
Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 006

Finding: The Department of Social and Health Services and the Department of Early Learning do not have adequate internal controls over direct payments to child care providers.

Resolution: The Department of Social and Health Services (DSHS) and the Department of Early Learning (DEL) partially concur with the auditor's finding that neither Department has adequate internal controls over direct payments to childcare providers.

The Departments agree there is no process to routinely reconcile Social Service Payment System (SSPS) payments made to providers with the providers' attendance records. Both Departments also agree that the program's integrity would be enhanced by such reconciliation but have not had sufficient resources to perform the complex, time-consuming reconciliation on a routine basis.

In lieu of a reconciliation process, both Departments have focused their efforts on improving provider accuracy in billing and conducting alternate post-payment audits performed at various frequencies, to monitor the accuracy of service authorizations and payments. DEL and DSHS will continue to cooperate in identifying and implementing internal controls that will improve billing practices by providers and increase payment accuracy.

DEL reviewed the instructions included in the basic billing class offered to home childcare providers and, in August 2008, rewrote the instructions in "plain talk" to improve the accuracy and understandability. Additionally, DEL began training licensed family childcare providers and license-exempt in-home relative childcare providers per the requirements of the 2007-2009 collective bargaining agreement between the State of Washington and the Service Employees International Union 925. The agreement requires the state to provide training on subsidy payments for those providers covered under the contract that accept childcare subsidies. DEL is documenting provider attendance at the training.

By December 2008, DEL will reexamine the state's attendance record policy and evaluate the impact of mandating the use of a standard attendance reporting form to reduce the difficulty of reconciling attendance and SSPS payment records.

In May 2008, DEL and DSHS Economic Services Administration (ESA), Office of Quality Assurance (QA), developed procedures for obtaining required attendance record documentation from providers for the reconciliation of audits.

In July 2008, DSHS developed audit procedures and implemented audits involving the reconciliation of a representative sample of the SSPS childcare payments with attendance record documentation obtained through DEL.

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DSHS will continue to utilize the Payment Review Program (PRP) and mandatory monthly supervisory reviews to improve the accuracy of the authorization process and identify billing errors. The results of these reviews are documented and the Community Services Division (CSD) headquarters staff reviews the documentation to ensure monitoring compliance.

DEL and DSHS jointly implemented the requirements of the Improper Payments Information Act of 2002 that requires states to conduct and report on audits of childcare authorizations to the U.S. Department of Health and Human Services (HHS) on a 3-year cycle. In January 2008, ESA/QA began auditing a random sample of 276 childcare authorizations from federal fiscal year 2007 for accuracy. The results were forwarded to DEL for reporting to HHS in June 2008. DSHS will continue to conduct these reviews on an annual basis and report authorization issues to DEL.

In February 2008, CSD and DEL reviewed the SSPS Provider Payroll Payment System and evaluated whether or not changes to SSPS could make it easier for providers to bill accurately. Because the system has limited flexibility for changes and will start to be phased out of operation, it was determined that changes should be incorporated into Provider One when development for childcare payments starts.

In March 2008, CSD and DEL reviewed the September 2006 DSHS Quality Assurance Family Home Eligibility and Payment Review Report written by ESA/QA to assure appropriate actions were taken to resolve issues affecting accuracy of authorizations and payments. Action plans were developed and are routinely reviewed at the monthly regional childcare coordinators meeting to resolve outstanding issues.

In March 2008, ESA/QA established a joint childcare review committee that will meet monthly to review and assess childcare authorization, training, and payment errors through a root cause analysis to reduce and prevent future errors. Within two weeks after each meeting, any issues coming out of this committee are brought forward to the ESA Assistant Secretary and the Deputy Director of DEL.

In September 2008, ESA and DEL formalized their roles and responsibilities for audit, authorization, and payment accuracy in the joint service level agreement signed by the Deputy Secretary of DSHS and Deputy Director of DEL.

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Status of Audit Resolution

December 2008

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 007

Finding: The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have internal controls to ensure that interest penalty collections are refunded to the federal government.

