

**State of Washington  
Summary Schedule of Prior Audit Findings  
For Years Prior to Fiscal Year 2005**

***OMB Circular A-133 Audit  
For the Fiscal Year Ended  
June 30, 2005***

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

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\* Completion of corrective action plan was reflected in FY 04 Corrective Action Plan. Listed per requirement of Circular A-133 § \_\_.315 (b)(1).

\*\* The 2004 Corrective Action Plan indicated action complete, since then DSHS has initiated alternative corrective action outlined on Page I-10.

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\* Completion of corrective action plan was reflected in FY 04 Corrective Action Plan. Listed per requirement of Circular A-133 § \_\_.315 (b)(1).

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\* Completion of corrective action plan was reflected in FY 04 Corrective Action Plan. Listed per requirement of Circular A-133 § \_\_.315 (b)(1).

\*\*\* This finding relates to a compliance issue that occurred in state fiscal year 2001. CFDA 17.255 was the applicable catalog number at that time.

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**Department of Social and Health Services (DSHS) / Health Care Authority (HCA)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	01	<p>Finding: The Department of Social and Health Services and the Health Care Authority did not provide the State Auditor’s Office with records and resources needed to audit the Medicaid Program in a timely manner as required by Government Auditing Standards and federal regulations.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> Not specified due to disclaimer of entire program.</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>DSHS Comments</u>          The DSHS has taken several steps to ensure a more productive working relationship with the State Auditor’s Office (SAO) in which requests for data are responded to in a timely manner and SAO auditors have required access to DSHS staff. Those steps include:</p> <ul style="list-style-type: none"> <li>• Senior management from the DSHS, SAO and the Office of Financial Management (OFM), (acting grantee for the statewide single audit) now attend monthly update meetings to immediately resolve issues identified by either agency.</li> <li>• Entrance conferences have been scheduled to provide an overview of the SAO work, clarify points of contact, and establish working protocols for data collection and access to DSHS staff.</li> <li>• DSHS has established and identified administration liaisons through which SAO can communicate, on a day-to-day basis, requests for data, scheduling access to staff, and/or arranging on-site visits, as needed. A second tier contact in the DSHS Office of Operations Review exists for issue resolution by either party. DSHS liaisons and the Office of Operations Review staff’s role are to ensure open and transparent access to the organization.</li> <li>• Employees are instructed to respond with SAO staff requests for data in a timely manner; be available to explain Department records, documents, and reports to the auditors; and interact with SAO staff in a professional manner.</li> </ul>

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**Department of Social and Health Services (DSHS) / Health Care Authority (HCA)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	01	<p>Corrective Action: <u>HCA Comments</u>            The HCA supplied the records the SAO requested. HCA had no way of knowing what HCA data the SAO had requested of DSHS for audit purposes and therefore was not in a position to determine if the records requested and provided would meet the auditor's needs.</p> <p>The HCA has noted improved communications with the SAO and is hopeful the communications breakdown which occurred in Fiscal Year 2004, will not be repeated in the future.</p> <p>Completion Date: Ongoing</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	02	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office sufficient, reliable and timely records for our audit to determine if payments through the <i>Medicaid Management Information System</i> are made only for services provided before a client’s date of death.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 842 992 905"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$2,335,216</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department disagrees with the specific finding above and believes it made adequate efforts to provide timely access to accurate data/information, and to assist SAO by performing Social Security Number (SSN) verifications as requested. However, the Department also recognizes that poor communication and misunderstandings were contributing factors to this finding.</p> <p>The Department has committed to improve its working relationship with SAO throughout the coming audit year and to resolve any discrepancies or complaints as they occur. In the 2005 audit, the auditors have been given access to the Medicaid Management Information System (MMIS) system and the Department of Health (DOH) death database.</p> <p>The Department is also working to correct any weakness or inaccuracy in the process used to verify SSNs in the Automated Client Eligibility System (ACES). The Department convened a workgroup to review options to enhance established procedures related to verification of SSN in ACES. This group is ongoing.</p> <p>A review of the automated SSN verification of ACES entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modifying the interface with the federal database to update nightly, and updating income and Medicare eligibility daily.</p> <p>The State Online Query (SOLQ) user interface is being modified to make it easier for staff to do multiple queries without exiting the system. This change has been developed and is scheduled for implementation in April 2006.</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$2,335,216
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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	02 (Cont'd)	<p>Corrective Action:</p> <p>ACES will continue to be the system that maintains data on dates of death and SSNs. MMIS will accept ACES data; the focus of DSHS' efforts will be to ensure that ACES data is correct. Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) and Economic Services Administration (ESA) have partnered on a data analysis initiative to verify how SSNs are utilized in ACES and MMIS and assure that Medicaid clients are identified with the appropriate SSN. This was initiated in July 2005.</p> <ul style="list-style-type: none"> <li>• In September 2005, using DOH death data, HRSA began identifying any clients with an MMIS SSN appearing in the DOH death data file. HRSA researches clients in ACES and SOLQ to determine reasons why the SSN was utilized;</li> <li>• ESA develops and implements corrective action as appropriate.</li> <li>• The process is repeated with each quarterly DOH death data update to assure that the MMIS client file does not contain a SSN of a deceased individual.</li> </ul> <p>Economic Services Administration will update the client application to notify potential enrollees of the new state statute related to false identification.</p> <p>In cases where the client is deceased, the Department will:</p> <ol style="list-style-type: none"> <li>1. Continue post-pay review (PRP) utilizing quarterly DOH death data. Identify and recoup appropriate claims, and enter accurate death dates into the MMIS;</li> <li>2. Partner with DOH in their efforts to develop an on-line interface to DOH death data. DOH piloted the interface in Pierce and Spokane Counties. Once the county on-line interface is complete, DOH will implement a statewide interface for the Department. DOH has indicated that their on-line application may not be available for several years. The lag in DOH receipt of death data will require PRP to continue; and</li> <li>3. Partner with DOH for implementation of an automated DOH interface to the new MMIS. This is scheduled for implementation once the new MMIS is in place, in June 2007. Even with this automated interface, post payment review will continue.</li> </ol> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	02 (Cont'd)	<p>Corrective Action: The Department disagrees with stated questioned costs. As the Department identifies claims paid after a client's death, overpayment notices are sent to providers, the claim is returned to the Department and the federal portion is refunded.</p> <p>Paid pharmacy claims data (7/1/02 – 12/31/02) was delivered to the Centers for Medicare and Medicaid Services (CMS) in June 2005. This was the same data delivered to SAO for the 2003 Audit. In addition, DSHS delivered Department of Health Death Data to CMS: CMS identified some SSNs from the DOH Death Data as belonging to deceased individuals.</p> <p>DSHS completed an analysis of the CMS review and identified:</p> <ol style="list-style-type: none"> <li>1. Valid SSNs and services/claims paid after the Date of Death. Overpayments are referenced on the 2/15/06 CMS 64 as associated with this Audit and will be recouped from providers. The post-payment algorithm was enhanced as a result of this review, to assure that these claims are identified in the regular post-payment review process;</li> <li>2. Incorrect SSNs that were corrected and clients that were verified as not deceased. CMS agreed that these claims were paid correctly;</li> <li>3. Claims where the SSN belonged to the deceased relative of the client. Individuals may receive SSA benefits based on a relative's benefits – the SSN is incorrectly interfaced to MMIS but CMS agreed that, upon verification of the identity of the client, claims were correctly paid. A joint ESA/HRSA Workgroup has been initiated to identify specific actions that can be taken to correct these errors.</li> </ol> <p>Completion Date: Estimated, June 2007</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	03	<p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services provided to clients using Social Security numbers belonging to deceased persons.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$815,953.</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: Social Security Number (SSN) verification for Medicaid clients occurs in the Medicaid eligibility system, the Automated Client Eligibility System (ACES); not in the Social Services Payment System (SSPS), which is a vendor payment system. The ACES eligibility system is an appropriate source from which to sample client/case identifiers to be matched to payment records in SSPS.</p> <p>Washington Administrative Code (WAC 388-476-0005) defines the Department's current SSN requirements for medical eligibility, and can be found in the DSHS A-Z Manual at <a href="http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm">http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm</a>. Section 3 states "Assistance will not be delayed, denied or terminated pending the issuance of a SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance"</p> <p>Verification procedures are described under the section titled "Clarifying Information." SSN's are automatically verified through a cross-match with the SSA Numident file, once the data is entered in ACES. Section 3 under "Clarifying Information" states "If a current and valid SSN is not available, the department is responsible to assist a client in making an application for a SSN."</p> <p>SSN discrepancies identified in the cross-match process with the Numident file generate alerts to the workers as described in the ACES User Manual at <a href="http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm">http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm</a>. Alert _253 describes alerts to workers when there is a SSN discrepancy in State Data Exchange (SDX), Beneficiary Data Exchange System (BENDEX) or Numident.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$815,953.
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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	03 (Cont'd)	<p>Corrective Action:</p> <p>When the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in SSPS is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.</p> <p>Existing field procedures described above are sufficient to identify the rare instances where someone is trying to receive a service intended for a deceased client.</p> <p>On June 2, 2005, the Aging and Disability Services Administration (ADSA) issued a management bulletin to all staff with a copy of RCW 9.35.02. The statute defines identity theft in the first degree, and the management bulletin instructed staff on reporting instances of apparent identity theft to the Division of Fraud Investigations.</p> <p>ADSA participates in the Payment Review Program process and the development and implementation of algorithms designed to capture payments made for services after death. These algorithms are re-run quarterly and findings referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery action.</p> <p>ADSA has reviewed all cases identified by the auditors and referred any identity theft cases to the Division of Fraud Investigations for eventual referral to appropriate legal authorities. As of June 2005, all reviews of cases were completed, discrepancies resolved, and no cases of identity theft were found.</p> <p>The eligibility and verification requirements and procedures identified above meet U.S Department of Health and Human Services (HHS) requirements for Medicaid eligibility.</p> <p>The Department will work with HHS if any unallowable costs are identified.</p> <p>Completion Date: June 30, 2005</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	04	<p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the <i>Social Services Payment System</i> for services performed after the date of death.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 777 958 840"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$36,827</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: Social Security Number (SSN) verification for Medicaid clients occurs in the Medicaid eligibility system, the Automated Client Eligibility System (ACES); not in the Social Services Payment System (SSPS), which is a vendor payment system. The ACES eligibility system is an appropriate source from which to sample client/case identifiers to be matched to payment records in SSPS.</p> <p>The Department receives notice of a client's death through its ACES nightly Social Security Administration interfaces with the State Data Exchange (SDX) and the Beneficiary Data Exchange (BENDEX). The BENDEX interface with ACES provides an alert to staff that shows they are deleting the client file due to death.</p> <p>The SDX interface with ACES provides an alert to staff that gives the date of death. The alert is described in the ACES User Manual at: <a href="http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_253.htm">http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_253.htm</a>.</p> <p>The Aging and Disability Services Administration (ADSA) has access to Department of Health (DOH) online information on certificates of death. ADSA followed up with ACES to determine the feasibility of establishing a DOH interface. DOH data is available on compact disk, and is a minimum of four months old. DOH piloted an on-line interface in Pierce and Spokane Counties. Once the county on-line interface is complete, DOH will implement a statewide interface for the Department. DOH has indicated that their on-line application may not be available for several years. When the DOH interface is completed, the Health &amp; Recovery Services Administration will write an ACES interface to have the update included in ACES.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$36,827
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04	04 (Cont'd)	<p>Corrective Action: ADSA funds and actively participates in the department's Payment Review Program (PRP) process and the development and implementation of algorithms designed to capture payments made for services after death. This algorithm is re-run quarterly and findings referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. The PRP was provided with the entire list of cases identified by the auditor. The PRP staff completed their review in April 2005 with no additional refinements to the algorithm.</p> <p>Completion Date: August 31, 2005</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	05	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office reliable, timely records for our audit of services provided to undocumented aliens.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$5,551,377</td> </tr> </table></p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department disagrees with the finding believing that it delivered reliable, timely records for the audit. The Department also feels that system issues and the complexity of federal laws related to undocumented aliens were the primary sources of the problems encountered by the auditors.</p> <p>The Department is committed to repairing past misunderstandings and miscommunications by proactively making sure that complaints and disputes are resolved quickly and effectively when they occur during current and future audits.</p> <p>On December 15, 2004, the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) instituted a transitional policy to review federal rules governing services for undocumented aliens for clarity and to re-examine the Department’s past interpretation of these rules. Earlier, in May 2004, HRSA had established workgroups to research policies in other states and to recommend changes in Washington procedures by the end of 2005.</p> <p>On May 17, 2005, a new policy regarding providing services under the Alien Emergency Program (AEM) was proposed to HRSA leadership. The policy limits coverage to certain diagnoses and services and requires that any service provided be causally related to the emergency condition allowing coverage. Prior authorization of services was proposed to ensure compliance with the policy. The policy was finalized in December 2005.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$5,551,377
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93.778	\$5,551,377					

