41-10) Manuals, as needed to ensure compliance with federal requirements including emergency contracts and facilities contracts (Section 9-1.2C). • Clarified processes and procedures as needed for adequately documenting materials testing, inspections, certification, and acceptance. • Obtained approval of updates to the Construction Manual from the Federal Highway Administration. • Communicated changes in policies and procedures to division staff and stakeholders. <p>June 2020, subject to audit follow-up</p> <p>Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

**State of Washington - Office of Financial Management
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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 020 | <p>Finding: The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program.</p> <p>Corrective Action: The Department is committed to ensuring that grant programs comply with federal regulations related to allowable costs.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated policies and procedures as needed to ensure capital project reimbursements have complete supporting documents from grantees prior to making payment. • Obtained management approval and communicated changes in policies and procedures to Division staff and stakeholders. • Consulted with the grantor and determined that the questioned costs do not need to be repaid. All supporting documentation has been obtained and is available to the grantor upon request. <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

**State of Washington - Office of Financial Management
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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 021 | <p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to monitor the activities of subrecipients with subawards funded by the Federal Transit Cluster.</p> <p>Corrective Action: The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated the Consolidated Grant Guidebook to change the site visit monitoring requirement from every two years to every biennium. • Updated policies and procedures to ensure Division staff: <ul style="list-style-type: none"> ○ Perform grantee monitoring as required in the Consolidated Grant Guidebook. ○ Properly document monitoring efforts. ○ Monitor receipt of required progress reports from grantees. • Obtained management approval and communicated changes in policies and procedures to Division staff and stakeholders. <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

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Department of Transportation

Agency 405

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|---|
| 2019 F | 022 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Transportation did not have adequate internal controls to ensure subrecipients received single audits required by federal rule, findings related to federal program awards were followed up on and management decisions were issued.</p> <p>The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated policies and procedures for Division staff performing grantee monitoring activities to ensure: <ul style="list-style-type: none"> ○ Subrecipients receive single audits as required by federal rules. As of February 2020, subrecipients submitted their responses to letters sent for the 2018 audit cycle. Letters for the 2019 audit cycle will be sent to subrecipients by September 2020. ○ Staff follow up on findings and issue management decisions when required. The Department has already issued three management letters for the 2018 audits received. • Obtained management approval and communicated changes in policies and procedures to Division staff and stakeholders. <p>June 2020, subject to audit follow-up</p> <p>Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
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Department of Ecology

Agency 461

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|--|
| 1026907 | 2019-001 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Ecology did not have adequate controls to ensure funds paid to the United States Forest Service to restore the Monte Cristo Mining Area were allowable and properly supported.</p> <p>As of September 2020, the Department requested the missing invoice documentation from the United States Forest Service (USFS). The Department is currently working on reconciling costs with the USFS. Upon receiving a response from the USFS, the Department will review the documents to ensure costs were allowable under the agreement.</p> <p>To strengthen internal controls related to contract monitoring, the Department will take the following actions:</p> <ul style="list-style-type: none"> • Improve internal processes and procedures to ensure supporting documentation for agency contracts are properly retained. • Ensure staff have the training and information to understand their responsibilities for contract monitoring and hold all contractors to the monitoring stipulations outlined in contracts. • Communicate and reinforce the requirements in the Department’s Managing Bids and Contracts for Goods and Services policy. <p>By October 2020, the Department will:</p> <ul style="list-style-type: none"> • Provide the policy to each manager, supervisor, and employee responsible for contract management. • Incorporate training expectations in the 2020 performance reviews for contract management staff to include the following relevant trainings, at a minimum: <ul style="list-style-type: none"> ○ The Department of Enterprise Services’ WA State Contract Management training. ○ The Department of Ecology’s Project Management training. • Compile a list of staff who needs the required trainings and provide to supervisors and managers. <p>The Department will review training completion status in the quarters ending April and September 2021.</p> <p>Corrective action is expected to be complete by December 2020</p> <p>Lisa Darnell Fiscal Manager PO Box 47615 Olympia, WA 98504-7615 (360) 407-7052 lisa.darnell@ecy.wa.gov</p> |

**State of Washington - Office of Financial Management
 Status of Audit Resolution
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Department of Ecology

