
**State of Washington
Corrective Action Plan**

***OMB Circular A-133 Audit
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June 30, 2009***

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

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University of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
09	01	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The University of Washington did not have adequate internal controls to ensure accurate identification of its federal grant awards which resulted in misreporting of its federal grants expenditures.</p> <p>None</p> <p>Corrective action in progress</p> <p>By March 2010, Grant and Contract Accounting staff will be trained on the difference between the funding and the program code of federal domestic assistance (CFDA). In addition, new employees will be trained upon hire and all employees will be directed to pay attention to awards with multiple CFDA numbers. Staff will also continue to communicate with campus departments and the applicable agency when discrepancies are identified to ensure federal requirements are met and information is accurately reported.</p> <p>Estimated March 2010</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan																					
09	02	<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 is not complying with federal requirements for allocating employee leave buyouts.</p> <table border="0"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>10.551 – ARRA and non-ARRA</td> <td>\$152,159</td> </tr> <tr> <td>10.561 – ARRA and non-ARRA</td> <td></td> </tr> <tr> <td>16.540</td> <td></td> </tr> <tr> <td>93.243</td> <td></td> </tr> <tr> <td>93.563 – ARRA and non-ARRA</td> <td></td> </tr> <tr> <td>93.658 – ARRA and non-ARRA</td> <td></td> </tr> <tr> <td>93.775 – ARRA and non-ARRA</td> <td></td> </tr> <tr> <td>93.777 – ARRA and non-ARRA</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding. During 2009, DSHS appropriately transferred slightly over \$4.1 million to the terminal leave base. Staff who were learning the transfer process relied upon procedures that did not adequately describe the transfer requirements. As a result, the 2009 liquidation portion of the prior year terminal leave charges was inadvertently not transferred. The liquidation portion represents about 8% of the total termination leave charges for 2009.</p> <p>By March 31, 2010, the Office of Accounting Services will update procedures to reflect all parts of the termination leave transfer.</p> <p>The Department will request that Health and Human Services (HHS) confer with the granting entity during the federal clearing house audit process. The granting entity will determine and notify DSHS whether repayment is required.</p> <p>Estimated March 2010</p>	<u>CFDA #</u>	<u>Amount</u>	10.551 – ARRA and non-ARRA	\$152,159	10.561 – ARRA and non-ARRA		16.540		93.243		93.563 – ARRA and non-ARRA		93.658 – ARRA and non-ARRA		93.775 – ARRA and non-ARRA		93.777 – ARRA and non-ARRA		93.778 – ARRA and non-ARRA	
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Recreation Conservation Funding Board (RCFB)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
09	03	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Recreation and Conservation Office is not in compliance with federal cash management requirements.</p> <table border="0"> <tr> <td data-bbox="609 716 706 743"><u>CFDA #</u></td> <td data-bbox="1015 716 1112 743"><u>Amount</u></td> </tr> <tr> <td data-bbox="609 743 706 770">11.438</td> <td data-bbox="1015 743 1112 770">Unknown</td> </tr> </table> <p>Corrective action in progress</p> <p>The Recreation and Conservation Funding Board (Board) has received informal approval from the National Oceanic and Atmospheric Administration (NOAA) to allow 120 days to fully account for cash advances to sub-recipients. By March 15, 2010, the Board will request modifications to their NOAA grant agreements to formally reflect this approval.</p> <p>If the grant modifications are not approved by NOAA, RCO will revise this corrective action plan with an alternate approach to address this finding.</p> <p>By February 28, 2010, the Board will review its current policy and processes for cash advances. The Board will modify the number of days advances can be outstanding in order to ensure the 120 day limit is met. The Board will also review and fully document the internal processes used to ensure that the 120 day limit is not exceeded.</p> <p>By May 15, 2010, the Board will communicate to all potential sub-recipients the resulting cash advance policy, emphasizing changes, and restating the Board's intent to consistently enforce consequences for noncompliance with the policy.</p> <p>Estimated May 2010</p>	<u>CFDA #</u>	<u>Amount</u>	11.438	Unknown
<u>CFDA #</u>	<u>Amount</u>						
11.438	Unknown						