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<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	05 (Cont'd)	Corrective Action:	<p>The Department is procuring a new Medicaid Management Information System (MMIS), scheduled for June 2007 that will assist it in resolving issues with receiving and verifying data. The new MMIS will allow the Department to track Social Security numbers more timely and accurately, it will lessen reliance on manually produced data, and it will strengthen the tie between MMIS and the Automated Client Eligibility System.</p> <p>The Centers for Medicare and Medicaid Services (CMS) notified DSHS in May 2005 that the last three quarters of alien emergency medical payments would be deferred until the payments were justified by the state. DSHS has submitted documentation to CMS of the AEM payments that conform to the new policy in place.</p>
		Completion Date:	Estimated, June 2007

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	08	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office with reliable, timely records for our audit of Proshare services.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 783 1008 842"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$38,206,440</td> </tr> </table> <p>Status: The original 2004 Corrective Action Plan reported no action to be taken. Subsequently in 2005, DSHS initiated corrective action described below. The latest corrective action remains in progress.</p> <p>Corrective Action: The Department disagrees with this finding. The Department believes that it did provide all requested information, although it agrees that the program was not well documented in the Medicaid State Plan. It is important to note that the ProShare Inter-governmental Transfer program was phased out pursuant to an agreement between Washington State and the federal Department of Human and Health Services as of June 30, 2005. Authorization of the program phase-out was confirmed with the Centers for Medicare and Medicaid Services (CMS) staff during the audit.</p> <p>A new Upper Payment Limit program replaced the old Proshare program in 2005. The new program allows for payments to public hospitals with nursing homes, not to exceed to the facilities’ costs, matched with certified public expenditures. The new program will be placed into the Medicaid State Plan. The Aging and Disability Services Administration submitted a State Plan Amendment to CMS on July 25, 2005, that includes the new Upper Payment Limit program for public nursing homes.</p> <p>Following review of the proposed amendment, CMS sent additional questions to the Department with a response date of January 16, 2006. Once DSHS provides its response, CMS will then have an additional 90 days to issue its decision on the State Plan Amendment.</p> <p>Status of questioned costs remains to be determined.</p> <p>Completion Date: Estimated, April 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$38,206,440
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$38,206,440					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	11	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal regulations that require people receiving Medicaid payments to have valid Social Security numbers.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 777 1006 840"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$11,002,039</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department does not agree that Social Security numbers (SSN) are required for every record in the Medical Management Information System (MMIS). Washington Administrative Code 388-476-0005 outlines SSN requirements for cash, medical and food assistance benefits. It should be noted that there are exceptions to the SSN requirement, including alien emergency programs, refugee assistance and detoxification services.</p> <p>The Department is addressing previously identified deficiencies and is working to improve SSN accuracy within MMIS. In response to the 2003 finding, the Department convened a workgroup to review options for enhancing established procedures related to verification of SSN in the Automated Client Eligibility System (ACES). A modification was made to the ACES-Federal interface in April 2005 to use State Data Exchange/Wire Third Party Query (WTPY) for SSN verification on a nightly basis.</p> <p>A cross-agency workgroup was established in November 2004 to review and assess interface issues, provide recommendations, and work with the new vendor of the new MMIS to develop a new ACES/MMIS interface. The workgroup will continue to meet regularly until the new MMIS is implemented in June 2007.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$11,002,039
<u>CFDA #</u>	<u>Amount</u>					
93.778	\$11,002,039					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	11 (Cont'd)	<p>Corrective Action: The Department's Operations Review and Consultation (ORC) unit conducted a study on the use of SSNs at the request of the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration), the Economic Services Administration (ESA) and the Aging and Disability Services Administration (ADSA). ORC documented criteria for the use of SSNs in determining eligibility for the Department of Social &amp; Health Services programs. In addition, ORC provided a narrative and flow chart describing how SSNs are used in these programs once eligibility has been determined. The report was completed in November 2005. This was the initial step toward developing a comprehensive agency approach to the SSN issue.</p> <p>Completion Date: Estimated, June 2007</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	12	<p>Finding: The Department of Health and the Department of Social and Health Services, Medical Assistance Administration, are not complying with state law or the provisions of the Medicaid State Plan that help to ensure compliance with health and safety standards for hospitals.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 814 964 869"> <tr> <td style="padding-right: 40px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>DSHS Comments</u>  The DSHS disagrees with the timing of this finding. The DSHS filed an amendment to the state plan with the Center for Medicare and Medicaid Services, which was approved November 1, 2004, and made effective retroactive to July 2004. The amendment was effective prior to the completion of the fieldwork for the FY04 Federal Single Audit.</p> <p>The DSHS worked with the Department of Health to update the current Memorandum of Understanding (MOU) to include all provisions required by law. The MOU was completed December 1, 2005.</p> <p><u>DOH Comments</u>  The DOH successfully sought new state legislation regarding hospital inspections. HB 1533 passed the Legislature April 18, 2005 and was signed by Governor Gregoire on May 13, 2005. The bill became effective July 24, 2005. The bill states "The department shall make or cause to be made an inspection of hospitals on average at least every eighteen months." This change will enable the DOH to complete hospital inspections within the required time frames.</p> <p>The DOH collaborated with the DSHS to update and clarify the current memorandum of understanding (MOU) to include all provisions required by law. In conjunction with this effort, the DOH updated its survey documentation to ensure that it meets federal requirements. This process was completed in December 2005.</p> <p>Completion Date: December 30, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	13	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="488 783 964 842"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$57,641</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department disagrees with this finding.</p> <p>Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) currently reviews Medicaid-only requests for wheelchairs through a prior authorization process, and files are kept at HRSA headquarters. Since these claims were paid as a Medicare crossover, the Department feels that the suppliers met their documentation and billing requirements as defined by Medicare as a primary payer and Medicaid as a secondary payer. There is no length-of-need requirement in federal guidelines. The eligibility requirements cited by the auditor, with regard to length-of-need, are self-imposed rules of the Washington Administrative Code, not federal rules.</p> <p>The auditor appears to be recommending a prior authorization or post-pay process be developed for dual-eligible clients as well as Medicaid-only clients. Given limited post pay review resources, the Department has assessed whether the cost of this prior authorization activity would be offset by the benefit. Due to the low total reimbursement and low per claim reimbursement for automatic wheelchair crossover claims, the Department has determined that post pay review is not cost beneficial.</p> <p>(Continued)</p>		<u>CFDA #</u>	<u>Amount</u>		93.778	\$57,641
	<u>CFDA #</u>	<u>Amount</u>						
	93.778	\$57,641						

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	13 (Cont'd)	Corrective Action:	The Department amended the rule governing payment of claims for wheelchairs for enrollees who are also eligible for Medicare to reflect the dependence on Medicare claims review, effective December 1, 2005.
		Completion Date:	December 1, 2005

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	14	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed, and have submitted accurate information.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778                      <u>Amount</u> N/A</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department believes exit policies and procedures in its reviews of providers are sufficient to ensure adequate provider verification. Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) currently verifies business licenses and tax identification numbers and runs the names of these providers against a national provider fraud database. To strengthen the review of ongoing provider validity, the Department is working with investigative staff in the agency to leverage existing resources for site visits and on-site reviews of providers. (See below)</p> <p>The Department is procuring a new Medicaid Management Information System (MMIS) that will have the ability to verify both business and professional licenses and identify expired business licenses. Implementation of the new MMIS is scheduled in June 2007.</p> <p>The Department partnered with the Department of Health to develop a verification system that can check providers' site locations and phone numbers through a reverse directory search. This research, including cost estimates and justification for the new system, was completed in June 2005. The Department found it not cost effective to develop the verification system. Instead, the Attorney General's Medicaid Fraud Control Unit and the Department's Division of Fraud Investigations conduct site reviews when in the field.</p> <p>The Department also explored a system for ongoing review and confirmation of provider licenses with the Department of Revenue. The system development was determined to be ineffective when cost of development was compared to cost reductions.</p> <p>Completion Date: Estimated, June 2007</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	18	<p>Finding: The Department of Social and Health Services, Health and Rehabilitative Services Administration is not in compliance with the federal Medicaid requirements for reporting on adult victims of residential abuse.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Health and Rehabilitative Services Administration (HRSA) is composed of three major divisions. Two of the divisions, the Division of Alcohol and Substance Abuse (DASA) and the Mental Health Division (MHD) were involved in this finding.</p> <p>The DASA revised its own internal policies on reporting of information received by DASA regarding the abuse, neglect, or financial exploitation of a Medicaid client (to appropriate organizations including the Medicaid Fraud Control Unit (MFCU) within the Attorney General's Office). DASA's revision expanded and clarified issues in the area of patient confidentiality to meet federal requirements. (June 2005)</p> <p>The MHD revised policy and initiated and implemented policies and procedures supporting the DSHS agency wide policy. Western State Hospital and Eastern State Hospital included a statement in their patient abuse policies that the MFCU will be notified of any patient abuse, neglect, and/or financial exploitation. (October 2005) Employees of both institutions were provided training on the implementation of the revised policies.</p> <p>Completion Date: October 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	20	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration has not established sufficient internal controls to ensure that rates paid to its Healthy Options managed care providers are based on accurate data.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>The auditor found that the Department does not monitor fee-for-service data to ensure that the data is correct, that up-coding is not present, and that the fee-for-service costs compare to managed care costs.</u>  The Department disagrees with this finding, since fee-for-service data is not used to calculate managed care rates and fee-for-service expenditures cannot be compared to managed care costs due to the differences in the managed care versus fee-for-service populations.</p> <p>The auditor recommended that the Department provide regular reports to the federal funding agency documenting improvements to the rate setting process. The Department considered itself in compliance with the Centers for Medicare and Medicaid Services (CMS) regulations requiring progress reports. The Department is monitoring managed care plans to ensure that procedures are in place to monitor provider encounter reporting.</p> <p><u>The auditor found that the Department did not submit progress reports to the federal funding agency documenting its efforts to improve data quality.</u>  In August 2004, the Department submitted the proposed Healthy Options rate setting process to CMS for approval.</p> <p>On April 4, 2005, CMS responded to the proposed rate setting process indicating that the rate setting process was acceptable for actuarial soundness requirements, but failed to comply with federal regulations regarding encounter data reporting. CMS asked DSHS to submit an encounter data improvement plan by May 15.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	20 (Cont'd)	<p>Corrective Action: The Department submitted the additional information to CMS on May 18, 2005. Subsequently, Department officials met with CMS and reached an agreement to consider the improvement plan in two parts:</p> <p>(1) <u>Setting of actuarially sound rates</u>            CMS agreed in principle that the proposed rate setting modification met the intent of 42 CFR 438. Healthy Options rates for 2006 were approved in November 2005 by CMS.</p> <p>(2) <u>Encounter data improvement.</u>            Discussions with CMS led to an agreed upon encounter data improvement plan. DSHS began implementation of the plan in October 2005 and completed improvements in December 2005.</p> <p>Use of actual cost data for rate setting will be implemented with the new Medicaid Management Information System in June 2007.</p> <p>Completion Date: Estimated, June 2007</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	21	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal requirements to report Medicaid expenditures properly.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department disagrees with this finding as applied to 2004. As a result of an audit finding from SFY 2003, the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) reported expenditures for undocumented aliens on the Center for Medicare and Medicaid Services (CMS) 64 report, effective April 1, 2004. The State Fiscal Year 2004 audit should reflect all activities from July 1, 2003, through June 30, 2004. On at least two separate occasions, HRSA advised the auditor that it had established appropriate coding to report this line item effective April 2004.</p> <p>The Department has contracted with a vendor to develop a new Medicaid Management Information System to dramatically enhance the processing of Medicaid transactions. This new system will specifically address the agency's ability to distinguish between emergency services and non-emergency services. This ability and the use of a functional medical eligibility code will allow the system to automatically assign account coding that will identify the expenditure as alien emergency medical (AEM). Implementation is expected by June 2007.</p> <p>In the interim, the Department has set up, effective June 18, 2004, specific account coding in the Agency Financial Reporting System (H1188) to be used for AEM expenditures and currently uses this coding to report these expenditures on line 27 of the CMS-64 Form, which is filed quarterly.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	21 (Cont'd)	Corrective Action:	Currently HRSA runs a query on a quarterly basis of the Automated Client Eligibility System to identify all clients with a medical eligibility code of "2" and sends the Office of Accounting Services an adjustment to move the expenditures associated with these clients to the coding that has been set up to identify them as AEM.  Completion Date: Estimated, June 2007