Agency 461

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|--|--|
| 1026907 | 2019-002 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The Department of Ecology did not have adequate controls to ensure state Volkswagen penalty funds paid to recipients were properly supported.</p> <p>The Department concurs with the finding.</p> <p>To improve internal control processes and procedures to ensure supporting documentation for Air Quality Program (AQP) grants are properly retained, the Department will take the following actions:</p> <ul style="list-style-type: none"> • By December 2020, update agency policy <i>Managing Grant and Loan Records</i> to address agreements managed within the Department’s Administration of Grants and Loans system (EAGL). • Ensure progress reports are submitted in EAGL at least quarterly on all AQP grants. • Before approving any payments, ensure: <ul style="list-style-type: none"> ○ Required supporting documents such as destruction documents, purchase orders, and invoices are uploaded to EAGL. ○ Equipment Purchase Reports are submitted in EAGL for all equipment purchases greater than \$5,000 on all AQP grants. • Provide training to grant program project managers, financial managers, and supervisors on the updated policies and procedures. <p>Corrective action is expected to be complete by June 2021</p> <p>Lisa Darnell Fiscal Manager PO Box 47615 Olympia, WA 98504-7615 (360) 407-7052 lisa.darnell@ecy.wa.gov</p> |

**State of Washington - Office of Financial Management
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Employment Security Department

Agency 540

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|--|
| 2019 F | 012 | <p>Finding: The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure Workforce Innovation and Opportunity Act program funds were being used for allowable purposes.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department maintains that current subrecipient monitoring process and procedures are adequate to meet all federal requirements and to ensure funds expended are on allowable services for eligible participants.</p> <p>Federal regulations require grantees to perform subrecipient monitoring on an annual basis to ensure proper internal controls exist across pass-through entities, subrecipients and contractors expending federal funds. In accordance with this requirement, the Department established a mandatory annual onsite monitoring process for the Workforce Development Councils (WDCs). A risk-based assessment process is also in place to support the onsite reviews and continues throughout the monitoring process.</p> <p>The Department has the following established procedures in monitoring WDCs, which involve staff from multiple units:</p> <ul style="list-style-type: none"> • Funds management staff and fiscal staff conduct on-going review of supporting documentation for funding requests from WDC. These reviews form part of the initial risk assessment prior to the onsite reviews. • Subrecipient monitoring staff performs analysis of each WDC's spending documentation to assess its capacity to handle funds and deliver services. This analysis often helps to shape the scope of each review. • During onsite reviews, subrecipient monitoring staff: <ul style="list-style-type: none"> ○ Review recent draw requests by WDCs and all supporting documentation for allowability, allocability and reasonableness. ○ Review internal control policies, processes and procedures. If control weaknesses are identified, WDCs are required to develop corrective action plans to address identified deficiencies. ○ Review supportive services provided to participants by WDCs or their subrecipient/service providers. ○ Review participant files to ensure that individuals receiving services are eligible and were reported correctly to the federal grantor. ○ Follow up on audit issues identified by independent annual audit of each WDC, which in most cases will include audit of the Workforce Innovation and Opportunity Act programs. ○ Review WDCs monitoring procedures of their subrecipients, including tools, working papers and documentation, to ensure adequate monitoring for the proper use and expenditures of grant funds. |

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Employment Security Department

Agency 540

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 012 (cont'd) | <ul style="list-style-type: none"> • If internal control deficiencies or questioned costs are identified during onsite reviews, monitoring staff will expand the scope of work, which may include reviewing: <ul style="list-style-type: none"> ○ Additional expenditures ○ Prior periods ○ Closed contracts • Subrecipient monitoring staff will provide continuous oversight and work with WDCs to ensure corrective action plans are fully implemented. <p>The Department will work with the federal grantor through the normal audit resolution process to determine if the finding was substantiated.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p> |

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Employment Security Department

Agency 540

| Audit Report | Finding Number | Finding and Corrective Action Status |
|---------------------|-----------------------|---|
| 2019 F | 013 | <p>Finding: The Department did not have adequate internal controls to ensure management decisions related to Workforce Innovation and Opportunity Act findings were issued in a timely manner.</p> <p>Corrective Action: The Department concurs with the finding. As of January 2020, the Department:</p> <ul style="list-style-type: none"> • Updated and implemented the <i>Workforce Innovation and Opportunity Act Audit Requirement, Reports and Resolution</i> policy to align with federal requirements. • Updated the internal process of documenting and communicating management decisions to subrecipients. <p>Completion Date: January 2020, subject to audit follow-up</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 9046 (360) 902-9276 BHainline@ESD.WA.Gov</p> |

