

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 1006746

Finding Number: 002

Finding: The Department of Social and Health Services does not perform timely reconciliations of the State Payroll Revolving Account, resulting in losses and errors.

Resolution: The Department has taken several steps to correct the deficiencies identified in this audit.

In May 2010, the Department reviewed and made changes to the processes that were in place for the collection of overpayments and reconciliation of insurance payments. The monitoring of both was given increased priority by the Department.

In November 2011, the Department centralized its payroll function for western Washington institutions into headquarters. This change provides more consistency in the various payroll processes.

During fiscal year 2012, the Department made significant progress in payroll reconciliation. An example of this progress is the health insurance liability general ledger for which over half of the beginning balance was reconciled and cleared. In most cases, the Department is meeting its goal of reconciling current month activity within 30 days. For the occasional circumstances where a reconciliation cannot be completed within 30 days, it is completed within 60 days.

Additionally, process improvements, reporting tools (such as the payroll posting report, flexible employee data reports, and a movement/turnover report), and other practices have helped in managing the payroll activity and reducing the number of irregularities that need to be corrected within the current activity.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 1006746

Finding Number: 003

Finding: The Department of Social and Health Services does not adequately monitor access to critical systems to prevent unauthorized access or misuse.

Resolution: The Department has taken or will take the following corrective actions:

In August 2010, the Department implemented the user maintenance module in the Support Enforcement Management System (SEMS). Implementation of this module ensured that employees did not have more rights than their supervisor. In addition, the module has security profiles for each type of user based on job duties and location to ensure the appropriate level of access. The Department began generating reports from the user maintenance module in September 2010. The SEMS analyst for access control reviews the electronic report for mismatched profiles.

The Department also initiated a process, which is ongoing, that revokes a user's access to SEMS, Automated Client Eligibility System (ACES), and Electronic Jobs Automated System (eJas) when it is no longer required.

By December 2011, the Department:

- Implemented Unisys Security System which tracks access to critical files and reports on them daily.
- Confirmed the Department's mainframe database access is limited to the database administrators.
- Restricted access to programs in SEMS, eJAS, and ACES by entering the production code in a secured library.
- Ensured there was an appropriate separation of duties between those who create and pay vouchers. The system ensures that staff who initiates a voucher cannot also approve the voucher. The monthly voucher report is reviewed by internal audit staff.

In February 2012, the Department implemented policies and standards to deal with the operation of production platforms and library maintenance.

In June 2012, the Department began restricting direct access to SQL platforms to database administrators.

In October 2012, the Department's Economic Services Administration (ESA) released an employee system access checklist. The checklist is meant to be completed upon an employee's initial hire, when there are system access changes, and annually. The annual checklist is required for all ESA staff as part of the annual evaluation process. Each supervisor or their designee is responsible for ensuring it has been completed for their staff.

State of Washington

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Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

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December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 1006746

Finding Number: 004

Finding: The Department of Social and Health Services' Economic Services Administration systems are vulnerable to misappropriation and inappropriate data changes.

Resolution: The Department is in agreement with the auditor's recommendation about implementing change management systems. In March 2012, the Department implemented policies and standards to deal with the operation of production platforms and library maintenance for releasing code to production.

The new Automated Clearing House (ACH) Manager application has been released, requiring unique logins and generating an audit trail. The supervisor or lead of the electronic funds transfer (EFT) group looks at the electronic audit trail when there is a discrepancy in totals between what is in the ACH Manager application and what is on the bank report. The audit trail is also reviewed if an EFT payment goes into suspense or is misapplied. In addition, there are spot checks done during the month.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 001

Finding: The Department of Social and Health Services, Economic Services Administration did not have controls in place to comply with federal regulations regarding costs of salaries charged to federal grants.

Resolution: The Department concurs with this finding. The Department has taken action and will continue to address the deficiencies identified in the audit.

In March 2012, the Department:

- Reviewed and reduced the number of split coded positions which will limit the need for adjustments.
- Identified one staff in headquarters who will be responsible for ensuring time certification policies and procedures comply with federal requirements.