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	22	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not have sufficient internal controls to ensure it is complying with both subrecipient monitoring and matching requirements for the Medicaid Program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 814 974 871"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The Department initiated scheduling of on-site monitoring visits with all Area Agencies on Aging, starting in April 2005. Risk assessments will be completed prior to each on-site visit to determine the degree of monitoring performed. The monitoring visits will include review of all Skilled Professional Medical Personnel charges, verification that staff are working for the agency, and verification of required match for federal funds. Supporting documentation for reimbursement requests will be reviewed during the on-site monitoring visits.</p> <p>As of December 2005, 12 of the 13 AAAs received monitoring visits. Comprehensive reports have been completed and submitted to management. The last visit will be completed by March 2006.</p> <p>Completion Date: Estimated, March 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.778	N/A					

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
04	23	<p>Finding: The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program (TANF).</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 808 974 871"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.558</td> <td style="text-align: center;">\$40,840</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: Social Security numbers (SSNs) are, and will continue to be, matched and verified by searching Social Security Administration's (SSA) databases. Recent changes to the electronic interface between DSHS and SSA provide a broader search of SSA's databases. Field staff have and will continue to be trained on the improved capabilities to identify, investigate and resolve invalid numbers.</p> <p>As of February 2005, staff have been trained to ensure TANF recipients do not receive benefits from more than one assistance unit.</p> <p>The Community Services Division will continue to process overpayment recovery actions on those cases found to be in error.</p> <p>The Division of Management Resources and Services has initiated a change to the Automated Client Eligibility System that will allow staff to query the State Online Query System (SOLQ) easily at the time of determining eligibility. The programming changes are scheduled for implementation in April 2006. Staff will be trained on use of the SOLQ upgrades at that time.</p> <p>Completion Date: Estimated, April 2006</p>		<u>CFDA #</u>	<u>Amount</u>		93.558	\$40,840
	<u>CFDA #</u>	<u>Amount</u>						
	93.558	\$40,840						

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	24	<p>Finding: The Department of Employment Security paid at least \$142,847 in unemployment insurance benefits to claimants who were not eligible. The Department also overpaid and underpaid eligible claimants by \$18,873 and \$5,150, respectively. In addition, we estimated that payments totaling more than \$185,000 were made to claimants during their first week of unemployment, which is prohibited by state law.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="488 848 963 909"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">17.225</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Employment Security Department continues to perform extensive cross matches, data mining and other fraud prevention and detection efforts for the Unemployment Insurance (UI) program. This includes a cross match with the Social Security Administration. These processes should reduce or eliminate payments to individuals using invalid social security numbers or numbers belonging to the deceased.</p> <p>Agency staff have developed a weekly Unemployment Insurance/Labor and Industries (L&amp;I) cross match designed to immediately identify those claimants who have filed for and are receiving both UI and workers compensation benefits simultaneously. Agency staff will continue to work the system-generated report and establish procedures to eliminate overpayment and fraud activity. The agency is also working with the Department of Labor and Industries to improve coordination and communication when back pay awards of workers compensation benefits occur.</p> <p>To address issues related to proper payment of benefits to claimants receiving pensions, the agency has updated pension deduction charts with percentages to be used by each pension type. Also, additional training has been provided to staff to ensure accuracy of pension deductions.</p> <p>Agency staff has implemented programming changes to prevent the payment for a claimant's waiting week. System implementation took place April 1, 2005.</p> <p>Completion Date: July 1, 2005</p>		<u>CFDA #</u>	<u>Amount</u>		17.225	\$0
	<u>CFDA #</u>	<u>Amount</u>						
	17.225	\$0						

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	25	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments made to child care providers.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td>\$1,100,000</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Corrective action in progress.</p> <p>The Department partly concurs with this finding. The Department has addressed the attendance deficiencies by making a change in Washington Administrative Code (WAC). In October 2004, the WAC was changed to require that providers have the parent or custodian sign their children in and out of care. Attendance records must include the date, child's name, time in, time out, and a certifying signature of either a parent or custodian.</p> <p>The Division of Child Care and Early Learning (DCCEL) developed a non-mandatory attendance form for providers on October 1, 2004. The form is not mandatory because the type of care and attendance needs can vary greatly from one facility to the next, a fact made very clear by the providers at the WAC amendment hearings. A single form to meet all providers' needs was determined to be unrealistic.</p> <p>The Division of Fraud Investigations reviewed ten percent of the in-home providers, in all six regions, to ensure in-home childcare is occurring in the child's home. (March 2005) Operations Review and Consultation will monitor subsidy payments to six targeted childcare centers by June 2006.</p> <p>DCCEL coordinated with the Payment Review Program to identify and collect duplicate payments through the use of algorithms. Three duplicate payment algorithms were run and overpayments notices sent to providers. (August 2005)</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$1,100,000	93.596	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$1,100,000								
93.596									

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>						
04	26	<p>Finding: The Department of Social and Health Services, Economic Services Administration wrote-off childcare overpayments to providers without adequate support and inappropriately decreased amounts owed to the Department by child care providers.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 808 966 871"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.575</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status: No action taken.</p> <p>Corrective Action: The Department does not concur with this finding. An Overpayment amount can't be determined without giving the provider notice of due process.</p> <p>All providers who receive a Vendor Overpayment Notice have the right to due process that includes the right to an Administrative Hearing. Part of the pre-hearing process is the review of additional documentation. Reviewing additional attendance is standard pre-hearing practice.</p> <p>Vender Overpayment Notices are sent with a Social Services Incorrect Payment Computation sheet that lists information about the individual overpayment. Included in the information is the date of the overpayment, name of the child, and the amount of the overpayment. Providers are able to present additional attendance records when they receive an overpayment notice.</p> <p>Completion Date: N/A</p>		<u>CFDA #</u>	<u>Amount</u>		93.575	\$0
	<u>CFDA #</u>	<u>Amount</u>						
	93.575	\$0						

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	27	<p>Finding: The Department of Social and Health Services, Division of Child Care and Early Learning, does not ensure that all recovered overpayments are credited to the appropriate funding source.</p> <p>Questioned Costs:</p> <table data-bbox="487 777 966 871"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>Not Determined</td> <td>\$0</td> </tr> </tbody> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department's Client Receivable System and cash receipting process were modified to include service, reason, source, organization index, and month of service codes for the Division of Child Care and Early Learning DCCEL client overpayments. Recoveries are posted to agency accounting records with the detail needed to extract collection reports which identify how much was initially paid with federal and state funds and the funding source the funds were returned to.</p> <p>Completion Date: September 1, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	Not Determined	\$0
<u>CFDA #</u>	<u>Amount</u>					
Not Determined	\$0					

