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**Department of Social and Health Services (DSHS)**

**Agency: 300**

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**Audit Report:** 2013 F

**Finding Number:** 017

**Finding:** The Department of Social and Health Services does not have adequate internal controls over client eligibility for the Child Care Development Fund.

**Resolution:** The Department of Social and Health Services (the Department) and the Department of Early Learning (DEL) have taken and completed the following actions:

The Department implemented the following monitoring protocols to establish an appropriate separation of duties between staff who determine eligibility and staff who authorize payments:

- Regional staff review an integrity report quarterly, which identifies cases where the same staff member has authorized four or more payments in a 15 month period without authorization activity from other staff. To date, the report has not identified any cases resulting in a finding of improper authorization activities.
- A separation of duties protocol has been instituted that does not allow a staff member who activates a license-exempt provider to make any payment authorizations for that provider. This electronic process reduces the potential for fraudulent payment authorizations.

On November 20, 2014, DEL issued a Request for Proposals for a legislatively mandated time and attendance/payment system (AP) and a new authorization interface (AI). The proposals are due on January 20, 2015. The AI will be a new authorization and eligibility determination system with the intent of streamlining the eligibility process. The goals of the new AI and AP systems are to reduce errors and fraud, and increase accuracy of payment authorization and billing by providers for services they provided. The new systems will reduce errors by decreasing the manual steps currently required.

The Department is continuing to perform the following child care authorization audits:

- 1.6 percent of open authorizations are audited monthly.
- 100 percent of exceptional payment authorizations are audited to ensure they are reviewed and approved by a supervisor before payments are made. An example of an exceptional payment is when a child requires, and is authorized for, more than 230 hours of care per month due to extenuating circumstances such as a parent with multiple approved activities (school and work, etc.).
- 100 percent of preauthorization and post authorization work for all new child care workers are audited.
- Data is provided monthly by the Health Care Authority which identifies error prone cases to audit for eligibility and areas where policy clarification, training, or systems support can increase accuracy.

DEL established a specialized child care audit team January 1, 2012. The audit team is tasked with reviewing time and attendance records and provider payments. DEL hired five additional auditors in January 2013, increasing the audit team to nine members. The DEL audit team has increased the population of authorized payments reviewed for payment and billing accuracy.

## Status of Audit Resolution

December 2014

The Department and DEL will implement the following child care program reform initiatives\* by April 2015:

- The Working Connections Automated Program screens, which is part of the eligibility system, will be updated so they are more user friendly and provide more accuracy in the eligibility determination process.
- The Department will simplify and streamline child care verification requirements at the time of application, through certification period, and at recertification. The Department will update the Child Care Subsidy Program Handbook and will notify Community Services Division staff regarding the changes.

*\*These child care program reform initiatives are part of the Aclara Reform Project. The Aclara Reform Project is cosponsored by the Department and DEL in response to an external child care program review requested by the Legislature and performed by the Aclara Group.*

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**Department of Social and Health Services (DSHS)**

**Agency: 300**

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**Audit Report:** 2013 F

**Finding Number:** 018

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

**Resolution:** During the course of this audit, the Department implemented corrective actions to prevent inappropriate payments. These actions were:

- Implemented an automated process within FamLink, the Department's child welfare and payment system, to hold all payments at the age of 18. Social workers must have proper documentation in place prior to the continuation of payments.
- Required fiduciary staff to review documentation that supports the need to continue payments for children beyond the age of 18. This is a secondary review that is done prior to the manual approval of an adoption assistance payment.

In February 2014, the Department resolved the exceptions identified in the audit. The federal share of the questioned costs was returned to the grantor.

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**Department of Social and Health Services (DSHS)**

**Agency: 300**

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**Audit Report:** 2013 F

**Finding Number:** 033

**Finding:** The Department of Social and Health Services, Aging and Disability Services Administration, did not respond to nursing home complaints in a timely manner, which could leave Medicaid clients residing in nursing homes vulnerable to serious injury or harm.

**Resolution:** The Department initiated corrective actions on this finding during the course of the audit. The following actions were taken to strengthen the Department's internal controls surrounding responses to nursing home complaints:

- A Lean process improvement was completed in December 2013. This helped identify workflow issues that contributed to the unit's inability to process intakes within the required time frames.
- In December 2013, the Complaint Resolution Unit (CRU) implemented the following workflow changes:
  - All intake workers participated in significant training to improve the quality of their initial and final work product. This relieved a workflow chokepoint by allowing the supervisors to target their quality review and support activities. It also greatly reduced rework of intakes.
  - The CRU changed from a general queue of pending intakes to assignment of intakes to individual workers. Workers are held accountable for timely completion of their assigned intakes and their queue is reviewed twice a day by a supervisor.
  - Triage nurses were better utilized by changing their role from quality review of each intake to that of targeted technical assistance available to workers and supervisors. Targeted technical assistance focused on more complex and difficult complaints. This is possible because of the additional training to the workers and the realignment of supervisors' duties.

By February 2014, the Department eliminated the backlog of pending intakes by temporarily assigning field unit managers the task of working on the backlog of intakes.