Resolution: The Department is working with the appropriate federal entities to determine the best method to refund the interest to the federal government.

The Department analyzed the calculations for the questioned costs identified in the audit related to unreported interest penalty collections and remitted the appropriate amount to the federal government on March 27, 2008.

On October 14, 2008, the Department established policies and procedures to ensure that federal share of interest is refunded annually to the federal government in an accurate and timely manner.

On November 17, 2008, the Department determined the amount of interest related to unreported interest penalty collections for the period July 1, 2007 to July 1, 2008 and remitted that interest back to the federal government.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 008

Finding: The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have adequate internal controls to ensure the federal share of overpayments made to Medicaid providers are refunded in a timely manner.

Resolution: The Department believes that existing internal controls are sufficient and adequately address the federal requirement to ensure that the federal share of overpayments is refunded within sixty days of discovery; however, the Department is currently working to arrive at a mutual agreement with the federal liaisons on how best to comply with the federal regulations without undue burden on resources caused by the manual reconciliation process to determine the federal share of overpayments. This agreement is anticipated to be finalized by the end of 2008.

In the spring of 2008, the Office of Financial Recovery began sending monthly reminder emails to department administrations requesting assurance that all overpayments had been forwarded. After subsequent discussion with the auditors, a new policy and procedures were approved in October 2008 and implemented in November 2008.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 009

Finding: The Department of Social and Health Services, Health and Recovery Services Administration's internal controls are inadequate to identify and recover Medicaid overpayments to pharmaceutical providers made through inappropriate use of billing override codes.

Resolution: The Health and Recovery Services Administration (HRSA) will continue outreach activities that commenced on September 27, 2007, including working with the Washington State Pharmacy Association and the pharmacy focus group to identify opportunities to improve third party liability (TPL) processes and to raise awareness in the pharmacy community for TPL overpayments.

On December 31, 2007, HRSA started the Other-Coverage-Code 7 project. This project was reviewed with the pharmacy focus group and is aimed at making pharmacies cognizant of their Other-Coverage-Code 7 use. It allows HRSA's coordination of benefits section to verify and update client eligibility files with correct third party payer information. Based on feedback from the pharmacy community, HRSA decided to continue with this activity.

On December 31, 2007, HRSA sent letters identifying claims with Other-Coverage-Codes to pharmacies asking them to conduct a self-review of their billings to ensure compliance. Based on feedback from the pharmacy community, HRSA decided to continue with this activity as well.

Beginning December 31, 2007, the Office of Payment Review and Audit within HRSA began performing a comprehensive risk assessment to identify potential enhancements to existing post-payment controls. The initial risk assessment was completed on March 17, 2008. The outcome of the risk assessment and analysis is a process that identifies and audits pharmacy providers with the highest risk of aberrant billing using third party override coverage codes. With this new risk assessment process, additional audit staff are conducting pharmacy TPL audits.

HRSA is evaluating additional point-of-sale (POS) pre-payment controls. Approved recommendations will be incorporated into the new POS system by June 30, 2009.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 010

Finding: The Department of Social and Health Services, Health and Recovery Services Administration's, internal controls are inadequate to support decisions on the eligibility of clients enrolled in Medicaid's Basic Health Plus Program.

Resolution: The Department conducted a focused audit that was completed in May 2007. The audit identified a specific knowledge gap that contributed significantly to the identified exceptions.

The Department developed and, in July 2007, delivered self employment (SE) training for all Medical Eligibility Determination Services (MEDS) staff. This training focused on the specific knowledge and performance gaps identified in the focused audit of SE cases. The State Auditor's Office was provided with the curriculum and desk aids developed. The Department continues to audit to the standards presented at the training with a resulting increase in accuracy and improved documentation of SE cases.

New rules were developed and implemented for income calculation and SE documentation, effective January 2008. These new rules are expected to streamline the documentation and verification required for SE cases in particular. New rules training was delivered to all MEDS staff on December 19, 2007. A desk aid was developed, reviewed by policy staff, and was delivered to MEDS staff on December 28, 2007.