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	28	<p>Finding: The Department of Social and Health Services, Economic Services Administration, did not properly monitor its contract with a non-profit organization that billed for services it did not provide.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 766 974 840"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>10.561</td> <td>\$550,000</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>The Department disagrees with the questioned costs amount.</u> The contract included a 50 percent local match funded by the contractor and their subcontractors. Approximately 50 percent of the contract is funds expended by the contractor and their subcontractors without Federal or State ties.</p> <p>On October 6, 2005, the Department of Social and Health Services (DSHS) was notified of United States Department of Agriculture's (USDA) receipt of Washington's Single Audit containing the above-mentioned finding. USDA has upheld the finding while acknowledging that the actual fraudulent charges will be less than the questioned costs as determined in this finding. To that end, DSHS received a bill for collection from USDA in the amount of \$500,000. DSHS has submitted an appeal of this determination and is awaiting a decision on that appeal. In the meantime, in order to avoid the accrual of interest charges, payment of the \$500,000 has been made.</p> <p><u>Actions taken by the Department</u> Upon discovery of this allegation of fraud the department initiated a number of actions.</p> <ul style="list-style-type: none"> <li>• On December 1, 2003, the Division of Employment and Assistance Programs (DEAP) began monitoring 100% of the South Sound Outreach Services' (SSOS) claimed client contacts from December 2003 through September 2004. Each client contact was verified by phone calls to the client, a letter requesting a response from the client, or a signature statement from the client. This verification was continued for the remainder of the contract period. Completed September 30, 2004.</li> </ul> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	10.561	\$550,000
<u>CFDA #</u>	<u>Amount</u>					
10.561	\$550,000					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	28	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• As of October 1, 2005, all Basic Food Education and Outreach contracts were being monitored to assure actual client contacts are made by requiring contractors to:               <ol style="list-style-type: none"> <li>a. Keep 100 percent back-up documentation of applications to include client identifying information and contact information. Of that documentation, a 10 percent random sample of application assistance contacts are monitored on a monthly basis.</li> <li>b. Keep 100 percent back-up documentation of intake assistance. Of that documentation, a 10 percent random sample of intake assistance contacts are monitored on a monthly basis.</li> <li>c. Not claim an application assistance contact and an intake contact in any single month for the same client.</li> </ol> </li> </ul> <p>On February 1, 2005 the fraud was referred to the county prosecuting attorney. The case remains pending.</p> <p>The Department is in the process of negotiating the amount of overpayment with the federal grantor. When complete, a request for repayment will be issued to the non-profit.</p> <p>Completion Date: October 2005</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	29	<p>Finding: The Department of Social and Health Services, Children’s Administration, paid through the Social Services Payment System for services performed after a client’s date of death.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="665 777 958 840"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.659</td> <td>\$8,275</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Children’s Administration (CA) has:</p> <ul style="list-style-type: none"> <li>• Met with the Department’s Research and Data Analysis (RDA) in April 2005, to determine how to get child death information from RDA’s database. The Department of Health (DOH) interfaces with RDA’s database with lists of deaths that have occurred in Washington State.</li> <li>• Ensured that all regions and headquarters have written warrant cancellation/receipt of negotiable procedures and that appropriate staff are aware of the procedures. (April 2005)</li> </ul> <p>The Children’s Administration runs a list of child deaths from RDA’s database and compares the names to payment data from other computer systems. (April 2005) A request will be made that this function be programmed when CA gets a new computer system.</p> <p>CA staff reviewed the adoption support agreements in August 2005 and determined nothing needed to be added as the agreement states it will “...terminate upon the child’s death, or upon the death of the child’s parent(s)” and that the adoptive parent agrees to “...notify the adoption support program immediately and in writing if the child is no longer living in the home or if the parent is no longer financially responsible for the child.”</p> <p>The Division of Fraud Investigations (DFI) reviewed these payments and determined that \$14,997.64 in warrants were endorsed and cashed illegally. In addition, inappropriate Social Security Insurance payments were found and the Social Security Administration (SSA) was contacted. Initial investigation by DFI also disclosed the client was using two separate identifications. A joint investigation by DFI and the SSA was launched in May 2005. The additional investigation time delayed referral of the case for prosecution.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$8,275
<u>CFDA #</u>	<u>Amount</u>					
93.659	\$8,275					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	29 (Cont'd)	Corrective Action:	<p>DFI investigators presented the client an overpayment notice on December 12, 2005. In January 2006, the case was submitted to the Thurston County Prosecutor.</p> <p>The federal granting authority requested the questioned costs be refunded. They were returned in January 2006.</p> <p>Completion Date: January 2006</p>

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**Office of Superintendent of Public Instruction (OSPI)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	31	<p>Finding: The Office of Superintendent of Public Instruction did not comply with state and federal requirements when contracting for services paid with federal Title I funds.</p> <p>Questioned Costs: <u>CFDA #</u> 84.010      <u>Amount</u> N/A</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Director of Agency Financial Services has instructed staff to carefully review all contracted services to ensure agency contracts are correctly classified and procured.</p> <p>The Contracts Administrator, who has the centralized responsibility for the contracting process, issued to all staff involved in contracts management both verbal directions and written instruction that included:</p> <ul style="list-style-type: none"> <li>• For the purpose of contracting, OSPI has only two clients - K-12 students and their families/parents.</li> <li>• All new contracts and any renewal of existing contracts will be classified as personal services unless they provide direct services to K-12 students and/or families/parents.</li> <li>• All contracts classified as personal service contracts will be subject to all rules and regulations of the Revised Code of Washington (RCW) 39.29 including, but not limited to, provisions for planning, open competition, filing and filing period.</li> </ul> <p>In addition, the agency immediately established a clear definition on how many hours constitutes a day. All existing affected contracts were amended to reflect this clarified definition and the involved contractors were notified of the change. For the new contracts for FY06, OSPI included the revised definition.</p> <p>All monthly payment requests for work performed, as received from the contractors, are supported by a timekeeping and accountability application as an additional control. This will ensure OSPI has received appropriate services prior to payment and prior to requests for federal reimbursement. This documentation is being collected in addition to the quarterly performance reports submitted by each contractor indicating the work completed to date.</p> <p>Completion Date: July 31, 2005</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	32	<p>Finding: The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when it inappropriately paid fixed administrative expenditures in advance of services for the Community Mental Health Services Block Grant.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.958</td> <td style="text-align: center;">\$72,000</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Mental Health Division developed and implemented policies and procedures, along with a mechanism for oversight, complying with state and federal regulations and precluding advance payment of administrative expenditures.</p> <p>Completion Date: August 2005</p>		<u>CFDA #</u>	<u>Amount</u>		93.958	\$72,000	
	<u>CFDA #</u>	<u>Amount</u>							
	93.958	\$72,000							

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	33	<p>Finding: The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u>            Not Specified \$0</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Department did not concur with the finding. Given the size and the decentralization of the Department, reliance must be placed on management throughout the agency for notification as well as implementation and employment of established controls. The Department has compensating controls in place.</p> <ul style="list-style-type: none"> <li>• The use of VOD1 (one time payments to vendors that do not require tax information) is monitored closely. On a quarterly basis, the Office of Accounting Services (OAS) sends to each Fiscal Program Manager for review a VOD1 report that lists all payments made that quarter. The program is responsible to ensure that payments are accurate and for only prescribed VOD1 purposes.</li> <li>• The Department consolidated the filing of forms submitted relating to access requests, changes, and deletions to facilitate more effective management of access to the system. (October 2005)</li> <li>• The Financial Service Administration (FSA) Information Technology Office (ITO) has obtained an electronic file of all Agency Financial Reporting System (AFRS) User IDs as well as all mainframe Resource Access Control Facility (RACF) User IDs and matched the two files for comparison and research. This file was also matched against current employees in an effort to identify and resolve discrepancies. This helped to eliminate specific existing problems prior to moving forward with stronger controls and more agency-wide awareness of the process. As the list changes daily, a baseline was established and the discrepancy resolution was redone in October 2004.</li> </ul> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	33 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• FSA/ITO developed and implemented a more streamlined and user-friendly form for managers to use to request, change or delete access. (December 2005)</li> <li>• FSA /ITO consulted with the Information Systems Services Division (ISSD) to better coordinate and streamline the process of notifications on requests for access, changes and deletions. (October 2005) Currently, FSA/ITO coordinates the AFRS access while the ISSD coordinates the mainframe RACF access. AFRS access cannot be used without mainframe RACF access. FSA will also be searching for the most efficient and practical methods of responsibility relating to coordination of the RACF and AFRS access.</li> </ul> <p>The procedure to verify input document to the AFRS turnaround report has been in place for years. These controls will be reiterated to Department accounting staff through the following methods:</p> <ul style="list-style-type: none"> <li>• The Accounting Policy Management Board (APMB) has developed a policy that addresses the required controls regarding AFRS input security and independent review. This policy includes a discussion on the use of additional compensating controls if system controls for segregation are not used. Such as:             <ul style="list-style-type: none"> <li>○ Independent review and approval of payment documents and supporting documents.</li> <li>○ Independent review and documentation of transaction register and/or warrant register review and reconciliation.</li> <li>○ Review and correction of payments in the error file.</li> </ul> </li> </ul> <p>The policy was finalized and implemented in February 2006.</p> <ul style="list-style-type: none"> <li>• FSA/OAS sent a detailed instruction regarding the policy and the new forms through the Department's financial LISTSERVE on January 30, 2006. This communication outlined the process to be followed and the importance of access relevance versus risk.</li> </ul> <p>FSA requested Operations Review and Consultation perform random checks at various locations throughout the state to ensure these controls are in place and operating. This will be included in the department's FY 2006 Audit and Consultation Plan.</p> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	33 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• FSA/OAS has worked closely with the Office of Financial Management representatives to explore alternative system controls that may mitigate the risk of not using the current system segregation controls.</li> </ul> <p>The Office of Financial Management received a Letter of Determination, dated September 26, 2005 from David Walter, Acting Director, Office of Audit Resolution and Cost Policy (OARCP), Health and Human Services. The letter stated that the original audit corrective actions and additional comments provided in letters of January 12, 2005, and September 2, 2005, satisfy the audit recommendations contained in the Single Audit Reports for FY 03 and FY 04 (Finding 04-33).</p> <p>Completion Date: April 2006</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	34	<p>Finding: The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 751 963 814"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>Not Specified</td> <td>\$0</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: No software for the UNYSIS mainframe is currently available. The Department continues to seek new security software. Current front-end systems utilize technology that records who was logged into the front-end system at the time of use.</p> <ul style="list-style-type: none"> <li>• The Social Service Payment System (SSPS) front-end rewrite “Web Connect” will limit access (by incorporating hardened passwords, changed every 90 days) into the authorization process that correctly identifies the authorizer. A permission screen and “lock-out” mechanism will be part of the new SSPS front-end design. The system will also block payment to ineligible providers. The rewrite began implementation in April 2006 with completion to be May 31, 2006.</li> <li>• A systematic operator ID purge included:       <ol style="list-style-type: none"> <li>1. Elimination of unused and excess operator IDs. (February 2005)</li> <li>2. Update of operator ID authorization files using Department of Personnel’s (DOP) employment termination/change lists. (Completed monthly)</li> <li>3. Tracking of programs to identify and eliminate non-essential operator IDs. The Aging &amp; Disability Services Administration non-essential operator IDs were purged. (October 2005)</li> </ol> </li> <li>• The feasibility of doing away with operator IDs through the use of the Windows “Active Directory” was reviewed in June 2005. Preliminary design work began in July 2005 with coding of pages and testing started in September 2005. This process is tied to the “Web Connect” rollout to be completed in May 2006.</li> </ul> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	Not Specified	\$0
<u>CFDA #</u>	<u>Amount</u>					
Not Specified	\$0					