Since the Department has resolved the backlog and improved workflow, the on-site surveys are being conducted in a timely manner.

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## Status of Audit Resolution

December 2014

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**Department of Social and Health Services (DSHS)**

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**Agency: 300**

**Audit Report:** 2013 F

**Finding Number:** 034

**Finding:** The Department of Social and Health Services, Aging and Disability Services Administration, did not adequately monitor supported living service providers to ensure all staff with contact to Developmentally Disabled clients have a proper background check and are authorized to have access to vulnerable supported living clients.

**Resolution:** In December 2013, the Department completed its meetings with residential providers across the state. Information and training was provided at these meetings on the updated background check policy. The updated policy included clearer language on background check standards.

In March 2014, the Department held a provider leadership meeting and discussed background check rules and policies.

Starting in March 2014 and ending in December 2014, the Department held regional quarterly provider meetings. In the course of these meetings, the Department trained providers and provided information on current background check policies.

As of April 2014, the Department took action on the exceptions identified in the audit. Staff identified as having a disqualified background check were immediately removed from having any access to the Department's clients served by that provider. The supported living administrator or designee provided verification of this action to the Department.

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**Status of Audit Resolution**

December 2014

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**Department of Social and Health Services (DSHS)**

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**Agency: 300****Audit Report:** 2013 F**Finding Number:** 035**Finding:** The Department of Social and Health Services, Developmental Disabilities Administration made overpayments to providers totaling \$236,892.73.**Resolution:** The Department disagrees with this finding.

The Department has a cost settlement reconciliation process that corrects and adjusts supported living payments. The auditor's review was completed on a state fiscal year, July 1 through June 30, while the Department's Developmental Disabilities Administration's (DDA) review is conducted annually on a calendar year. In effect, this overstated any overpayment; half the year audited by the auditor had yet to be reconciled by the Department. Had the reconciliation for calendar year 2013 occurred within the audit cycle, the Department would have corrected most, if not all, of the overpayments identified. All overpayments identified in the audit have been forwarded to the Department's Office of Financial Recovery (OFR) for collection, consistent with DDA practices. At the end of one year, the federal grantor is reimbursed if OFR is unable to collect the overpayment. Also, if the U.S. Department of Health and Human Services contacts the Department, appropriate action is taken.

The Department is confident its settlement process identifies nearly all overpayments; however, the Department is not satisfied until the overpayments are immaterial. To meet this end, the DDA added staff to the reconciliation process in February 2014. Also, if the budget allows, the Department plans to add additional staff for cost report reconciliation as a quality assurance measure. Finally, the Department plans on automating the reconciliation process with additional edits within the ProviderOne system that will prevent duplicate payments. The implementation of these edits has been delayed until at least January 1, 2015.

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## Status of Audit Resolution

December 2014

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**Department of Social and Health Services (DSHS)**

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**Agency: 300**

**Audit Report:** 2013 F

**Finding Number:** 036

**Finding:** The Department of Social and Health Services, Developmental Disabilities Administration did not have adequate control to ensure Medicaid payments to supported living service providers are allowable and supported, resulting in unallowable payments of \$133,128.

**Resolution:** The Department does not concur with this finding. However, the Department developed a corrective action plan to help make its current processes more efficient.

Supported living service providers are required to submit cost reports each April. The Department reconciles the hours and Instruction Support Service (ISS) dollars authorized against hours and ISS dollars provided. All cost reports were reconciled in July 2014. The overpayments that resulted from the cost report reconciliation process have been processed by the Office of Financial Recovery. Any federal funds due have been refunded to the federal government.

As of September 2014, the Department audited 20 percent of supported living providers. The audits reconciled employee hours against specific service hours authorized for each client residence operated by the provider. The Department now has a process in place to continue auditing providers on an ongoing basis.

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**Status of Audit Resolution**

December 2014

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**Department of Social and Health Services (DSHS)**

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**Audit Report:** 2013 F

**Finding Number:** 037

**Finding:** The Department of Social and Health Services, Aging and Long-Term Support Administration, did not adequately monitor adult family home providers to ensure all caregivers and resident managers who are employed directly or by contract have proper background checks.

**Resolution:** Effective April 2014, the Department began reviewing background checks for 100 percent of the employees employed by the provider at the time of the provider's regularly scheduled on-site inspection.

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## Status of Audit Resolution

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**Department of Social and Health Services (DSHS)**

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**Agency: 300**

**Audit Report:** 2013 F

**Finding Number:** 038

**Finding:** The Department of Social and Health Services, Developmental Disabilities Administration did not have adequate internal controls to ensure cost of care adjustments paid to supported living service providers are allowable and supported, resulting in unallowable payments of \$604,661.

**Resolution:** The Department has developed several corrective actions in response to this finding.

In April 2014, the Department:

- Updated the cost of care adjustment form. It now includes the updated guidelines for processing actual cost of care adjustments.
- Informed staff and providers about the updated guidelines.

In June 2014, the Department:

- Trained the residential resource managers on the updated guidelines for processing cost of care adjustments.
- Reviewed updated information with contracted providers at the regional quarterly provider meetings.

In October 2014, the updated cost of care adjustment form was implemented.

