

Department of Children, Youth, and Families

Agency 307

| Audit Report | Finding Number | Finding and Corrective Action Status                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| 1030978      | 2021-028       | <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 requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable and properly supported.</p> <p>The Working Connections Child Care (WCCC) program was previously managed by the Department of Social and Health Services (DSHS) and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other grant requirements.</p> <p>The Department allocated the Temporary Assistance for Needy Families (TANF) and Child Care Development Fund grants to eligible clients and allowable activities in compliance with federal regulations outlined in 45 CFR 98.67. The Department’s grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200.</p> <p>In response to the auditor’s recommendations, the Department will:</p> <ul style="list-style-type: none"> <li>• Update the service level agreement language with DSHS. This will include additional internal control language related to TANF expenditures to ensure the Department follows the agreed upon Payment Allocating Model process and that payments are traceable to the expenditure level.</li> <li>• Review options available for processing adjustments to include transaction-level data that is sufficient to comply with federal regulations.</li> </ul> <p>Corrective action is expected to be complete by December 2022</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-033       | <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 requirements to ensure payments to child care providers for the Child Care and Development Fund Cluster programs were allowable and properly supported.</p> <p>The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements.</p> <p>The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department’s grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200.</p> <p>In response to the auditor’s recommendations, the Department has submitted a budget request for staffing to the Legislature for the 2023-2025 biennial budget. The staff will process adjustments to include transaction-level data.</p> <p>The conditions noted in this finding were previously reported in findings 2020-038, 2019-035, 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>Corrective action is expected to be complete by December 2023</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-034       | <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 requirements to ensure payroll charges paid by the Child Care and Development Fund cluster were allowable and properly supported.</p> <p>The Department agrees that payroll certifications were not completed timely during the audit period but maintains that the charges to the grant were allowable.</p> <p>As of October 2021, the Department has completed fiscal year 2021 payroll certifications.</p> <p>The conditions noted in this finding were previously reported in findings 2020-037, 2019-036 and 2018-033.</p> <p>October 2021, subject to audit follow-up</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| Audit Report | Finding Number | Finding and Corrective Action Status         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| 1030978      | 2021-035       | <p>Finding:</p><br><p>Corrective Action:</p> | <p>The Department of Children, Youth, and Families did not have adequate internal controls over client eligibility requirements for the child care services funded with the Child Care and Development Fund.</p> <p>The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements.</p> <p>In response to the finding, the Department established the overpayment for \$32 and referred it to the Office of Financial Recovery for collection.</p> <p>During the audit period, the Department continued to improve processes and internal controls by implementing the following:</p> <ul style="list-style-type: none"> <li>• In July 2020:                             <ul style="list-style-type: none"> <li>○ Created an overpayment review panel that meets semi-monthly to review assigned overpayments. This panel will ensure correct rule application and identify areas of program vulnerability.</li> <li>○ Performed continued quality improvement reviews for procedural modifications related to household composition changes that were implemented late in the fiscal year to address the prior year’s audit finding.</li> </ul> </li> <li>• In August 2020, replaced the Audit 99 auditing system with an updated audit platform that includes a database for root cause analysis.</li> <li>• In January 2021, began conducting monthly audit calibration meetings with all lead workers and internal audit staff to ensure agency audit standards are consistently followed.</li> <li>• In April 2021:                             <ul style="list-style-type: none"> <li>○ Hired a Quality Assurance Administrator to facilitate program integrity efforts based on audit findings and program needs.</li> <li>○ Verified lead workers conduct coaching and auditing based on program needs to ensure consistency and compliance with program rules.</li> </ul> </li> <li>• In May 2021:                             <ul style="list-style-type: none"> <li>○ Established a centralized audit team to conduct program audits following the requirements of the statewide single audit in accordance with the Uniform Guidance.</li> </ul> </li> <li>• In February 2022, created and delivered staff training on using data systems and performing income calculations, specifically the Division of Child Supports (SEMS) system and the Employment Security Division (ESD) systems.</li> <li>• In August 2022, added language to the Consumer’s Rights and Responsibilities Form to include the fraud penalty notice and the fraud reporting hotline number.</li> </ul> |