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	34 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• “Generic” IDs and passwords allowing access to controlled subroutines in the Information System Services Division (ISSD) database were searched for IDs with non-conforming routines. They were either removed or corrected along with a list provided by the State Auditors office in March 2005. Most “Generic Operator IDs” have been supplanted by the front-end access as each of the divisions completed their own case management systems. (December 2005)</li> <li>• Multiple IDs have been removed from the system, and ISSD has been running a monthly diagnostics on the operator ID database to ensure there are no duplicates since January 2005.</li> <li>• Since January 2005, the SSPS office and ISSD review monthly DOP information to ensure that employees who leave or move to a new job function within state service are removed from the ISSD database and the SSPS Worker ID file.</li> <li>• The SSPS office continues to work with ISSD staff to remove non-related subroutine access. ISSD formulated specific authorization access coding and subroutines to limit authorization access in January 2005. The last subroutine was removed in May 2005.</li> <li>• The SSPS office reduced access to the Provider File to only those whose job functions require Provider File access. Provider File access rights have been transferred to the Provider File Supervisor. (January 2005)</li> </ul> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	34 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• SSPS has a new combination Structured Query Language and Access database system to prepare documents, record payments, and store payment history. This information is now downloaded into the system and files shared with the Office of Accounting Services (OAS). The database system is also used for automatic entry and storage of A-19 invoice data to be shared in electronic files with the SSPS, OAS, and the Agency Financial Reporting System (AFRS). (October 2005)</li> <li>• OAS and the SSPS office developed a tax accounting database to allow reconciliation. The database has the ability to electronically reconcile expenditures through AFRS. An interim Sequel Database was completed, initiated, and tested for the 2005 taxes. (October 2005)</li> <li>• Specific reconciliation information is on the SSPS web page. All SSPS training includes instruction in the reconciliation process. The SSPS office prepared a Best Practices reconciliation memo for distribution to all SSPS users on the importance of the reconciliation process. (August 2005)</li> <li>• ISSD assessed if a program could be devised that electronically controls or locks the system. Their goal was to manage real time access to track what changed and who made the change. The feasibility study determined that this was not possible.</li> <li>• The number of individuals with access to the computer input screen used to add, delete, and view worker IDs has been reduced until a read-only screen is developed in the new SSPS front-end system access, estimated December 2006.</li> <li>• The UNYSIS does not have the capability to maintain a record of changes. SSPS will continue to use its current manual process for risk reduction.</li> </ul> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
04	34 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> <li>• While staff can re-point Executive Control Language, ISSD tracks access in a temporary production environment. Only authorized on-call staff have access rights.</li> <li>• Information that comes under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy rule is limited to screens available to staff of the authorized division.</li> <li>• A new Provider File Unit centralized all data input from field staff late 2003. Social Security Administration's (SSA) free employee verification service was being used at the time of the audit. The Provider File Unit confirms all IRS tax ID numbers, and has added several new checks to continue to bring down the error rate, which will be determined by December 2006. These checks include:             <ol style="list-style-type: none"> <li>1. IRS Individual Taxpayer Identification Number matching site for Social Security Number (SSN) and Employer Identification Number information.</li> <li>2. Calling SSA to verify questionable or duplicate numbers.</li> <li>3. Reviewing the IRS Error List and making corrections after verifying the information.</li> <li>4. Checking the Social Security Death Index each time there is an indication that the SSN is that of a deceased individual.</li> <li>5. The SSPS office signed an agreement with the State Auditor's Office to process SSPS files through their death check process.</li> </ol> </li> <li>• Federal tax forms, W4s and W9s, will be required of providers by July 2006. A project manager was hired in June 2005 to supervise the collection and processing of these tax forms.</li> <li>• The new Medicaid Management Information System will provide full compliance for the few Health Insurance Portability and Accountability Act services now paid through SSPS. Estimated implementation date is June 2009.</li> </ul> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	34 (Cont'd)	Corrective Action:	<p>The Office of Financial Management received a Letter of Determination, dated September 26, 2005 from David Walter, Acting Director, Office of Audit Resolution and Cost Policy (OARCP), Health and Human Services. The letter stated that the original audit corrective actions and additional comments provided in letters of January 12, 2005, and September 2, 2005, satisfy the audit recommendations contained in the Single Audit Reports for FY 03 and FY 04 (Finding 04-34).</p> <p>Completion Date: Estimated, June 2009</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>																	
04	35	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Economic Services Administration, does not enter accurate information in its Random Moment Time Sample to ensure administrative costs are properly charged to federal and state funds.</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>CFDA #</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>10.561</td> <td style="text-align: right;">\$ 29,483,273</td> </tr> <tr> <td>93.558</td> <td style="text-align: right;">26,676,581</td> </tr> <tr> <td>93.566</td> <td style="text-align: right;">1,791,777</td> </tr> <tr> <td>93.596</td> <td style="text-align: right;">6,248,951</td> </tr> <tr> <td>93.667</td> <td style="text-align: right;">4,475,373</td> </tr> <tr> <td>93.778</td> <td style="text-align: right;"><u>32,640,285</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$101,316,240</td> </tr> </tbody> </table> <p>Corrective action complete.</p> <p>The Department posted a memo to all employees via the Inside Economic Services Administration's web page iESA describing the Random Moment Time Sample (RMTS) process and requirements and conducted training classes for the RMTS Coordinators. (June 2005)</p> <p>The Department revised the RMTS instructions and distributed them to all staff that are eligible to be selected for the RMTS. (June 2005)</p> <p>The Field Fiscal Services Administrator attended regional Community Service Office (CSO) Administrator meetings to discuss the RMTS process and review the roles and responsibilities of the administrators, emphasizing the requirement that the RMTS is to be completed according to the instructions. (June 2005)</p> <p>In April 2005, the Department began audits of the RMTS documents for two CSOs on a monthly basis and immediately notified the CSO Administrator and Regional Administrator of corrective action that is needed to bring the RMTS process into line with the requirements of the program.</p> <p>(Continued)</p>	<u>CFDA #</u>	<u>Amount</u>	10.561	\$ 29,483,273	93.558	26,676,581	93.566	1,791,777	93.596	6,248,951	93.667	4,475,373	93.778	<u>32,640,285</u>	Total	\$101,316,240
<u>CFDA #</u>	<u>Amount</u>																		
10.561	\$ 29,483,273																		
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**Department of Social and Health Services (DSHS)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
04	35 (Cont'd)	Corrective Action:	The Field Fiscal Services Administrator conducted a review of the questioned samples to determine the impact on the distribution of the program support expenditures to the various programs if the questioned samples were excluded from the distribution methodology. (April 2005)
		Completion Date:	June 30, 2005.

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	36	<p>Finding: The Department of Social and Health Services did not comply with federal requirements for an independent peer review of the Community Mental Health Services Block Grant.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>N/A</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Mental Health Division (MHD) has petitioned the federal grantor for an exception or to change its regulation requiring an independent peer review.</p> <p>A report was emailed to the grantors at Substance Abuse and Mental Health Services Administration (SAMHSA) outlining how MHD has met this requirement. The grantor's program staff reviewed and accepted this as meeting the requirements for independent peer reviews published in 42 USC 300x-53a. Accordingly, the SAMHSA Financial Advisory Services Officer involved has confirmed the resolution of the matter upon receipt of a letter formalizing MHD's actions. (Submitted in November 2005)</p> <p>Completion Date: November 16, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	N/A
<u>CFDA #</u>	<u>Amount</u>					
93.958	N/A					

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	37	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Community, Trade and Economic Development did not comply with federal requirements for suspension and debarment.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>14.239</td> <td>N/A</td> </tr> </table> <p>Corrective action complete.</p> <p>CTED disagrees with the finding. The Housing Repairs and Rehabilitation Program refers in its contracts to Executive Order 12546, <u>Debarment and Suspension</u>, as well as requiring contractors to certify that neither the organization nor its principals are suspended or debarred. The contract also prohibits the contractor from entering into contracts with parties that are suspended or debarred. The contractors for the Tenant Based Rental Assistance program are responsible for the determination of low-income family eligibility to receive rental assistance and pay for the family's rent with vouchers directly to landlords. They do not do business with lower tier contractors.</p> <p>CTED received a management decision letter from the U.S. Department of Housing and Urban Development dated July 26, 2005, which stated that no further corrective action was required and that they considered this finding closed.</p> <p>July 26, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	14.239	N/A
<u>CFDA #</u>	<u>Amount</u>						
14.239	N/A						

**State of Washington  
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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	38	Finding:	The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting.				
		Questioned Costs:	<table border="0"> <tr> <td data-bbox="669 720 831 751"><u>CFDA #</u></td> <td data-bbox="873 720 964 751"><u>Amount</u></td> </tr> <tr> <td data-bbox="669 751 831 783">93.568, 93.569</td> <td data-bbox="873 751 964 783">\$56,500</td> </tr> </table>	<u>CFDA #</u>	<u>Amount</u>	93.568, 93.569	\$56,500
<u>CFDA #</u>	<u>Amount</u>						
93.568, 93.569	\$56,500						
		Status:	Corrective action complete.				
		Corrective Action:	Employees that work on more than one program have been charging their time based on actual time spent on various projects since December 31, 2004.				
		Completion Date:	December 31, 2004				

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	40	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Juvenile Rehabilitation Administration did not comply with federal requirements for time and effort reporting for the Juvenile Accountability Incentive Block Grant Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">16.523</td> <td style="text-align: center;">\$565,000</td> </tr> </table> <p>Corrective action complete.</p> <p>The Juvenile Rehabilitation Administration (JRA) implemented the requirements of the Department's Fiscal Policy 50.01, <i>Federal Compliance with Time Allocation/Certification</i> in February 2005. Semi-annual certifications have been completed for salaried and part-time employees for both the current period and the audit review period. JRA employees who work on multiple activities now keep daily timesheets on their activities.</p> <p>February 28, 2005</p>		<u>CFDA #</u>	<u>Amount</u>		16.523	\$565,000
	<u>CFDA #</u>	<u>Amount</u>							
	16.523	\$565,000							

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**Military Department**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	41	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Military Department did not comply with federal requirements for time and effort reporting in the State Domestic Preparedness Equipment Support Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>16.007, 97.004</td> <td></td> <td style="text-align: right;">\$75,000</td> </tr> </table> <p>Corrective action complete.</p> <p>During the audit year ending June 30, 2004, the Washington Military Department placed in operation a time and effort policy and related procedures. The policy and procedures state clearly that actual time will be reported. (March 2004)</p> <p>To strengthen the implementation of the time and effort policy and procedure, an additional process was instituted that required the Payroll Section to forward any timesheets suspected of being constructed on budgeted time to the Accounting Manager. In turn, the Accounting Manager is obligated to bring the suspect timesheets to the attention of the Emergency Management Division (EMD) Chief of Staff. (January 3, 2005)</p> <p>The EMD Chief of Staff is also directly monitoring timesheets. The monitoring of timesheets by the EMD Chief of Staff has already resulted in timesheets being returned to supervisors and staff to be corrected to report actual time.</p> <p>January 3, 2005</p>		<u>CFDA #</u>	<u>Amount</u>	16.007, 97.004		\$75,000
	<u>CFDA #</u>	<u>Amount</u>							
16.007, 97.004		\$75,000							

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
04	44	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Health and Rehabilitative Services Administration, does not adequately monitor its subrecipients for the Community Mental Health Services Block Grant.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>N/A</td> </tr> </table> <p>Corrective action in progress.</p> <p>The Mental Health Division (MHD) began implementing Department Administrative Policy 13.14 on identifying and managing federal Subrecipient contracts and agreements in April 2005.</p> <p>MHD will develop a contract monitoring process in accordance with federal regulations for all contracts, including, but not limited to, the Mental Health Block Grant contracts by June 2006. This process will include on-site reviews when the risk matrix identifies that monitoring is appropriate. A workgroup has been appointed to facilitate this process. Federal block grant monitoring for all regional service networks will be completed by May 31, 2006.</p> <p>MHD re-established itself on the distribution list for State, County and Independent audits. These reports are reviewed for findings and corrective action items related to subrecipients of federal funds. (June 2005)</p> <p>MHD has obtained independent audits where they are required. The county audit communication has been researched, as counties have various means of distributing audit results. Language has been added to contracts to address this requirement. (November 2005)</p> <p>June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	N/A
<u>CFDA #</u>	<u>Amount</u>						
93.958	N/A						

**State of Washington  
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**Military Department**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
04	45	<p>Finding: The Military Department does not have adequate internal controls to ensure compliance with regulations regarding purchases for, contracting with, and monitoring of its subrecipients in the State Domestic Preparedness Equipment Support Program.</p> <p>Questioned Costs: <u>CFDA #</u> 16.007, 97.004      <u>Amount</u> N/A</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>Purchases for subrecipients</u> All purchases are now processed on the Military Department's automated Purchase Order System (POS), which requires an electronic approval from a manager or authorized official. In addition, the Chief of Staff for EMD provides electronic authorization for all Homeland Security equipment purchases. (July 1, 2004)</p> <p><u>Contracting with and monitoring of subrecipients</u> An oversight management group was established to direct the development and implementation of a subrecipient monitoring policy and related procedures. The comprehensive written agency policy and procedures were completed in April 2005. Training is being provided to program staff in cooperation with the State Auditor's Office. A grants management program is now available to start recording single audits on subgrantees. The progress of implementing the policy and procedures is being reported to the director on an intermittent basis until fully operational.</p> <p>Completion Date: Estimated June 2007</p>