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Whatcom Community College

Agency 621

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|---|--|
| 1026622 | 2019-001 | Finding: | The College did not have adequate internal controls over financial statement preparation to ensure accurate reporting. |
| | | Corrective Action: | <p>The College concurred with the finding and corrected all the errors on the financial statements identified by the auditors.</p> <ul style="list-style-type: none"> • In June 2020, the College debriefed the fiscal year 2019 audit experience and identified opportunities for improvement, which include: • Allowing sufficient time for the preparation and review of the financial statements. • Ensuring applicable accounting standards and guidance are interpreted and applied correctly. • Providing additional reviews by college staff to identify presentation errors. • Seeking guidance from the State Auditor’s Office for any material adjustments. • Providing training to staff on financial statement preparation, as well as opportunities for other relevant training. |
| | | Completion Date: | Corrective action is expected to be complete by March 2021 |
| | | Contact: | <p>William Martens Director for Business and Finance 237 West Kellogg Road. Bellingham, WA 98226 (360) 383-3046 wmartens@whatcom.edu</p> |

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Cascadia College

Agency 634

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|--------------|----------------|--|---|
| 1025620 | 2018-001 | <p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p> | <p>The College did not have adequate internal controls to ensure it complied with state requirements and its own policies regarding small and attractive assets.</p> <p>The College concurs with the finding.</p> <p>The College recognizes the importance of internal controls over safeguarding public resources and is actively engaging with internal key departments to address the audit issues.</p> <p>The College will take the following actions:</p> <ul style="list-style-type: none"> • Assign an asset manager to work collaboratively with campus departments in overseeing the College’s asset management. • Centralize the inventory process. • Review and improve policies and procedures for small and attractive assets including: <ul style="list-style-type: none"> ○ Segregation of duties ○ Maintaining documentation ○ Tagging and tracking assets. • Strengthen current processes in purchasing, tracking and dissemination of high-value small equipment. • Conduct a physical inventory and document risk assessment every two years in accordance with requirements stipulated in the State Administrative & Accounting Manual. • Provide training to staff on the updated processes and procedures. <p>Corrective action is expected to be complete by March 2021</p> <p>Rebecca Chen Director of Finance 18345 Campus Way NE Bothell, WA 98011 (425) 352-8552 rchen@cascadia.edu</p> |

**State of Washington - Office of Financial Management
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Shoreline Community College

Agency 672

| Audit Report | Finding Number | Finding and Corrective Action Status | |
|---------------------|-----------------------|---|--|
| 1026164 | 2018-001 | Finding: | The College's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting. |
| | | Corrective Action: | <p>The College concurred with the finding and corrected the errors on the financial statements identified by the auditors.</p> <p>The College will ensure compliance with the audit requirement of the Northwest Commission on Colleges and Universities to maintain accreditation. In addition, the College has taken the following actions to strengthen internal controls over financial reporting:</p> <ul style="list-style-type: none"> • Hired an independent accounting firm for the preparation of the fiscal year 2019 financial statements. • Hired additional staff with expertise in financial statement preparation. • Implemented a review process to ensure the financial statements are accurate and comply with accounting and reporting standard. • Identified additional resources in assisting with the preparation of future financial statements. |
| | | Completion Date: | October 2020, subject to finding follow-up |
| | | Contact: | Dawn Beck Vice President, Business & Administrative Services 16101 Greenwood Avenue North Shoreline, WA 98133 (206) 546.4672 dbeck@shoreline.edu |

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Schedule 2 – Fraud Findings by Agency

| AGENCY NUMBER | AGENCY | AUDIT NUMBER | FINDING NUMBER | PAGE |
|--------------------------|--|-------------------------|---------------------------|-------------|
| 307 | Department of Children, Youth and Families | 1025172 | 001 | 101 |
| 310 | Department of Corrections | 1025041 | 001 | 102 |
| 360 | University of Washington | 1025584 | 001 | 103 |
| 360 | University of Washington | 1025943 | 001 | 104 |
| 365 | Washington State University | 1025295 | 001 | 105 |
| 683 | Walla Walla Community College | 1025029 | 001 | 106 |

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Department of Children, Youth and Families

