

Status of Audit Resolution

December 2014

Department of Early Learning (DEL)

Agency: 357

Audit Report: 2013 F

Finding Number: 015

Finding: The Department of Early Learning does not have sufficient internal controls to ensure reports required by the Federal Funding Accountability and Transparency Act for the Child Care Development Fund program are filed.

Resolution: The Department believes it accurately reports subrecipient awards under the Child Care Mandatory and Matching Funds of the Child Care Development Fund.

However, the Department is unable to comply with the requirement to report subrecipient awards under the Child Care and Development Block Fund (CCDF) Grant because the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) does not allow recipients to report this particular data (i.e. the system functionality simply doesn't exist). The Department's understanding is that this is a national problem not just limited to Washington state. The Department has requested further clarification on reporting requirements by contacting FSRS support desk personnel, its CCDF federal liaison, and the Office of Management and Budget (OMB). At this time, the Department is still unable to report subrecipient information in FSRS for the CCDF Grant awards. As soon as the functionality to report awards under the CCDF Grant exists within FSRS or the Department is provided with another means to report, the Department will do so.

The Department has developed a coding structure to aid in reconciliation at year-end to ensure accuracy of FFATA reports. The Department has established internal policies and procedures to ensure compliance with the FFATA reporting requirements. These policies and procedures include internal controls over proper reporting, accuracy of the data, and dual reviews of all reports before submission.

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Agency: 357

Audit Report: 2013 F

Finding Number: 016

Finding: The Department of Early Learning does not have adequate internal controls over direct payments to child care providers.

Resolution: The Department of Early Learning (the Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments.

In January 2012, the Working Connection Child Care (WCCC) subsidy audit team was created 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.

Prior to the start of this audit, the DSHS Office of Financial Recovery (OFR), the DSHS Office of Fraud and Accountability (OFA), and the Department agreed to implement improved overpayment processes which focus on using an existing but underutilized vendor overpayment system. As of December 2014, the Department has completed all planned audits for audit months earlier than January 2014. Audit months January-September 2014 are in progress and will be completed by March 2015. Beginning in March 2015, the Department will select cases for audit based on a risk factor of cases older than 120 days where a provider has back billed.

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 that could help lower the rate of overpayments. As of December 2014, the Department is 80 percent finished with creating Lean process maps for all subsidy audit work processes and identifying areas for improvement.

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.

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 on October 31, 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

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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. As of December 2014, several recommendations have been implemented.

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. 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 is slated to complete its work by the spring of 2015.

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