In December 2007, MEDS staff met with Health Care Authority (HCA) staff to review and update the language on the HCA Basic Health Plus application to specify that DSHS rules and requirements are applied to information related to eligibility for Basic Health Plus. The new Basic Health Plus application is located on the HCA website and became available for use on May 15, 2008.

Audits of five percent of the applications/reviews are being performed to ensure correct application of new rules. Auditing began in January 2008 and has been integrated into the MEDS monthly auditing plan of fifty cases per month per team.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 011

Finding: The Department of Social and Health Services does not have adequate internal controls to ensure new applicants meet federal citizenship requirements before receiving Medicaid benefits.

Resolution: The Department took the following action to address this audit finding:

- Citizenship verification and identity processes were developed by Health and Recovery Services Administration (HRSA) in May 2008 to ensure accurate eligibility decisions for all applicants 19 years of age and older and for all nonpregnant applicants under the age of 19.
- Between May and July 2008, HRSA provided medical eligibility staff with citizenship verification and identity training, and communication related to eligibility for applicants 19 years of age and older as well as for nonpregnant applicants under the age of 19.
- Beginning in May 2008, HRSA requires citizenship verification and proof of identity (with a 90-day grace period) for all nonpregnant applicants under the age of 19 prior to Medicaid approval.
- Beginning in July 2008, HRSA requires citizenship verification and proof of identity for all applicants 19 years of age and older prior to Medicaid approval.
- In September 2008, manual accounting entries were completed by HRSA, Division of Rates and Finance, to charge expenditures to state funds for enrollees who had not satisfied federal requirements. Future accounting entries will be made as necessary.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 012

Finding: The Department of Social and Health Services does not have adequate internal controls to ensure people receiving Medicaid benefits have valid Social Security numbers.

Resolution: As a result of the 2006 audit finding, the Department took the following steps:

- State On-line Query (SOLQ) training was developed. All financial staff in the Economic Services Administration (ESA) were trained and are required to use SOLQ to check social security numbers (SSN) at the time of a client's initial application for benefits in all programs.
- ESA supervisors added medical cases to their monthly alerts with a focus on SSN verification.
- In April 2007, the ESA Office of Quality Assurance began conducting monthly random audits on medical cases checking for consistent use of SOLQ at the time of application for benefits and at scheduled case reviews.

In October 2007, the Department added a hard edit in the Automated Client Eligibility System (ACES) that requires workers to take action at the time of medical recertification for individuals who have had an SSN application pending for more than sixty days.

In January 2008, the following action steps were identified by Health and Recovery Services (HRSA) and ESA, and were completed by March 2008:

- HRSA sent ESA a "No SSN" exception list.
- ESA, Division of Employment and Assistance Program (DEAP), sent an exception list to ESA field staff for immediate action to verify and enter SSNs into ACES.
- ESA developed and distributed a desk aid for line staff with easy-to-understand information on medical eligibility rules and SSN requirements.
- ESA posted an article on their intranet site and issued a memo to field staff regarding SSN requirements.

DEAP is following up by monitoring to ensure SSNs are present for individuals over 12 months of age. This monitoring began in March 2008 and will be ongoing.

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Status of Audit Resolution

December 2008

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 013

Finding: The Department of Social and Health Services, Health and Recovery Services Administration's internal controls are insufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.

Resolution: The Department believes that controls in place provide reasonable assurance that the data used in rate setting is accurate and complete.

In the managed care program, health care plans provide detailed financial data directly to the Department's contract actuary. Because of concerns with the proprietary nature of this data, health care plans do not submit the data to the Department. The actuary completes a validation of the financial data received from the Healthy Options plans by comparing it with the financial statements found in the annual independent audits completed on the health care plans and submitted to the Office of the Insurance Commissioner. The actuary also reviews encounter data submitted to the Department by the health care plans.