In April 2012, the staff person responsible for time certification started reviewing salary charges on a monthly basis to ensure costs are transferred as appropriate. Also, ongoing quarterly reviews will be completed to reconcile time spent with actual expenditures.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

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December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 002

Finding: The Department of Social and Health Services, Economic Services Administration did not issue retroactive food assistance payments in accordance with federal law.

Resolution: The Department concurs with this finding. In April and May 2011 the Department trained field staff on the proper calculation of retroactive payments. The same training is required for new employees responsible for issuing benefits.

By March 2012, all exceptions identified in the audit were reviewed by Department staff who determined the correct supplement amount for which the client was eligible. For those payments determined to be unallowable, the Department established an overpayment that was issued to the client.

By January 2013, the Department is planning to update the Automated Client Eligibility System (ACES) with an edit that will prevent retroactive benefit payments beyond the allowable 12-month period.

The Department will address the issue of the questioned costs with the U.S. Department of Agriculture.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

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December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 013

Finding: The Department of Social and Health Services is not complying with federal requirements for suspension and debarment for its federal Vocational Rehabilitation Program.

Resolution: The Department concurs with this finding. The Department's Division of Vocational Rehabilitation (DVR) requires a Service Tracking and Recording System authorization for purchase (AFP) when purchasing client services.

DVR added a suspension and debarment clause to the terms and conditions of the AFP. Also, language was added to the beginning of the AFP and to the terms and condition that states the AFP is a binding contract. By accepting the terms of the AFP, the vendors are certifying that they are not debarred or suspended by any federal department/agency. If the vendor becomes suspended or debarred during the term of the authorization, the vendor is required to notify the Department.

Per contract monitoring plans, DVR conducts suspension and debarment monitoring on contracts over \$25,000.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 021

Finding: The Department of Social and Health Services, Division of Child Support, did not comply with federal regulations on documentation for employee salaries and wages charged to the Child Support Enforcement Program.

Resolution: The Department concurs with this finding; however, the Department does not concur with the questioned costs.

In October 2011, the Department implemented the following procedures to ensure only allowable salaries and benefits are charged to the Child Support Enforcement Grant:

- All employees who do not work 100 percent on the grant are required to complete monthly time sheets, recording the actual hours worked on each program.
- Employees whose job duties change or who are reassigned during the certification period are required to complete time sheets beginning the month the change occurs and each month thereafter.
- Fiscal staff began and continue working with program staff to ensure that time sheets are completed and submitted for all affected employees.
- Cost coding was changed for those employees serving in developmental job assignments outside of the child support program, removing them from the grant.
- From October 2011 forward, semiannual certifications are allowed only for employees who work 100 percent on the grant.

When the U.S. Department of Health and Human Services (HHS) contacts the Department about questioned costs identified in this audit, the Department will negotiate repayment and take action as recommended by HHS.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 023

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

Resolution: Refer to page 82 for the joint response from the Departments of Early Learning and Social and Health Services on this finding.

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 024

Finding: The Department of Social and Health Services, Children's Administration, is not ensuring the eligibility of clients receiving Adoption Assistance payments.

Resolution: The Department concurs with this finding. The Department has trained staff and conducted spot checks of payments. In February 2012, the Children's Administration sent a memo that included procedures and controls for setting up and managing adoption support payments to all adoption support staff and managers. Also, an in-service training was conducted with staff to review procedures and controls.

In September 2012, the Department reviewed all payments on the exception list. Those paid in error have been referred to the Office of Financial Recovery for collection. The federal portion of the incorrect payments was returned to the federal grantor.

In December 2012, the Department implemented system controls in FamLink (the Department's child welfare and payment system) that suspend payments after a child turns 18 years. The new controls will ensure payments can only be resumed after staff has manually confirmed the payments made for the adopted child are warranted. Additionally, staff must ask a separate fiduciary employee to continue the payments.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 026

Finding: The Department of Social and Health Services paid Medicaid providers for services that were not provided to Medicaid beneficiaries.