The Department is of the opinion the cost of care adjustments paid to supported living providers were accurate. Should the U.S. Department of Health and Human Services (HHS) contact the Department about questioned costs, the Department will work with HHS to resolve them.

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**Status of Audit Resolution**

December 2014

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**Department of Social and Health Services (DSHS)** **Agency: 300**

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**Audit Report:** 2013 F

**Finding Number:** 039

**Finding:** The Department of Social and Health Services, Developmental Disabilities Administration, did not consistently pay supported living providers at authorized daily rates.

**Resolution:** In February 2014, the Department reviewed the three exceptions identified in the audit. Two overpayments were written and submitted to the Office of Financial Recovery for further collection actions. After reviewing the third exception, the Department determined an overpayment did not exist.

The Department is in the process of changing the current payment system from the Social Service Payment System to ProviderOne (P1). The P1 payment system will have edits that will only allow non-duplicated approved rates to be paid. This will alleviate payment errors caused by duplicate authorizations. It is anticipated this will be implemented by January 2015 when phase two of ProviderOne is implemented.

By January 2015, the Department is anticipating initiating development of an automated system that will transfer electronically approved rates to the rate file. This will also allow for electronic transfer to P1 for payments.

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**Department of Social and Health Services (DSHS)**

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**Audit Report:** 2013 F

**Finding Number:** 040

**Finding:** The Department of Social and Health Services, Aging and Long-Term Support 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, although the contracts for the majority of disqualified individual providers (39 of 48) were terminated by the Department's Aging and Long-Term Support Administration (ALTSA) prior to the audit.

Corrective action plans were developed and implemented as a result of the fiscal year 2012 audit; however, the fiscal year 2013 audit does not capture the results of the corrective actions taken by the Department due to the timing of the audit.

As a result of the fiscal year 2013 audit and to continue the corrective actions developed following the fiscal year 2012 audit, the Department has taken or will take the following actions:

- In April 2014, the Department:
  - Reviewed and took action on the corrective action plans developed by field offices where significant deficiencies existed.
  - Developed training materials to distribute to field offices to ensure staff understand how to interpret the different types of determination letters produced by the Background Check Central Unit (BCCU).
- In May 2014, the Department terminated payments to providers who did not have current qualifying background checks.
- In September 2014, the Department distributed a management bulletin that discusses background check policies.
- In November 2014, the Department contacted the U.S. Department of Health and Human Services regarding questioned costs identified in this audit.
- In December 2014, the Department terminated contracts of providers who failed to comply with requests to have current background checks completed.
- By February 2015, the Department's Home and Community Services Division will have completed its work with BCCU on process improvements on the background check process. Policies and procedures will be updated accordingly and communicated with the field offices.

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**Department of Social and Health Services (DSHS)**

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**Audit Report:** 2013 F

**Finding Number:** 041

**Finding:** The Department of Social and Health Services improperly claimed \$691,869.10 in federal reimbursement for the Medicaid program.

**Resolution:** This finding involved three administrations within the Department: the Aging and Long Term Support Administration, the Children's Administration, and the Economic Services Administration. The three administrations concurred with the findings. Each took corrective action.

Aging and Long Term Support Administration (AL TSA)

- In October 2013, AL TSA updated account coding in ProviderOne to properly reflect service provided to nonqualified aliens to ensure charges are not paid for with Medicaid funds.
- In January 2014, AL TSA:
  - Returned questionable costs to the federal grantor.
  - Implemented a monthly report review process that identifies potentially unsupported payments, which are payments made after the client's date of death. Reports are reviewed monthly by staff who take action on identified invalid payments.
- By March 2014, all questioned costs were resolved and, as appropriate, moved to state funding.

Children's Administration (CA)

- In August 2013, CA established and implemented an account code for nonqualified aliens who receive services to ensure charges are not paid for with Medicaid funds.
- In February 2014, CA corrected the exceptions identified in the audit and returned the federal share of the questioned costs to the grantor.

Economic Services Administration (ESA)

- In February 2014, ESA reviewed the four exceptions identified during the audit and corrected the inappropriate payments. Also, staff was informed by memo about the requirements for processing cases that involve nonqualified aliens to ensure that Medicaid services provided are restricted to emergency services.
- ESA's share of the questioned costs from this finding was \$203.79. When U.S. Department of Health and Human Services contacts ESA about these costs, ESA will respond accordingly.

State of Washington

## Status of Audit Resolution

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**Department of Social and Health Services (DSHS)**

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**Audit Report:** 2013 F

**Finding Number:** 042

**Finding:** The Department of Social and Health Services, Aging and Long Term Services Administration, did not ensure that unallowable payroll costs charged to the Money Follows the Person Rebalancing Demonstration were refunded to the federal government in a timely manner.

**Resolution:** The Department concurs with this finding. An Information Technology position was incorrectly coded to the Money Follows the Person Rebalancing Demonstration grant. The Department discovered and corrected the error in the system in March 2013.

In January 2014, the Department developed new policies and procedures to ensure only staff allowed to work on the grant are correctly charged to the grant. The incorrect payroll expenditures were returned to the grantor.

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