

State of Washington
 Status of Audit Resolution
 December 2016

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	023	<p>Finding: The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.</p> <p>Corrective Action: The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments. The Department currently audits randomly selected attendance records within four months after the end of the payment month.</p> <p>In January 2012, the Working Connection Child Care (WCCC) subsidy audit team was created within the Department to meet federal internal control requirements of the WCCC subsidy program. The team started with four Quality Assurance (QA) specialists and one lead worker. In December 2013, the team hired three new QA specialists. From February 2014, through May 2014, the Department had two QA specialists dedicated to the Federal Improper Payment Audit.</p> <p>In 2012, the Washington State Legislature required the Department, in coordination with DSHS, to contract with an independent consultant to evaluate and recommend the optimum system for the eligibility determination process. The evaluation was required to include an analysis of Lean management processes that, if adopted, could improve the cost effectiveness and delivery of eligibility determination.</p> <p>The Department contracted with the Aclara Group to provide an evaluation of the Child Care Subsidy Programs (CCSP) and develop recommendations for business process improvements. Aclara’s final report was completed in October 2012. The report identified 29 recommendations for improvement that span policy, business processes, and information technology supports. The Department is taking a structured project approach to address the report recommendations. The proposed project structure fosters a close partnership between the Department and DSHS to streamline and simplify CCSP policies and processes. The Department and DSHS formed 14 interagency workgroups to analyze these recommendations and implement those that would improve the program. This project was completed in July 2015.</p> <p>Starting in July 2014, the Department collaborated with DSHS on an interagency and interdivision Lean Six Sigma process improvement effort to address the high rate of overpayments the Department is currently experiencing. The effort includes mapping multiple related work processes to identify variables that may contribute to overpayments, and identifying improvements that can be made to these processes to help lower the rate of overpayments. As of July 2015, the Department completed Lean process maps for all subsidy audit work processes and identified areas for improvements. Work is ongoing in many areas to implement process improvements.</p>

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2015 F	023 (cont'd)	<p>In November 2014, the Department and DSHS formed a WCCC reframe workgroup designed to address the recent reauthorization of the Child Care Development Fund grant.</p> <p>Part of the scope of this work is to conduct a comprehensive analysis of billing and other child care provider requirements that have the potential to cause confusion or otherwise increase the risk of improper billing. The workgroup continues to collaborate on this analysis on an ongoing basis. Contrary to the auditors' request of reviewing very recent records, the Department will continue to audit records up to twelve months old in cases where providers back-bill for a prior period. This process will reduce the risk of potential frauds when providers submit incomplete invoices or submit invoices for time periods not subject to the audit. In addition, the statute of limitations is three years for establishing an overpayment and the Department's reviews have historically been made within this timeframe.</p> <p>In February 2015, the Department and DSHS formed a Child Care Audit Committee designed to address internal and external audit issues, and improve internal controls over client eligibility and direct payments to child care providers. This group continues to meet and collaborate on process improvements.</p> <p>In the most recent required Child Care Development Fund Program State Improper Payment Report submitted in July 2014, the Department reported that, of 276 cases sampled, nine cases (3.3 percent of the total) had an improper payment error (overpayment or underpayment). The national improper payment error rate for this same period was 5.7 percent, so the Department is well below this national average. The federal government requires a corrective action plan for states exceeding 10 percent.</p> <p>In March 2016, the Department began clarifying subsidy program rules and policies, using provider feedback to improve training, developing record keeping templates, and communicating more frequently with DSHS.</p> <p>The Department will continue to request funding for an electronic time and attendance billing system, which will ensure attendance data for all providers are available and reconciled to billing before payment is made. Such a system would eliminate many forms of potential fraud and decrease the number of unintentional billing errors that cause high levels of improper payments.</p> <p>The Department is exploring an interim IT solution that will allow the Department to receive electronic attendance records from all child care providers receiving subsidy payments. The Department has also initiated a project to implement a new case management system to improve provider monitoring, fraud detection, and data reporting.</p>

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2015 F	023 (cont'd)	<p>The Department is committed to improving its audit approach to include changing how cases are assigned, increasing auditor training, and implementing risk-based auditing techniques. For example, the Department is considering expanding attendance record review in cases where the Department has information to suggest it is likely to uncover additional types of billing errors, return substantial sums to the grant, or assist with fraud investigations. The Department will also continue the recent change to audit providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews.</p> <p>Completion Date: Corrective action is expected to be complete by December 2017</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>

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2015 F	024	<p>Finding: The Department of Early Learning 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 this finding. To address the weaknesses noted in the finding, the Department has taken or is taking the following steps:</p> <ul style="list-style-type: none"> • Recently created a licensing background unit that will allow staff to better manage fingerprint requirements. • Immediately shifted licensing staff resources from regions where work was being completed timely to regions where staffs were behind to assist with workload issues. • The Department continues to analyze the number of staff needed to satisfy the licensor-to-childcare provider requirements of the Child Care and Development Block Grant (CCDBG) Act of 2014 which requires adequate staffing ratios to provide timely services per federal and state law requirements. • Initiated emergency rulemaking and updating policies to clarify that licensors do not need to inspect licensees that have become inactive. • Clarified policies and procedures, and provided additional training to licensing staff on the revisions. • Acquired WA Compass, a caseload management system software, and is currently building the licensing mobile application and provider portal. <p>Completion Date: Corrective action is expected to be complete by June 2017</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	025	<p>Finding: The Department of Early Learning did not have adequate internal controls over child care fraud detection and repayments.</p> <p>Corrective Action: To address the finding, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • Developed written procedures for staff to follow when potential fraud is suspected and is working on finalizing a formal policy statement. • Delivered fraud trainings to Department audit and licensing staff in collaboration with the Department of Social and Health Services Office of Fraud (OFA) and Accountability. The training provides guidance to staffs responsible for referring cases to the Subsidy Policy and Audit Manager, who makes the final decision to refer to OFA for action. • Conducted targeted training for licensing Regional Administrators to review recent referrals and identify best practices in recognizing and reporting suspected fraud. • Expanded review of provider attendance records in cases of suspected fraud to support investigation. • Actively engaged its partners at OFA to ensure more timely response and review of cases referred for investigation. <p>The Department is also taking the following actions:</p> <ul style="list-style-type: none"> • Continue to request funding for an electronic time and attendance billing system to enable reconciliation between provider attendance data and billings before payment is made. Such a system would be able to eliminate many forms of potential fraud or unintentional errors that cause improper payments. • Actively engaging in the field testing of different electronic attendance tracking solutions in partnership with parents and providers across the state. This process is intended to build a proof of concept and garner wider stakeholder support for the possible transition to an electronic time and attendance system. • Exploring an interim IT solution that will allow the Department to receive electronic attendance records from all child care providers receiving subsidy payments. • Continue to provide fraud trainings at locations throughout the state as needed. • Providing targeted training for licensing Regional Administrators on a quarterly basis. <p>Completion Date: Corrective action is expected to be complete by June 2017</p> <p>Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>