Resolution: The Department concurs with this finding. The Department will continue its work to strengthen processes that may provide a timelier and more consistent way to inform field staff about deceased clients. More specifically, the Department has taken or will take the following actions:

- In March 2012, the Invalid Payment Report was implemented and is being utilized on an ongoing basis.
- In April 2012, all exceptions identified in the audit were reviewed and overpayments were established for all unallowable payments.
- In November 2012, the Department finalized its overpayment policy. It has been implemented and shared with staff.

The Department will work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid funds must be reimbursed.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 027

Finding: The Department of Social and Health Services, Office of Financial Recovery, did not have adequate controls to ensure the federal share of overpayments made to Medicaid providers is refunded to the federal government in an accurate and timely manner.

Resolution: The Department concurs with this finding. Corrective action was implemented by the Department in October 2011. At that time, all Department administrations and partners (Health Care Authority) received the first quarterly notification from the Department's Office of Financial Recovery (OFR) that all overpayments were to be submitted to OFR for collection and reimbursement to the federal government as required by administrative policy and law. Also, the notification was sent to all parties again in January 2012.

In October 2011, OFR also started a quarterly notification process that reminds Department administrations to submit all overpayments to OFR in a timely manner. This will allow OFR to repay the federal government in a timely manner. The second quarterly notification was sent to all parties in January 2012, and this is an ongoing quarterly activity.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 028

Finding: The Department of Social and Health Services did not ensure that all individuals who received Medicaid benefits had valid Social Security numbers.

Resolution: This finding involved two administrations within the Department: the Children's Administration (CA) and the Economic Services Administration (ESA). Both concur with the finding and have implemented corrective actions.

Children's Administration

- Reviewed the four exceptions identified in the audit. CA determined three cases were closed because clients did not apply for social security numbers (SSN); the fourth client applied for an SSN in August 2011.
- Communicated to staff who verifies SSNs the Department's procedures along with additional tools that have been developed to identify SSNs.

Economic Services Administration

- In January 2012, the Automated Client Eligibility System (ACES) was updated to allow SSN verification at the time of application screening. Staff can verify an applicant's SSN through a real-time cross match with the Social Security Administration database by way of the State Online Query (SOLQ).
- In February 2012, the two exceptions identified in the audit were reviewed and corrected.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 029

Finding: The Department of Social and Health Services does not have adequate internal controls to ensure Medicaid payments to in-home service providers are allowable and supported.

Resolution: The Department does not concur with this finding. It is the Department's opinion there are adequate controls in place. Current controls are:

- Individual providers submit a signed invoice through the mail or through the state's Interactive Voice Response System to the Department for payment. This serves as verification and documentation that they have provided the services for which they are requesting payment. The Department retains these invoices/records as the record that providers have attested to the number of service hours provided to the recipient.
- Case managers complete an assessment that results in an authorization of hours that cannot be exceeded by a provider invoice.
- Recipients receive a copy of the service summary that tells them the number of hours of service they are eligible to receive. Recipients are advised they can choose when those hours are provided and direct the individual provider when to provide them. Case managers also advise recipients to contact them if they are not receiving the hours (or care) for which they are eligible.
- Recipients are expected to keep copies of time sheets for their individual providers. Case managers periodically review these time sheets and verify with the recipient that authorized services have been provided. Case managers are instructed to document the review of time sheets and the discussion of service verification in a Service Episode Record.
- Time sheet auditing has been added to the annual quality assurance monitoring cycle.
 - In August 2011, all individual providers delivering personal care services received a written reminder of their obligation to keep a record of the date/time that in-home services are provided to Aging and Disability Services Administration (ADSA) recipients and complete and retain copies of their time sheets.
 - In September 2011, ADSA audited a statistically valid sample of individual provider time sheets to ensure that services billed were consistent with time sheet documentation submitted. In instances where the billed hours differed from time sheet records or time sheets were not provided, service receipt was verified with the recipient. Corrective actions were taken which included contract termination and processing overpayments.

To supplement these controls, the Department took or will take the following additional actions to ensure Medicaid payments to in-home service providers are allowable and supported:

- In October 2012, the Department completed a telephone survey of a randomly selected, statistically valid sample of in-home providers. The Department verified with the selected recipients that Medicaid billed services were received.