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| 1030978      | 2021-035<br>(cont'd) | <p>The Department has continued to simplify rules for workers to establish eligibility and for families to be approved for child care. The Fair Start for Kids Act was enacted October 2021, which included several components to simplify the rules and expand eligibility:</p> <ul style="list-style-type: none"> <li>• Increased the income threshold to 60% of State Median Income (SMI) for applications and 65% of SMI for reapplications.</li> <li>• Created four copayment amounts based on a consumer's household income range.</li> <li>• Standardized the provider payment rates to be paid at the State rate only.</li> </ul> <p>The conditions noted in this finding were previously reported in findings 2020-039, 2019-032, 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 2012-30.</p> <p>Completion Date: August 2022, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela<br/>           Audit Liaison<br/>           PO Box 40970<br/>           Olympia, WA 98504-0970<br/>           (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-036       | <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 matching, level of effort, and earmarking requirements for the Child Care and Development Fund Cluster.</p> <p>The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements.</p> <p>The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department’s grant adjustments for the Direct Services earmark were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200.</p> <p>The audit period covered expenditures related to grant award years 2018, 2019, 2020, and 2021. It should be noted that level of effort and other earmarking expenditures were not affected by journal vouchers processed for child care expenditures paid through the Social Service Payment System. We disagree with the auditors’ assertion that these compliance areas could not be audited due to those JVs being processed, as noted in the Effect of Condition section of the finding.</p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"> <li>• Establish written procedures for matching, level of effort, and earmarking requirements, and for fiscal monitoring of these areas.</li> <li>• Review options available for processing adjustments to include transaction-level data that is sufficient to comply with federal regulations.</li> </ul> <p>The conditions noted in this finding were previously reported in finding 2020-040.</p> <p>Corrective action is expected to be complete by July 2023</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-037       | <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 period of performance requirements for the Child Care and Development Fund.</p> <p>The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements.</p> <p>The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department’s grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200.</p> <p>In state fiscal year 2022, the Department processed corrections for all expenditures identified as questioned costs, as allowed per federal regulations.</p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"> <li>• Establish written procedures for complying with federal period of performance requirements and fiscal monitoring of these areas.</li> <li>• Review options available for processing adjustments to include transaction-level data that is sufficient to comply with federal regulations.</li> </ul> <p>The conditions noted in this finding were previously reported in finding 2020-041.</p> <p>Corrective action is expected to be complete by July 2023</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-038       | <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 financial reporting requirements for the Child Care and Development Fund Cluster.</p> <p>The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements.</p> <p>The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department’s grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200.</p> <p>In response to the auditor’s recommendations, the Department has submitted a budget request for staffing to the Legislature for the 2023-2025 biennial budget. The staff will process adjustments to include transaction-level data that supports the ACF-696 reports.</p> <p>Corrective action is expected to be complete by December 2023</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |



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| 1030978      | 2021-039       | <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 health and safety requirements for the Child Care and Development Fund program.</p> <p>The Department is strongly committed to ensuring the health, safety, and well-being of all children in care, and is continuing to work on improving internal controls and processes.</p> <p>In September 2020, in response to the COVID-19 pandemic, the grantor approved the revised CCDF State Plan to allow the Department to conduct annual, announced virtual monitoring visits of licensed providers rather than typical unannounced onsite visits.</p> <p>In July 2021, the Department consulted with the grantor on accepting email and verbal confirmation in lieu of signature on the health and safety agreement for Family, Friends &amp; Neighbors providers. The CCDF State Plan was subsequently updated to reflect this change and the signature requirement was removed.</p> <p>The Department will continue to implement system changes and enhancements in WA Compass to assist with reporting on monitoring visits and health and safety rechecks.</p> <p>The conditions noted in this finding were previously reported in findings 2020-042, 2019-039, 2018-035, 2017-025, 2016-022 and 2015-024.</p> <p>Corrective action is expected to be complete by May 2023</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

State of Washington - Office of Financial Management  
 Status of Audit Resolution  
 December 2022