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**University of Washington (UW)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
04	46	<p>Finding: The University of Washington did not comply with federal grant requirements for two of its research and development programs.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.846, 93.856</td> <td>\$16,517</td> </tr> <tr> <td></td> <td><u>19,992</u></td> </tr> <tr> <td></td> <td>\$36,509</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <ol style="list-style-type: none"> <li>1. Questioned costs were removed from the federal grants and transferred to appropriate sources: <ul style="list-style-type: none"> <li>• Center for AIDS and Sexually Transmitted Diseases (STD) (93.856) - \$19,992 transferred July 8, 2004.</li> <li>• Department of Radiology (93.846) - \$16,517 transferred August 23, 2004.</li> </ul> </li> <li>2. New internal control mechanisms implemented: <ul style="list-style-type: none"> <li>• Center for AIDS/STD – August 15, 2004.</li> <li>• Department of Radiology – November 10, 2004.</li> </ul> </li> <li>3. Additional corrective action taken at Center for AIDS/STD <ul style="list-style-type: none"> <li>• New staff hired (1.5 FTEs) to provide more oversight on financial activities – November 1, 2004.</li> <li>• Employees cross-trained and responsibilities redistributed to provide more back-up support – February 28, 2005.</li> </ul> </li> </ol> <p>The State of Washington received a management decision letter dated September 16, 2005, stating the Office of Audit Resolution and Cost Policy (OARCP) Health and Human Services has determined that the corrective action plan and subsequent comments satisfied the auditor's recommendations.</p> <p>Completion Date: February 28, 2005</p> </p>	<u>CFDA #</u>	<u>Amount</u>	93.846, 93.856	\$16,517		<u>19,992</u>		\$36,509
<u>CFDA #</u>	<u>Amount</u>									
93.846, 93.856	\$16,517									
	<u>19,992</u>									
	\$36,509									

**State of Washington  
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**Employment Security Department (ESD)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
04	47	<p>Finding: The Employment Security Department does not have adequate internal controls over the reporting of grant expenditures on the Schedule of Expenditures of Federal Awards.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="667 768 963 827"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">17.245</td> <td style="text-align: right;">N/A</td> </tr> </table> <p>Status: Corrective action complete.</p> <p>Corrective Action: Effective July 1, 2004, all Trade Act benefit transactions have been recorded properly in the department's accounting system under Catalog of Federal Domestic Assistance (CFDA) 17.245.</p> <p>Additional account codes were created to allow for more detailed tracking of benefit expenditures. This change will remove any confusion over the CFDA codes to use for reporting and will give the Department the ability to accurately report Federal benefits issued at the needed detail level. It will also allow the Department to accurately report Trade Act activities on the Schedule of Expenditures of Federal Awards (SEFA). In addition, a monthly reconciliation of Trade Act benefit expenditures is being performed to ensure all entries are correct.</p> <p>The Department's fiscal year 2004 SEFA was corrected to reflect the actual revenue and expenditure amounts for the Trade Act program. The corrected expenditure amount appeared in the SEFA for the Fiscal Year 2004 State of Washington Federal Single Audit published in May 2005.</p> <p>Completion Date: July 1, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	17.245	N/A
<u>CFDA #</u>	<u>Amount</u>					
17.245	N/A					

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>							
04	48	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Employment Security Department did not comply with federal requirements for time and effort reporting.</p> <table border="0" data-bbox="665 735 974 808"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">17.245</td> <td style="text-align: center;">\$130,515</td> </tr> </table> <p>Corrective action in progress.</p> <p>Time charges questioned by the auditors in this finding pertained to two components of the same program - Trade Act - TAA and NAFTA. Funding for NAFTA was discontinued in the affected offices as of June 30, 2004. As such, time reporting between these components is no longer an issue.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>Statewide, the staff identified through this review are now aware that their time is to be charged on a daily basis and is distributed by project codes that reflect actual activities performed. They will fill out their time sheets and use proper charge codes according to the duties performed each day.</p> <p>The agency will work with the federal grantor to resolve the questioned costs.</p> <p>Estimated, June 2006</p>		<u>CFDA #</u>	<u>Amount</u>		17.245	\$130,515
	<u>CFDA #</u>	<u>Amount</u>							
	17.245	\$130,515							

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>				
04	49	<p>Finding: The Department of Social and Health Services' Medical Assistance Administration (MAA) did not comply with allowability and reporting requirements for the State Children's Health Insurance Program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.767</td> <td>\$13,150,000</td> </tr> </table></p> <p>Status: Corrective action complete.</p> <p>Corrective Action: Health &amp; Recovery Services Administration (HRSA) (formerly known as Medical Assistance Administration) bases requests for federal program reimbursements on actual rather than estimated payments for Medicaid-eligible children whose family incomes fall within certain limits. Actual payments were calculated as of April 25, 2005. The total of \$1.0 million was returned to the Centers for Medicare and Medicaid Services (CMS) on the July 31, 2005 quarterly report.</p> <p>HRSA ensured payments made for prenatal services are provided only after the effective date of the State Plan amendment, November 12, 2002. Payments made before the State Plan amendment approval were returned to CMS on the quarterly report due July 31, 2005.</p> <p>Completion Date: July 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.767	\$13,150,000
<u>CFDA #</u>	<u>Amount</u>					
93.767	\$13,150,000					

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	1	<p>Finding: The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting and suspension and debarment.</p> <p>Questioned Costs: <u>CFDA #</u> 14.239      <u>Amount</u> \$287,376</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>Suspension and Debarment</u>          The basis of the finding is that CTED did not collect required certification forms from all of its subrecipients and potential contractors. The auditors noted that CTED did consult the federal List of Excluded Parties before awarding any contracts. Subsequent to the audit finding, the federal rule was changed (November 2003) to no longer require a certification form. The current federal rule requires either language in the contract or consultation with the List of Excluded Parties.</p> <p>To satisfy rule requirements in existence in the audit year, the Administrative Services Division of CTED communicated the old suspension and debarment requirements to all CTED employees. Program managers were required to review their current practices, determine if compliant and, when necessary, correct any non-compliant issues.</p> <p>The Housing Division, HOME program, decided to require suspension and debarment certifications for all of its construction-related contractors.</p> <p>(Continued)</p>

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**Department of Community, Trade and Economic Development (CTED)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	1 (Cont'd)	Corrective Action:	<p>The Housing Division, HOME program:</p> <ul style="list-style-type: none"> <li>• As of January 2004, required all future subrecipients and contractors receiving awards for HOME funds for construction projects to sign and submit the U.S Department of Housing and Urban Development (HUD) form 2992, <u>Certification Regarding Debarment and Suspension</u> before contracts would be executed.</li> <li>• Obtained a completed HUD form 2992 certification from all of the current 2003 subrecipients and contractors using HOME funds for construction projects. This was completed by April 30, 2004.</li> <li>• Updated the Housing Finance Unit (HFU) contract - General Terms and Conditions, Section 7.01 Certification Regarding Debarment, Suspension, or Ineligibility to include the requirement for subrecipients and contractors to sign and submit HUD form 2992. This was completed by January 31, 2004.</li> </ul> <p><u>Time and Effort Reporting</u>            For compliance with the time and effort requirement for staff that work solely on one federal grant or activity, CTED is using a revised timesheet template to include a time and effort certification statement. All supervisors, or their designees, are required to review the timesheets and sign the certification semi-monthly. This was completed by December 31, 2004.</p> <p>Housing Division staff who charge their time to HOME and other activities are charging their time based on actual time spent on various projects. This has been in effect since March 2004. CTED received a management decision letter from the U.S. Department of Housing and Urban Development dated January 27, 2005, which stated "...the employee time distribution records for 2003 provide adequate documentation to support the staff costs CTED charged to the HOME program during that year. We hereby allow the \$287,376 in questioned costs."</p> <p>Completion Date: January 27, 2005</p>

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
03	3	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Unemployment Insurance program.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>17.225</td> <td>\$58,600</td> </tr> </table> <p>Corrective action in progress.</p> <p>The six employees whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices. The agency has continued to emphasize the importance of federal time reporting requirements to all staff.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>The agency resolved these questioned costs with the U.S. Department of Labor (USDOL) in July 2005; however, USDOL did not consider the underlying time reporting weaknesses resolved at that time. The agency is reporting progress quarterly and actively monitoring compliance with new time reporting procedures.</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$58,600
<u>CFDA #</u>	<u>Amount</u>						
17.225	\$58,600						

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	4	<p>Finding: The Employment Security Department paid unemployment insurance benefits to claimants who were not eligible and made payments to claimants during their first week of unemployment, which is prohibited by state law.</p> <p>Questioned Costs: <u>CFDA #</u> 17.225      <u>Amount</u> 0</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The Employment Security Department continues to perform extensive cross matches, data mining and other fraud prevention and detection efforts for the Unemployment Insurance (UI) program. This includes a cross match with the Social Security Administration. These processes should reduce or eliminate payments to individuals using invalid social security numbers or numbers belonging to the deceased.</p> <p>Agency staff have developed a weekly Unemployment Insurance/Labor and Industries (L&amp;I) cross match designed to immediately identify those claimants who have filed for and are receiving both UI and workers compensation benefits simultaneously. Agency staff will continue to work with the system-generated reports and establish procedures to eliminate overpayment and fraud activity. The agency is also working with the Department of Labor and Industries to improve coordination and communication when back pay awards of workers compensation benefits occur.</p> <p>To address issues related to proper payment of benefits to claimants receiving pensions, the agency has updated pension deduction charts with percentages to be used by each pension type. Also, additional training has been provided to staff to ensure accuracy of pension deductions.</p> <p>Agency staff have implemented programming changes to prevent the payment for a claimant's waiting week. System implementation took place April 1, 2005.</p> <p>Accounts receivable have been established for overpayments and collection actions initiated as appropriate.</p> <p>Completion Date: July 1, 2005</p>

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**Employment Security Department (ESD)**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	5	<p>Finding: ***The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Workforce Investment Act program.</p> <p>Questioned Costs: <u>CFDA #</u> 17.255*** <u>Amount</u> \$27,517</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The two agency staff whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices as a result of an audit finding in state fiscal year 2002. Time charges for both employees were included in testing of this program by the State Auditor's Office for state fiscal year 2003. No exceptions were found.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>The agency resolved the questioned costs with the U.S. Department of Labor (USDOL) in July 2005; however, USDOL did not consider the underlying time reporting weaknesses resolved at that time. The agency is reporting progress quarterly and actively monitoring compliance with new time reporting procedures.</p> <p>Completion Date: Estimated, June 2006</p>

\*\*\* This finding relates to a compliance issue that occurred in state fiscal year 2001. CFDA 17.255 was the applicable catalog number at that time.