Status of Resolution of Audit Findings

December 2012

- By December 2012, the Department will audit a randomly selected sample of individual provider time sheets to determine if services billed are consistent with time sheet documentation that was submitted.

In July 2012, the Department learned the U.S. Department of Health and Human Services (HHS) will not determine the status of questioned costs until the audit makes its way through the Federal audit clearinghouse. It could be one to two years before HHS makes a decision on questioned costs. When HHS reviews the audit, the Department will work with them on questioned costs.

Agency Contact:

Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 030

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, did not ensure the level of in-home care services is appropriate and clients are still eligible for assistance at least annually.

Resolution: The Department partially concurs with this finding. The Department agrees that a very small percentage of assessments (56 out of 57,472) were late. However, the Department does not concur with the questioned costs as each client for whom payments were made remained eligible for Medicaid services during the period the assessment was out of date. The Department believes it has strong internal controls to ensure that level of care assessments for clients receiving in-home care are performed at least every twelve months.

In July 2012, the Department learned the U.S. Department of Health and Human Services (HHS) will not determine the status of questioned costs until the audit makes its way through the Federal audit clearinghouse. It could be one to two years before HHS makes a decision on questioned costs. When HHS reviews the audit, the Department will work with them on questioned costs.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 031

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, charged approximately \$36,000 to the Medicaid program for services provided to ineligible individuals.

Resolution: The Department concurs with this finding. The Department inadvertently did not account for the July 2010 Children's Health Insurance Program (CHIP) expenditure correction. This was corrected in December 2011 by returning funds to Medicaid and charging the enhanced CHIP funding.

Also in July 2011, the Department established new payment codes for state only and CHIP enhanced clients. This ensures only eligible Medicaid expenditures are charged to the Medicaid program.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 032

Finding: The Department of Social and Health Services does not have an adequate process to identify ineligible Medicaid expenditures for nonqualified aliens at the time of payment, resulting in \$52,104 in questionable costs.

Resolution: The Department concurs with this finding. The Department acknowledged that Medicaid funds were used to serve nonqualified alien clients. Procedures have been implemented to prevent this from occurring in the future.

In November 2011, the Department corrected the exceptions identified in the audit. All questioned costs have been reimbursed to Medicaid.

In April 2012, the Department developed new payment codes that are used to move alien clients to state only funded programs.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 033

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls to ensure the accuracy of financial eligibility determinations for Medicaid clients receiving home and community based services.

Resolution: The Department concurs with this finding. The Department has taken the following actions to correct the deficiencies identified in the finding:

- In February 2012, the Department convened a meeting of the Home and Community Services (HCS) director, regional financial coordinators, and the headquarters financial eligibility manager. All HCS offices will use the Audit 99 program to audit the financial determinations processed by all financial services specialists. Audit 99 is used to track case audits at the local office level. Data can be rolled up for regional and statewide reports.
- In June 2012, all HCS office staff was notified that Audit 99 was to be utilized when auditing the work of the financial services specialists.
- In August 2012, a management bulletin was issued to all HCS financial staff. The bulletin listed the requirements for auditing the work of financial services specialists. Once a financial services specialist becomes proficient, there will be two audits per month of their work.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 034

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, did not perform background checks for some in-home care individual providers in accordance with state law.

Resolution: The Department concurs with this finding. The Department will work to ensure that each Area Agency on Aging (AAA) has a strong tracking system in place to ensure that all providers have current background checks and that authorizations are terminated when providers are noncompliant with background check requirements. The Department took the following actions:

- In July 2012, determined no payments or contracts were required to be terminated because providers obtained all background checks.
- In August 2012, finalized and distributed to field staff a management bulletin (Internal Background Check Processes for AAAs).