Department of Children, Youth, and Families

Agency 307

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| 1030978      | 2021-040       | <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 to ensure payments to providers for travel and family visits were allowable and adequately supported for the Foster Care program.</p> <p>The Department is committed to strengthening internal controls and complying with grant requirements.</p> <p>In response to the auditor’s recommendations, the Department will work with the Financial and Business Services Division and Foster Care Program to review the fiscal monitoring procedures to ensure payments to providers for travel and family visits are allowable and adequately supported.</p> <p>Corrective action is expected to be complete by December 2022</p> <p>Stefanie Niemela<br/>           Audit Liaison<br/>           PO Box 40970<br/>           Olympia, WA 98504-0970<br/>           (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-041       | <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 federal requirements to ensure indirect costs charged to the Foster Care program were allowable.</p> <p>As of July 1, 2018, the Legislature created the Department of Children, Youth, and Families (DCYF) by combining the Department of Social and Health Services Children’s Administration and the Department of Early Learning. The new agency assumed the responsibilities of managing the Foster Care program and created a Public Assistance Cost Allocation Plan (PACAP) to comply with federal regulations.</p> <p>During the time period when the original PACAP was established, the Cost Allocation and Grants Unit was under resourced due to vacancies and a hiring freeze. The six bases used to allocate costs to the program were inadvertently omitted on the submitted plan.</p> <p>As a newly established agency, the Department continues to work on documenting and refining internal control processes and procedures. As of June 2022, the Department:</p> <ul style="list-style-type: none"> <li>• Verified all bases were included in the PACAP.</li> <li>• Updated and resubmitted the SFY21 PACAP to the Department of Health and Human Services.</li> </ul> <p>June 2022, subject to audit follow-up</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-042       | <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 some Public Assistance Cost Allocation Plan requirements.</p> <p>The Department does not concur with the finding.</p> <p>As stated in prior year’s audit response, the Department has processes and procedures in place for the monthly employee reconciliation of the Random Moment Time Study (RMTS) sampling universe. The headquarters’ cost allocation team follows procedures to create and communicate monthly employee reports to the RMTS coordinators.</p> <p>The Department maintains that it complies with the RMTS instructions that are included in the federally approved Public Assistance Cost Allocation Plan (PACAP). The Department has also taken additional actions to address system limitations caused by high turnover rates of staff within the cost pools. There is no known deficiency with the integrity of the RMTS, nor are unallowable costs allocated to federal programs.</p> <p>The Department will continue to maintain internal controls over the monthly update process to ensure the RMTS sampling populations are complete. The Department will also work with the federal partners to ensure continued compliance with the PACAP.</p> <p>The conditions noted in this finding were previously reported in findings 2020-044 and 2019-044.</p> <p>Not applicable</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-043       | Finding:<br><br>Corrective Action:<br><br>Completion Date:<br><br>Agency Contact: | The Department of Children, Youth, and Families improperly charged \$1,850 in benefits to the Foster Care Title IV-E program.<br><br>The Department concurs with the finding.<br><br>In April 2022, the Department: <ul style="list-style-type: none"> <li>• Updated the source of funds in the FamLink application for the child identified in the audit exception to ensure future payments would be made with state funds.</li> <li>• Researched all payments made on behalf of the child and returned the federal portion to the grantor.</li> </ul> April 2022, subject to audit follow-up<br><br>Stefanie Niemela<br>Audit Liaison<br>PO Box 40970<br>Olympia, WA 98504-0970<br>(360) 725-4402<br><a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a> |

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| 1030978      | 2021-044       | <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 its process to allocate the Adoption Assistance program expenditures to federal grants.</p> <p>In October 2020, the Department took the following corrective actions in response to the prior year’s audit finding:</p> <ul style="list-style-type: none"> <li>• Implemented processes for additional approval authorities to ensure cost allocation edit forms are reviewed and approved by management.</li> <li>• Established a workflow for segregating duties to strengthen internal controls over processing cost allocation edit forms.</li> </ul> <p>The three instances noted by the auditor during the current audit were all changes made on one edit form entered in September 2020, prior to the new processes and workflow being implemented. All other samples reviewed by the auditors were processed after October 2020 and substantiated the required documentation of review and approval per the new process.</p> <p>The conditions noted in this finding were previously reported in finding 2020-045.</p> <p>October 2020, subject to audit follow-up</p> <p>Stefanie Niemela<br/>                     Audit Liaison<br/>                     PO Box 40970<br/>                     Olympia, WA 98504-0970<br/>                     (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |

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| 1030978      | 2021-045       | <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 level of effort requirements for the Adoption Assistance program.</p> <p>To address the audit finding and recommendations, the Department took the following corrective actions:</p> <ul style="list-style-type: none"> <li>• In February 2022, hired a new position to manage the adoption savings program.</li> <li>• In May 2022:               <ul style="list-style-type: none"> <li>○ Corrected the federal fiscal year 2020 annual adoption savings report and submitted to the Administration for Children and Families (ACF).</li> <li>○ Reviewed ACF’s reporting instructions and guidance with staff involved in the preparation and submission of the financial report.</li> <li>○ Reviewed written procedures for tracking and monitoring adoption savings expenditures to ensure compliance with level of effort requirements.</li> <li>○ Established meetings with impacted staff prior to and after the submission of the financial report to improve processes between program and fiscal staff in monitoring and verifying adoption savings expenditures.</li> </ul> </li> </ul> <p>The Department will continue to take the necessary steps to improve internal controls and accuracy in reporting adoption savings spending.</p> <p>May 2022, subject to audit follow-up</p> <p>Stefanie Niemela<br/>           Audit Liaison<br/>           PO Box 40970-0970<br/>           Olympia, WA 98504<br/>           (360) 725-4402<br/> <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p> |