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	8	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), received federal Medicaid funds for unallowable services provided to undocumented aliens.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$671,210</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <b>Recommendation:</b> <u>Develop internal controls that would require employees to verify applicant's social security numbers and heed alerts sent by the Social Security Administration pertaining to invalid social security numbers (SSNs).</u> The Department of Social and Health Service (DSHS) does not agree with this recommendation, as it pertains to undocumented aliens. There are legitimate reasons why State employees may be unable to obtain the correct SSN as in the case of undocumented aliens. No action taken.</p> <p><b>Recommendation:</b> <u>Develop clear policy and procedure manuals.</u> DSHS does not agree with this recommendation as it pertains to the alien emergency medical program. DSHS staff should follow the policy and procedure manuals in place at the time of eligibility verification, as those manuals reflected policy in place at that time. No action taken.</p> <p><b>Recommendation:</b> <u>Establish internal controls that ensure staff make consistent referrals to medical consultants for diagnoses that are not listed in the eligibility manual and ensure that consultants respond promptly.</u> MAA formed a workgroup to review the Alien Emergency Medical policy and to ensure that referrals to medical consultants are made appropriately. Post pay review is utilized to determine if referrals are correctly made. The new policy went into effect December 2005.</p> <p><b>Recommendation:</b> <u>Develop an accounting system that would differentiate emergency from non-emergency procedures so that the appropriate funds could be used to pay for the designated services.</u> MAA incorporated improvements for accounting into the 2005/2007 Chart of Accounts and will work on incorporating improvements into the Medical Management Information System (MMIS) procurement. MAA has put in place an Alien Emergency Medical policy with monitoring to ensure appropriate procedures are charged for AEM as of December 2005.</p> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	8 (Cont'd)	Corrective Action:	<p><b>Recommendation:</b> <u>Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be returned.</u>            Disposition of questioned costs is pending the Centers for Medicare &amp; Medicaid Services (CMS) review and decision.</p> <p><b>Refer to corrective action on finding 04-05 for further action on this issue.</b></p> <p>Completion Date: December 2005</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	11	<p>Finding: The Department of Social and Health Services (DSHS), Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure financial reports submitted to the federal government comply with Medicaid provisions.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$0</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: DSHS partially concurs with the finding and has structured its corrective action by the conditions noted by the auditor:</p> <p><b>Condition 1: <u>DSHS is not reporting disbursements for alien emergency medical (AEM) services.</u></b></p> <ul style="list-style-type: none"> <li>• The Department agrees that undocumented AEM services should be categorized separate from documented AEM services on the claim; however, the Department is unable to take corrective action at this time. The Automated Client Eligibility System (ACES) and Medical Management Information System (MMIS) do not currently have the capability of capturing undocumented aliens separately from documented aliens and U.S. citizens.</li> <li>• Additionally, the MMIS does not currently have the capability of determining which services were performed as part of an emergent situation and/or any follow-up as required under the decision from <u>Gutierrez v. DSHS</u>, Yakima Superior No. 032017662 (2003).</li> <li>• The Department has established a unique account coding to report AEM expenditures on Line 27 of the CMS 64 report.</li> </ul> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	11 (Cont'd)	Corrective Action:	<p><b>Condition 2:</b> <u>DSHS is underreporting disbursements in some categories.</u>            The Department partially concurs with this condition of the finding. However, the Department is not underreporting expenditures in aggregate. Because of a current situation with the Medical Management Information System (MMIS), there are expenditures included on Line 29, "Other Care Services," that should be reported in other categories on the claim. All reported expenditures are eligible for Title XIX clients. There are also instances where MMIS may not recognize the service code of a disbursement. These disbursements presently are assigned a misleading title of "suspense." These are not suspense items, but are legitimate Title XIX disbursements and are reported as such on the CMS 64 report. This condition was identified by MAA prior to the audit and the Department has changed the title to "Other Care Services." MAA has implemented quarterly JVs to move the charges to appropriate sub/sub/objects. (February 2004)</p> <p><b>Condition 3:</b> <u>The Department does not have sufficient internal controls over preparation of the CMS-64.</u></p> <ul style="list-style-type: none"> <li>• The Department does not agree with the statement "...provides for no monitoring..." nor does it concur with this condition of the finding. The Centers for Medicare and Medicaid Services has a full time fiscal auditor assigned to the State of Washington who is on-site for several weeks during the preparation of the claim, requesting justification and explanation for specific expenditures. The auditor approves the claim for submission prior to DSHS certifying the claim.</li> <li>• Additionally, the entire claim preparation is in itself a reconciliation of Title XIX expenditures. A one-page summary of the reconciliation activity is now prepared prior to the claim certification, previously, the summary was prepared after certification.</li> </ul> <p><b>Condition 4:</b> <u>The Department must establish timely and consistent communications between the Medical Assistance Administration (MAA) and the Office of Accounting Services (OAS).</u>            There is now better coordination between staffs in the OAS and MAA.            Additionally, MAA staff have implemented better tracking and monitoring mechanisms to ensure timely correction of errors. (January 2004)</p> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	11 (Cont'd)	Corrective Action:	<p><b>Condition 5:</b> <u>The Department must ensure that the coding in the MMIS is accurate.</u></p> <ul style="list-style-type: none"> <li>• MAA has hired a full time fiscal analyst who identifies issues with the MMIS coding and develops appropriate corrections. (September 2003)</li> <li>• MAA has also initiated a process for selection of a new MMIS system that will better meet the challenges of adequate monitoring of expenditures, identification of problematic areas and upkeep of coding. Estimated replacement is June 2007.</li> </ul> <p>Completion Date: Estimated, June 2007.</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	12	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure the eligibility of families enrolled in the Medicaid Basic Health Plus program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$8,559</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The audit finding was divided into three conditional areas:</p> <p><b>Condition 1:</b> <u>For self-employed households, income information is not corroborated with an independent source such as tax returns from the state's Department of Revenue or the Internal Revenue Service. Although the Department requires receipts for expenses, for self-employed clients the Department continues to accept a self-declaration of income.</u> The Department contacted the Center for Medicare and Medicaid Services (CMS) for guidance on this issue. CMS responded that there was no need to verify income with an independent source and have not requested the Department return question costs. (June 2005)</p> <p><b>Condition 2:</b> <u>Although income changes must be reported immediately, the Department could not provide evidence of procedures that ensures that this is occurring in a consistent manner.</u></p> <ul style="list-style-type: none"> <li>• The Medical Eligibility Determination Section (MEDS) has established and emphasized policies for corroborating client income as outlined in the "Eligibility A-Z" manual.</li> <li>• MEDS works with Basic Health (BH) during the certification period and continues to follow the "BH/MAA Policy and Procedure" manual.</li> <li>• There is no requirement to verify income unless the income level is questionable. There are several ways to verify income levels when that becomes necessary.</li> </ul> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
03	12 (Cont'd)	Corrective Action:	<p><b>Condition 3:</b> <u>Eligibility review quotas have not been achieved.</u>            The Department does concur that case auditing for BH Plus was not in compliance with the internal corrective action plan governing adequate resources. It is important to note that this condition relates to case auditing by MEDS lead workers and supervisors. The audit plan was developed without advance knowledge that Department policies would change and before staff cutbacks forced lead workers to carry caseloads in addition to training new staff.</p> <p>Given the current circumstances, the audit plan has been updated to ensure compliance with the internal corrective action plan. Updates include:</p> <ul style="list-style-type: none"> <li>• Realignment of caseloads to allow time for lead and supervisory employees to audit.</li> <li>• An additional requirement that leads and supervisors establish timelines for performance of audits and monitoring their teams' weekly progress.</li> <li>• Establishment of new audit requirement criteria. Cases to audit are selected at random for seasoned employees or 100% review for new employees.</li> <li>• Requirement for monthly submission of copies of completed audit forms to management. (August 2004)</li> </ul> <p><b>Refer to corrective action on finding 04-07 for further action on this issue.</b></p> <p>Completion Date: June 30, 2005</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	13	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration (ADSA) and Medical Assistance Administration (MAA), have not set up an effective system of communication that would ensure that Medicaid payments are not being made to nursing homes that are not in compliance with the federally mandated health and safety standards.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$0</p> <p>Status: No corrective action required.</p> <p>Corrective Action: The Department concurs it needed to strengthen controls over this process, but disagrees with the auditor's recommendations. The recently installed notification process involving the federal Centers for Medicare and Medicaid Services (CMS) has solved the problem. The current process is as follows:</p> <ul style="list-style-type: none"> <li>• ADSA recommends the need for an enforcement action to CMS.</li> <li>• CMS takes the enforcement action.</li> <li>• CMS communicates directly with MAA regarding dates of denial of payment.</li> </ul> <p>Any further notification by ADSA to MAA would be duplicative and only add confusion.</p> <p>Last year only 14 of 114 facilities did not come into compliance prior to CMS implementing a denial of payment remedy. If ADSA were to have followed the auditor's recommendation, it would have communicated 100 unnecessary notices to MAA.</p> <p>Completion Date: N/A</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
03	14	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Medical Assistance Administration (MAA), is not complying with subrecipient monitoring requirements for the Medicaid Program.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress.</p> <p>Currently, MAA ensures compliance with the subrecipient monitoring requirements by:</p> <ul style="list-style-type: none"> <li>• Including appropriate compliance requirements in the language of the subagreement award.</li> <li>• Providing subrecipients with program information (including federally required information) in the subagreement award.</li> <li>• Providing consultation services to officials of the subrecipient.</li> <li>• Reviewing monthly billings that have supporting documentation attached and reviewing program/progress reports that provide Department of Social &amp; Health Services (DSHS) with status of the program along with current measurements.</li> <li>• Reviewing the subrecipient’s annual audit report and following up with corrective action plan.</li> </ul> <p>DSHS’ Accounting Policy Management Board published DSHS Administrative Policy No. 13.14, <i>Identifying and Managing Federal Subrecipient Contracts and Agreements</i>. The Policy establishes organizational responsibility for activities necessary to identify and manage subrecipient awards and agreements (including subrecipient monitoring). MAA, like other organizational units of DSHS, is expected to monitor for compliance with requirements of Office of Management and Budget (OMB) Circular A-133. In addition, the units are to monitor to ensure that federal funded awards made by DSHS are used for authorized purposes in compliance with laws, regulations and the provisions of contracts and grant agreements. The Policy was effective April 15, 2005. The Accounting Policy Management Board is developing procedures to assist operating units of DSHS in implementing the requirements of the Policy. The procedures are to be completed by June 2006.</p> <p>Estimated, June 2006</p>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$0						

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	17	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration has not established sufficient internal controls to ensure that capitation rates for its managed care providers are based on accurate fee-for-service encounter data.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$0</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The audit finding was divided into three conditional areas:</p> <p><b>Condition 1:</b> <u>The Department must continue to develop its fraud detection, enforcement, and prevention procedures for fee-for-service provider claims expanding to all provider areas.</u></p> <ul style="list-style-type: none"> <li>• The Department does not concur with this finding. Fraud and Abuse policies and procedures are in place and compliant with the Centers for Medicare and Medicaid Services (CMS) guidelines for managed care.</li> <li>• Current and future fee-for-service fraud and abuse is irrelevant to current and future managed care rate setting.</li> </ul> <p><b>Condition 2:</b> <u>The Department must develop formal procedures for referral to the Medicaid Fraud Control Unit or other enforcement action.</u> The Department has developed and implemented policies and procedures governing the referral of suspected fraud and abuse to the Medicaid Fraud Control Unit. (October 2005)</p> <p><b>Condition 3:</b> <u>The Department must review the use of data used in setting capitation rates to ensure that rates are not affected by erroneous fee-for-service data.</u> The Department does not concur with this finding. The auditor misunderstood the rate setting process and placed too much importance on fee-for-service and encounter data in current rate setting. The only fee-for-service data that has ever entered into rate setting is from 1993.</p> <p>Completion Date: October 14, 2005</p>