In July 2012, the Department learned the U.S. Department of Health and Human Services (HHS) will not determine the status of questioned costs until the audit makes its way through the Federal audit clearinghouse. It could be one to two years before HHS makes a decision on questioned costs. When HHS reviews the audit, the Department will work with them on questioned costs.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 035

Finding: The Department of Social and Health Services, Aging and Disability Services Administration does not have adequate controls to ensure Medicaid recipients have received the services for which Medicaid is billed.

Resolution: The Department does not concur with this finding and is of the opinion there are strong controls in place currently to ensure that recipients receive services for which Medicaid is being billed. These controls are as follows:

- Case managers complete an assessment that results in an authorization of hours that cannot be exceeded by a provider invoice.
- Recipients receive a copy of the service summary that tells them the number of hours of service they are eligible to receive. Recipients are advised they can choose when those hours are provided and direct the individual provider when to provide them. Case managers also advise recipients to contact them if they are not receiving the hours (or care) for which they are eligible.
- Recipients are expected to keep copies of time sheets for their individual providers which are periodically reviewed by case managers.
- Time sheet auditing has been added to the Department's annual quality assurance monitoring cycle.
- The Department, through its Payment Review Program, runs algorithms to detect possible fraudulent claims. Overpayments are initiated and referrals are made to the Medicaid Fraud Control Unit as appropriate.
- The Social Service Payment System will not process payments in excess of hours authorized.

Also, the Department added service verification monitoring to the quality assurance monitoring cycle. Starting in October 2012, the Department is verifying with the selected recipients that Medicaid billed services were received. If the Department finds that billed services were not provided, corrective action is taken. Such action includes, as appropriate, processing of overpayments, procuring the needed services that were not provided, terminating contracts with the providers, and referrals to the Medicaid Fraud Control Unit for further action.

By December 2012, the Department will:

- Audit a randomly selected sample of individual provider's time sheets to determine if services billed are consistent with time sheet documentation submitted.
- Determine if an automated solution is a possibility.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

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December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 036

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls in place to ensure all applicant-owned assets are counted when Medicaid eligibility is determined.

Resolution: The Department does not concur with this finding. The Department does not agree that federal rules require verification of financial statements for the previous five years, unless a transfer has been declared or there are inconsistent facts in the record or other problems with the application. The Department submitted its policies and procedures to the Centers for Medicare and Medicaid Services (CMS) and asked if they met federal guidelines. The Department believes that the response from CMS validates its position.

Even though the Department does not agree with the finding, it executed a contract with LexisNexis for its software that provides records of property and vehicles owned or transferred during the last five years and beyond. Screening through the LexisNexis database was implemented June 14, 2012. Statewide training was completed in early June. Ongoing training will be scheduled as needed by regional "experts" and LexisNexis contracted trainers.

On June 14, 2012, a management bulletin was sent to all field staff about using the LexisNexis system. Program managers are monitoring access to the system. Regional offices are responsible for monitoring policy compliance through their case audits.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov

Status of Resolution of Audit Findings

December 2012

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2011 F

Finding Number: 037

Finding: The Health Care Authority and the Department of Social and Health Services do not have adequate controls to correctly report all Medicaid expenditures that are eligible for additional Children Health Insurance Program (CHIP) funds.

Resolution: The Department of Social and Health Services (DSHS) concurs with the finding. The Department developed systems to appropriately expend CHIP funds for Section 214 and other children. Section 214 clients are children under age 19 who became eligible for Medicaid under Section 214 of the Children's Health Insurance Program Reauthorization Act in 2009. Most children who gained coverage from Section 214 were previously ineligible because they had not been lawfully residing within Washington state for five years.

The Health Care Authority (HCA) developed a new methodology to determine eligibility for Section 107 children. Section 107 clients are Medicaid eligible children under age 19 with family income that equals or exceeds 133 percent of the federal poverty level, but is below 200 percent. For these children, claims must be first made against Medicaid, after which the state can apply for CHIP funds/reimbursement. DSHS plans to begin using the report based on the new methodology in January 2013.

Refer to page 20 for response from Health Care Authority.

Agency Contact: Alan Siegel
Department of Social and Health Services
PO Box 45020
Olympia WA 98504-5020
(360) 664-6027
alan.siegel@dshs.wa.gov