When those data sets provide a reasonable assurance to the actuary that the financial and encounter data is representative of services performed, the actuary proceeds to calculate the health care plan rate for the provider based upon the submitted financial and encounter data. When the data sets do not provide reasonable assurance, the actuary works with the health care plan to resolve discrepancies or inconsistencies prior to performing the rate calculation.

The Centers for Medicaid and Medicare Services (CMS) recently completed a follow-up to their 2004 audit. There was no finding of noncompliance regarding rate setting. The CMS audit report was forwarded to the State Auditor's Office.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 014

Finding: The Department of Social and Health Services' internal controls are insufficient to ensure compliance with federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.

Resolution: In May 2007, the Department hired an incident manager to coordinate incident reporting, investigations, policies and procedures, and audits. The incident manager immediately began tracking and monitoring incidents using a standardized electronic incident reporting template. This allows for notification of incidents and information about the investigations to the Mental Health Division (MHD), Health and Recovery Services Administration (HRSA), and other Department administrations.

The incident manager worked with MHD administration and hospital incident management staff to ensure reporting compliance and, in October 2007, established an operational procedure for reporting incidents by level of seriousness to MHD and HRSA.

The incident manager worked with Western State Hospital staff and the Medicaid Fraud Control Unit (MFCU) to clarify reporting standards and referrals for residential abuse. These standards were included in the MHD incident reporting policy which was approved in February 2008. The policy complies with federal requirements and includes directions, content, and timelines on reporting and referrals to outside agencies, including MFCU, Adult Protective Services, and Child Protective Services.

The incident manager followed up with Western State Hospital on all incidents identified in the audit, verifying that the pertinent incidents were referred to the Washington State Patrol per MFCU protocol and that all investigations were thoroughly documented. MHD will ensure that required reporting to MFCU on any future incidents is done.

In June 2008, all appropriate Western State Hospital staff completed investigation training. The incident manager verified and collected all documentation including certificates of completion.

In July 2008, the incident manager conducted onsite reviews for incident reporting policies and procedures at all three state psychiatric hospitals. Specific deficiencies were identified and corrected onsite. The incident manager also made recommendations for internal policy changes.

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Status of Audit Resolution

December 2008

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 017

Finding: The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.

Resolution: The Department's Division of Disability Determination Services (DDDS) sought a determination from the Office of Financial Management (OFM) regarding classification of contracts between DDDS and consultative providers. In April 2006, OFM issued a written determination classifying these contracts as personal service rather than client service.

In October 2007, DDDS identified prospective contractors through a request for qualification process, in accordance with RCW 39.29.040 and OFM guidelines. DDDS offered personal service contracts to all qualifying providers willing to accept standard fees published by the Department.

In October 2007, DDDS created contracts and began maintaining documentation records for consultative evaluations by individual medical practitioner/contractor in accordance with Department policies. By the end of October 2007, all doctors and other professionals providing services for DDDS and its clients, with date of service after September 2007, have personal service contracts in place.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2007 F

Finding Number: 018

Finding: The Department of Social and Health Services is not complying with federal requirements for allocating employee salaries and wages in accordance with its Public Assistance Agency Cost Allocation Plan.

Resolution: In April 2008, the Office of Accounting Services (OAS) worked with each of the Department administrations and reviewed the positions noted in the audit as being exceptions. The outcome was to:

- Correct the methodology used to allocate the position; or
- Update the account coding associated with the position; or
- Update the Public Assistance Cost Allocation Plan (PACAP) to identify the position and methodology used to allocate the position; or
- Ensure time and effort documentation is produced and maintained to support the charges.

Affected programs submitted amended plans by the required deadline for those specific positions.

OAS continued to work with all Department administrations to accurately code those positions identified during the audit, and assisted the administrations in implementing the requirements of the PACAP. This corrective action was completed in April 2008.

In April 2008, the Accounting Policy Management Board reviewed the Department's "Federal Compliance with Time Certifications for Positions Charged to Multiple Funding Sources" policy and approved the changes.