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	19	<p>Finding: The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance to Needy Families Program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.558      <u>Amount</u> \$20,840</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: <u>Periodically compare information provided by recipients with applicable records maintained with other state agencies and investigate any discrepancies.</u> The Department developed a cross-match of Temporary Assistance for Needy Family (TANF) recipients without earnings in the Automated Client Eligibility System (ACES) to verify consistency with family earnings records maintained by the Employment Security Department. A discrepancy list is generated monthly based on TANF review end dates. Cases with significant discrepancies are referred to the DSHS regions for investigation and appropriate corrective action. Completed September 2004.</p> <p><u>Require employees to follow state regulations regarding Social Security numbers and investigate and resolve invalid numbers.</u> The Department has provided employees of the TANF program with access to the ACES training documents on using social security alerts. Training documents are placed on the ACES web site. The Department sent a message via the Inside Economic Services Administration (iESA) network advising field employees of the availability of the training documents. The notification will be resent annually. Completed June 2004.</p> <p><u>Ensure its manual accurately reflects the applicable current Washington Administrative Codes.</u> The Eligibility A-Z Manual is being revised. Revision of the Citizenship and Alien Status chapter was completed, effective September 1, 2004.</p> <p>(Continued)</p>

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>
03	19	<p>Corrective Action: The Division of Management Resources and Services has initiated a change to ACES that will allow staff to query the State Online Query System (SOLQ) easily at the time of determining eligibility. The programming changes are scheduled for implementation in April 2006. Staff will be trained on use of the SOLQ upgrades at that time.</p> <p><b>Refer to corrective action on finding 04-23 for further action on this issue.</b></p> <p>Completion Date: Estimated, April 2006</p>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
 For Years Prior to Fiscal Year 2005**

**OMB Circular A-133 Audit  
 For the Fiscal Year Ended  
 June 30, 2005**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>					
03	22	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Mental Health Division (MHD), did not properly monitor its contract with a non-profit agency whose funds were used for the personal expenses of a staff member.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$165,000</td> </tr> </table> <p>Corrective action complete.</p> <ol style="list-style-type: none"> <li>1. A Mental Health Division (MHD) policy on contract monitoring has been developed and was implemented in August 2005.</li> <li>2. Most headquarters program staffs have attended contracting training and are familiar with the provisions of the draft administrative policy and the requirements of contract monitoring. Completed, January 2004.</li> <li>3. MHD will review contract monitoring requirements, periodically, at staff meetings, which are held monthly.</li> <li>4. Procedures have been established to require a comparison of billings to contract provisions. No payments are allowed prior to satisfaction of contract requirements. Completed, January 2004.</li> <li>5. Program Managers are now responsible for payment authorization, verification of reports and assurance that services have been received. Completed, January 2004.</li> <li>6. A letter was sent to the National Alliance for the Mentally Ill (NAMI) requesting verification of services in the questioned contract period.</li> <li>7. Subsequently, MHD received from NAMI documentation that established the validity and allowability of services in the questioned contract period. A letter was sent to the NAMI on June 28, 2004, confirming that it was in compliance with all the requirements for receipt of Federal Block Grant funds; that the issue was completely resolved and no repayment would be sought. The contractor was invited to bid on a new contract advertised in July 2004.</li> <li>8. Pursuant to a federal Substance Abuse and Mental Health Services Administration (SAMHSA) letter of determination (CIN A-10-05-79128) questioned costs in the amount of \$147,059.72 were returned to the federal government by warrant. Completed March 23, 2005.</li> </ol> <p>August 31, 2005</p>	<u>CFDA #</u>	<u>Amount</u>	93.958	\$165,000
<u>CFDA #</u>	<u>Amount</u>						
93.958	\$165,000						

**State of Washington  
Summary Schedule of Prior Audit Findings  
For Years Prior to Fiscal Year 2005**

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**OMB Circular A-133 Audit  
For the Fiscal Year Ended  
June 30, 2005**

**University of Washington (UW)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	23	<p>Finding: The University of Washington did not comply with federal cost principles for its research and development programs.</p> <p>Questioned Costs: <u>CFDA #</u>      <u>Amount</u>  12.000, 93.279,      \$35,977  93.361</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>Parenting Clinic – Failure to allocate charges properly</u></p> <ol style="list-style-type: none"> <li>1. Train and provide guidance to research coordinator: <ol style="list-style-type: none"> <li>a. Attend UW-sponsored training (completed February 2004).</li> <li>b. Meet regularly with department administration for guidance on grants management (completed September 2003).</li> </ol> </li> <li>2. Allocate costs accurately using new tracking system (completed September 2003).</li> </ol> <p><u>Applied Physics Lab – Failure to document overtime properly resulting in overpayment</u></p> <ol style="list-style-type: none"> <li>a. Revise weekly time sheet forms to require daily detail of overtime hours worked (completed March 2004).</li> <li>b. Recover salary overpayments from two employees (completed installment repayments June 2004).</li> </ol> <p>The State of Washington received a management decision letter dated September 16, 2005 stating the Office of Audit Resolution and Cost Policy (OARCP); Health and Human Services has determined that the corrective action plan and subsequent comments satisfied the auditor’s recommendations.</p> <p>Completion Date: June 30, 2004</p>

**State of Washington  
 Summary Schedule of Prior Audit Findings  
 For Years Prior to Fiscal Year 2005**

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**OMB Circular A-133 Audit  
 For the Fiscal Year Ended  
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**Department of Social and Health Services (DSHS)**

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, has not established sufficient internal controls to ensure compliance with Medicaid provisions.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778      <u>Amount</u> \$430,682</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: The following provides an outline of Department of Social and Health Services (DSHS) and its Medical Assistance Administration (MAA) corrective action by condition:</p> <p><b>Condition A. Payments made for persons with invalid social security numbers or made on behalf of deceased individuals.</b></p> <ul style="list-style-type: none"> <li>• The DSHS evaluated the option of having the Automated Client Eligibility System produce quarterly Social Security number (SSN) reports for staff to perform a comprehensive review. Completed February 2005.</li> <li>• A field memo was sent to Regional Administrators, Community Service Office Administrators and Financial Supervisors by the directors of the Community Services Division, the Division of Employment and Assistance Programs, and the Information Technology Division requiring staff to verify SSNs in the State On-Line Query system at the time of application. In addition, staff received instruction to respond to all alerts regarding mismatches and errors on SSNs and/or names. Completed in March and May 2003.</li> <li>• The DSHS negotiated an interagency agreement with the state Department of Health (DOH) for data sharing. Completed April 2003.</li> <li>• The questioned costs identified in the audit were reviewed for validity. DSHS received verbal verification from CMS in 2002 that there was no federal requirement to return any funds identified as a result of this audit. Karen O'Connor, Assistant Regional Administrator, Region 10 CMS, confirmed in an email (April 17, 2003) that no recovery would be sought.</li> </ul> <p><b>Refer to corrective action on finding 04-02 for further action on this issue.</b></p> <p>(Continued)</p>

**State of Washington  
Summary Schedule of Prior Audit Findings  
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For the Fiscal Year Ended  
June 30, 2005**

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
02	11 (Cont'd)	Corrective Action:	<p><b>Condition B. Basic Health (BH) Plus</b></p> <ul style="list-style-type: none"> <li>• The DSHS has met with BH representatives to request that BH forward all changes in income level to MAA. Completed January 2003.</li> <li>• The MAA developed an annual eligibility review that will replace the BH Household change form process. The annual eligibility review will be required for continued BH plus eligibility. Completed January 2003.</li> <li>• The MAA developed a Job Operating Instructions manual to provide eligibility staff with detailed instructions on eligibility criteria. In addition, the MAA developed an audit plan, focusing on application/eligibility criteria. Completed January 2003.</li> </ul> <p><b>Refer to corrective action on Finding 04-07 (FY 04 Washington Single Audit) for further action on this issue.</b></p> <p><b>Condition C. Provider Licensing</b></p> <p>The DSHS did not concur with this finding in either the Fiscal Year 01 or Fiscal Year 02 audits. The MAA received written verification from Karen O'Connor stating CMS, would not pursue the FY 02 overpayment. All questioned costs identified in the FY01 finding were determined to be unsubstantiated.</p> <p><b>Condition D. Provider Health and Safety Standards – Hospitals</b></p> <p>The MAA established procedures to be used when information is received from the State Department of Health, the Aging and Disability Services Administration or other entities regarding compliance with health and safety standards. (December 2005)</p> <p><b>Refer to corrective action on finding 04-12 for further action on this issue.</b></p> <p><b>Condition E. Provider Health and Safety Standards – Nursing Homes</b></p> <p>The DSHS identified a more effective method of tracking the Denial of Payment Notice and implemented the method in November 2002.</p> <p><b>Refer to corrective action on Finding 04-09 (FY 04 Washington Single Audit) for further action on this issue.</b></p> <p>Completion Date: December 1, 2005</p>

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**OMB Circular A-133 Audit  
For the Fiscal Year Ended  
June 30, 2005**

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

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
01	17	<p>Finding: The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.</p> <p><b><u>Department of Social and Health Services (DSHS)</u></b></p> <table border="0"> <tr> <td data-bbox="488 747 613 774">Questioned</td> <td data-bbox="667 747 764 774"><u>CFDA #</u></td> <td data-bbox="870 747 963 774"><u>Amount</u></td> </tr> <tr> <td data-bbox="488 779 558 806">Costs:</td> <td data-bbox="667 779 743 806">93.563</td> <td data-bbox="870 779 902 806">\$0</td> </tr> <tr> <td></td> <td data-bbox="667 810 743 837">93.778</td> <td data-bbox="870 810 902 837">\$0</td> </tr> </table> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The DSHS established an accounting policy board that reviewed this issue. DSHS Central Contract Services has taken the following actions to address this finding:</p> <ul style="list-style-type: none"> <li>• Published a new agency policy for identifying and managing subrecipient awards and agreements, effective as of April 15, 2005.</li> <li>• Published revisions to agency-wide policy for monitoring the performance of contractors, including mandatory use of the Agency Contracts Database to record monitoring activities. Effective January 1, 2005.</li> <li>• Revised its existing agency-wide training on monitoring the performance of contractors.</li> <li>• Placed a list of best practices for monitoring on its intranet website, which include forms (templates).</li> </ul> <p>The accounting policy board is now developing subrecipient monitoring procedures that all agency programs will follow. Estimated completion, June 2006.</p> <p>Completion Date: Estimated, June 2006</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.563	\$0		93.778	\$0
Questioned	<u>CFDA #</u>	<u>Amount</u>									
Costs:	93.563	\$0									
	93.778	\$0									

**State of Washington  
 Summary Schedule of Prior Audit Findings  
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***OMB Circular A-133 Audit  
 For the Fiscal Year Ended  
 June 30, 2005***

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

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
00	12	Finding:	The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.
		Questioned	<u>CFDA #</u> <u>Amount</u>
		Costs:	93.563                      \$0
			93.778                      \$0
		Status:	Corrective action in progress.
		Corrective Action:	The accounting policy board developed subrecipient monitoring policy 12.13. It was approved and implemented April 15, 2005. The board is developing subrecipient monitoring procedures that all agency programs will follow. Estimated completion is June 2006. Refer to corrective action plan for finding 01-17.
		Completion Date:	Estimated, June 2006