Agency 307

| Audit Report | Finding Number | Finding and Resolution | |
|--------------|----------------|---|---|
| 1025172 | 001 | <p>Finding:</p> <p>Fraud Amount: \$2,955</p> <p>Amount to be Recovered: \$9,256</p> <p>Recovery to date: \$0</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p> | <p>The Department of Children, Youth and Families did not have adequate internal controls over youth fund management at its community facilities, resulting in misappropriation of fund by an employee between August 1, 2016, and March 31, 2017.</p> <p>To strengthen internal controls over youth fund management, the Department has implemented the following processes:</p> <ul style="list-style-type: none"> • Conduct weekly deposits and withdrawals where two employees will verify funds prior to banking transactions. This frequency was approved under a deposit waiver from the Office of the State Treasurer. • Perform independent monthly local fund account reconciliations by the Regional Operations Center. <p>As of March 2018, the Department:</p> <ul style="list-style-type: none"> • Provided training to staff on the new procedures for local fund cash management. • Updated the request forms for depositing or withdrawing funds from local fund accounts. • Implemented additional internal controls on the use of money orders by: <ul style="list-style-type: none"> ○ Creating a new form for youth to complete when requesting funds. After the Department employee verifies that funds are available, a money order will be procured in the amount requested. ○ Requiring youths who request funds to verify the amount of money orders and sign for the receipt of the funds. <p>The employee resigned in August 2018.</p> <p>The Washington State Patrol recommended the former supervisor be charged with theft in the second-degree. The Pierce County Prosecutor declined to file charges due to poor record keeping at the facility.</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p> |

**State of Washington - Office of Financial Management
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Department of Corrections

Agency 310

| Audit Report | Finding Number | Finding and Resolution | |
|---------------------|-----------------------|---|--|
| 1025041 | 001 | <p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p> | <p>The Department of Corrections did not have adequate internal controls over the review and approval of leave submission, resulting in a payment of \$4,513 to an employee who did not work while on Family Medical Leave between August 9, 2017, and May 31, 2019.</p> <p>\$4,513</p> <p>\$4,513</p> <p>\$1,661</p> <p>In July 2019, the employee signed an agreement to reimburse the Department for the salary overpayments. A repayment plan of voluntary deductions from paychecks covering 30 pay periods was set up in the payroll system.</p> <p>To improve internal controls over leave submission and approval, the Department established a Lean Team comprising of human resource staff and payroll staff to:</p> <ul style="list-style-type: none"> • Establish the proper procedures for absences when Family Medical Leave is involved • Address the issue of employee overpayments • Clarify supervisor and employee duties and responsibilities regarding leave submission, review and approval • Improve communication in providing guidance to agency staff <p>The Department will continue to improve work process to minimize the risk of employee overpayments.</p> <p>The Department issued a letter of concern to the employee.</p> <p>No criminal action was taken.</p> <p>Jeannie Miller Assistant Secretary PO Box 41100 Olympia, WA 98504-1100 (360) 725-8889 jeannie.miller@doc.wa.gov</p> |

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University of Washington

Agency 360

| Audit Report | Finding Number | Finding and Resolution | |
|---------------------|-----------------------|---|--|
| 1025584 | 001 | <p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p> | <p>The University did not have adequate internal controls to safeguard public resources, resulting in multiple misappropriations by employees between April 2010 and September 2018.</p> <p>\$29,017</p> <p>\$35.958</p> <p>\$22,105</p> <p>In response to the audit recommendations, the various business units included in the fraud finding have taken actions to strengthen internal controls over employee time reporting and travel reimbursements.</p> <p>As of May 2020, the following corrective actions were completed:</p> <ul style="list-style-type: none"> • Issued policies and procedures over timekeeping including review and approval of timecards. • Clarified reporting structure within units for communication of absences and leave requests. • Strengthened monitoring and adherence to timekeeping procedures by departmental supervisors. • Provided training to managers and supervisors on effectively monitoring timekeeping and reported hours. • Communicated policies on personal use of computers. • Implemented an electronic timekeeping system at one of the business units for tracking, monitoring, and approving timesheets. • Updated and communicated travel policies. • Dedicated an employee from the Dean’s Office to review travel claims as an additional level of review to ensure compliance with the University’s travel policies. <p>The University will continue to seek recovery of the remaining misappropriated funds and related investigation costs.</p> <p>Various personnel actions have been taken including letters of reprimand and termination.</p> <p>The State Auditor’s Office will refer this report to the King County Prosecuting Attorney’s Office.</p> <p>Richard Cordova Executive Director of Internal Audit 4311 11th Avenue NE Seattle WA 98195 (206) 543-4028 Rcordova@uw.edu</p> |