The Department will continue to work with each of the federal granting agencies to determine if any of the questioned costs are to be returned.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6761

Finding Number: 001

Finding: The Department of Social and Health Services does not have adequate controls to ensure all payments made through its Social Services Payment System are supported and approved.

Resolution: To address this finding, the Department:

- Began a new audit process that reconciles a random sample of childcare attendance records against Social Services Payment System (SSPS) payments. This process strengthens controls and assists in preventing future overpayments. The Economic Services Administration's (ESA) Office of Quality Assurance (QA) began conducting the reviews in July 2008 and continues to do so. The Department of Early Learning (DEL) agreed to obtain attendance records from providers for sampled cases and send them to ESA/QA.
- Conducts ongoing monthly meetings, which include the headquarters childcare manager and the regional childcare coordinators, to improve communication, share best practices, and identify and resolve issues.
- Addressed documentation issues regarding income and parent-child schedules through the development of The Work Scheduler, released in September 2008.
- Directed the childcare managers and regional coordinators work group to work on establishing guidelines and requirements for field staff by March 2009 on several childcare payment reports.
- Continues to conduct mandatory supervisory audits of one percent of worker authorizations as well as routine and regular case reviews at the local office level.
- Continues to use the services of the Payment Review Program (PRP) contractor to run multiple algorithms designed to identify childcare payment errors.

In addition, Aging and Disability Services Administration (ADSA) will continue to provide staff training, supervisory overview, and quality review of payment procedures used in the field.

Overpayment referrals were established by various administrations and sent to the Office of Financial Recovery (OFR) by January 2008. Children's Administration has a process in place to adjust federal claims for inappropriate payments and utilized this process for each overpayment when it was identified. Federal expenditures were adjusted in March 2008 for overpayments identified in the audit.

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On July 1, 2008, DSHS received a response from the U.S. Department of Health and Human Services (HHS) regarding their approved method for overpayments related to the Child Care Development Block Grant. HHS stated that, if the overpayments are from mandatory or matching funds, a warrant should be issued to HHS to refund the overpayments. Each administration is working with OFR to determine which funds are affected, and will follow normal procedures in refunding the overpayments as appropriate.

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Status of Audit Resolution

December 2008

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6761

Finding Number: 002

Finding: The Department of Social and Health Services does not adequately monitor contracts with Crisis Residential Centers to ensure compliance with state law and contract requirements.

Resolution: In July and August 2008, the Children's Administration (CA) met with stakeholders, including CA staff and Crisis Residential Center (CRC) staff, to understand and define events and conditions that result in maximum allowable stays being exceeded, to identify options to prevent over-stays, and to define and gain an understanding of payment conditions of service.

In September and October 2008, CA worked with stakeholders to develop proposals and payment methodologies that prohibit payment for stays beyond five days. CA will strengthen contract language to clearly outline the monitoring obligation and process.

CA continues to work with the CRCs to obtain management team approval of proposed payment methodologies and contract improvements. Implementation of approved payment methodologies and new contracts is expected by April 2009.

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Status of Audit Resolution

December 2008

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6761

Finding Number: 003

Finding: The Department of Social and Health Services, Children's Administration, did not perform adequate monitoring for background checks of foster care providers.

Resolution: Beginning in September 2007, Children's Administration began reviewing all unlicensed relative placements and guardianships to ensure that they were in compliance with the background check policy. All placements that did not have the proper background checks had them completed by June 30, 2008.

The Department reviewed the cases of the three people noted in the finding who had dependent children in placement but who did not have background checks, and determined no additional action is needed. None of the identified placements were licensed. One person was a relative placement, and the child left the home in June 2007. One person provided respite care for two days in April 2007. It appears that this respite placement was made by the child's Tribe. The third person was a former foster parent who provided childcare during the day. The child was adopted by the foster parent in March 2008. Dependent children are no longer placed in these homes; therefore, no action is required.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6761

Finding Number: 004

Finding: Public funds were misappropriated at the Department of Social and Health Service's Division of Child Support.

Resolution: Finding of fraud. Refer to page 51.