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University of Washington

Agency 360

| Audit Report | Finding Number | Finding and Resolution | |
|---------------------|-----------------------|---|--|
| 1025943 | 001 | <p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p> | <p>The University did not have adequate internal controls over employee time reporting and leave tracking at the School of Law, resulting in payroll misappropriation between April 2016 and May 2019.</p> <p>\$4,023</p> <p>\$6.438</p> <p>\$0</p> <p>To improve oversight and monitoring to safeguard public resources at the School of Law, the University:</p> <ul style="list-style-type: none"> • Strengthened internal controls over the Law Library’s employee time reporting and leave tracking. • Provided additional payroll and leave guidance to the Law Library management and staff by the Dean’s Office. • Discontinued the Law Library’s shadow system, and only use the University’s Workday system for recording time and leave. <p>The University will continue to seek recovery of the misappropriated funds and related investigation costs.</p> <p>Employee has resigned</p> <p>None</p> <p>Richard Cordova Executive Director of Internal Audit 4311 11th Ave NE Seattle WA 98195 (206) 543 4028 Rcordova@uw.edu</p> |

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Washington State University

Agency 365

| Audit Report | Finding Number | Finding and Resolution | |
|--------------|----------------|---|---|
| 1025295 | 001 | <p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p> | <p>The University did not have adequate internal controls to properly monitor employee activities and the reporting and use of leave balances, resulting in multiple employee misappropriations between August 2014 and February 2019.</p> <p>\$12,239</p> <p>\$23,724</p> <p>\$2,346 as reported by the College</p> <p>In response to the audit recommendations, the University has taken actions to strengthen oversight and monitoring of the reporting and use of leave balances.</p> <p>As of March 2020, the employees involved in these investigations had separated from employment with the University. Three of the five misappropriations were fully recovered via adjustments in leave balance payout.</p> <p>The University is in the process of implementing a new financial and personnel system that will allow greater access to the information needed to provide more efficient and effective oversight. Before the new system is fully operational, the University will:</p> <ul style="list-style-type: none"> • Provide adequate training to personnel on the use of the new system. • Emphasize the need for supervisors to continue maintaining necessary internal controls related to monitoring time worked and leave usage. • Continue to recover the remaining misappropriated funds from the employees identified in these investigations. <p>All employees involved in these investigations had separated from the university. No other personnel action taken,</p> <p>The Auditor’s Office will refer these cases to the Whitman County Prosecuting Attorney’s Office.</p> <p>Heather Lopez Chief Audit Executive P.O. Box 641221 Pullman, WA 99164-1221 (509) 335-2001 hlopez@wsu.edu</p> |

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Walla Walla Community College

Agency 683

| Audit Report | Finding Number | Finding and Resolution | |
|--------------|----------------|--|---|
| 1025029 | 001 | <p>Finding:</p> <p>Fraud Amount: \$6,977</p> <p>Amount to be Recovered: \$10,627</p> <p>Recovery to date: \$9,305</p> <p>Resolution /Status:</p> | <p>The College did not have adequate internal controls to safeguard public resources, resulting in misappropriation of public funds by a college staff between July 2018 and May 2019.</p> <p>The College concurs with the finding.</p> <p>In response to the audit recommendations, the College will strengthen internal controls in the following areas:</p> <p><u>Procurement card purchases</u></p> <ul style="list-style-type: none"> • Require college staff to provide adequate supporting documentation for procurement card purchases. • In the event that a receipt is lost, the cardholder is responsible for obtaining a duplicate receipt from the vendor. • The accounts payable supervisor will monitor lost receipt forms and ensure duplicate receipts are obtained as required. <p><u>Student meal funds</u></p> <ul style="list-style-type: none"> • Require students who receive meal allowance to provide student identification number and sign for cash received. • Require group meals be planned, noted on the travel authorization form, and purchased on the College procurement card. Copies of receipts must be placed with the post-trip travel report, along with the student signature list, to document the total meal costs for the trip. • Return cash from unclaimed meal allowances with travel reports promptly to Business Services. <p><u>Receipt of rental revenues</u></p> <ul style="list-style-type: none"> • Begin to use multi-part numbered receipt booklets to document the external revenues received for stall rental and camping fees, along with description of the form of payments. • The College will reconcile the stall rental and camping fee revenues with the vendor invoice. <p>Personnel Action Taken: In August 2019, the employee signed a restitution agreement to repay the misappropriated funds. The employee resigned as of December 2019.</p> |

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Walla Walla Community College

Agency 683

| Audit Report | Finding Number | Finding and Resolution | |
|---------------------|-----------------------|-------------------------------|---|
| 1025029 | 001 (cont'd) | Criminal Action Taken: | The State Auditor's Office will refer this case to the Walla Walla County Prosecuting Attorney's Office for any further action it deems necessary. Agency Contact: Sue Willis Executive Director of Budget & Finance 500 Tausick Way, Walla Walla, WA.99362 (509) 527-4201 sue.willis@wwcc.edu |

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