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Recreation Conservation Funding Board (RCFB)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	04	<p>Finding: The Recreation and Conservation Office does not have adequate internal controls over sub-recipient monitoring.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 11.438 \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Recreation and Conservation Funding Board (Board) is in the process of finalizing significant changes to internal controls over sub-recipient monitoring.</p> <ol style="list-style-type: none"> 1. <u>Risk assessment:</u> The Board has developed a tool to assess the risk that sub-recipients will submit incorrect billings. By February 28, 2010, the Board will conduct this risk assessment on all sub-recipients that have active salmon grants. This risk assessment will identify three categories of sub-recipients: high risk, medium risk, and low risk. The risk assessment evaluates several risk criteria and assigns a point value to each. By March 15, 2010, the Board will contact each sub-recipient to share the results of the risk assessment and the level of documentation required of each sub-recipient. 2. <u>Invoice review process (change effective March 31, 2010):</u> <ul style="list-style-type: none"> • Prior to payment of each invoice, fiscal staff will review the expenditure listing to ensure items are allowable under the grant, costs are within limitations of the grant, and expenditures occurred within the timeframe of the grant. • After fiscal review, outdoor grant managers will review the invoice and approve. Outdoor grant managers oversee projects and ensure timely completion within scope and program. After this approval, fiscal will perform a final review and release payment. • While grant managers review/approve all invoices, the fiscal office requires different levels of review depending upon each sub-recipient's risk classification. <ul style="list-style-type: none"> • High risk sub-recipients will be required to submit all copies of invoices and timesheets. • Medium risk sub-recipients will be required to submit copies of all invoices for two billings per year and are subject to a sub-recipient desk review. • Low risk sub-recipients will continue to provide an original signed invoice voucher, summarized expenditure details and a progress report. These reimbursements are subject to a sub-recipient desk review.

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Recreation Conservation Funding Board (RCFB)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	04 (Cont'd)	<p>Concurrent with this work, the Board will implement an automated progress report system which will assist in evaluating the accuracy of all submitted invoices.</p> <ol style="list-style-type: none"> 3. <u>Sub-recipient desk review</u>: During the sub-recipient desk reviews, staff will request all back up documentation from sub-recipients for specified reimbursements. Staff will review the documentation to make sure all costs are correct, eligible, in the proper period and were used on the grant. Staff will follow up with any questions that arise in the review. 4. <u>Site visits</u>: Beginning in March 2010, staff will visit at least twelve sub-recipients annually. Because high-risk sub-recipients are already providing full substantiation of reimbursement requests, these visits will focus on the low and medium risk sub-recipients. The purpose of these visits is to review the sub-recipient's records and processes, answer their specific questions, and provide additional training to sub-recipient staff. These visits will also provide verification that the Board's sub-recipient risk assessment approach is effective. The Board will analyze the processes used, track identified issues, and report issues back to the sub-recipient. 5. <u>Audit review</u>: Annually, fiscal staff reviews the audit reports of all grantees required to undergo a federal audit. For grantees not required to have an audit, staff will ensure there is a letter on file certifying the grantee is below the dollar threshold requiring a federal audit. This process identifies audit issues with sub-recipients. 6. <u>Training</u>: Fiscal staff conducts weekly online training sessions on preparation of billing reimbursements. The training allows grantees to participate real-time and ask specific questions. Fiscal staff also performs training sessions as requested. 7. <u>Review of closed grants</u>: Each time an agreement is closed, grant management staff review the grant project file and the project information system to ensure site inspections, project deliverables, and final reports are complete and adequately documented. <p>The condition noted in this finding was previously reported in finding 08-06.</p> <p>Completion Date: Estimated May 2010</p>

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Employment Security Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	05	<p>Finding: The Employment Security Department did not comply with U.S. Department of Labor requirements for determining the accuracy of benefit payments.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 17.225 – ARRA and non-ARRA \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The finding and recommendation for the Benefit Accuracy Measurement (BAM) program has prompted the Department to closely examine the detailed procedures for auditing unemployment insurance claims. Thorough review of the BAM investigative procedures has helped ignite new ideas for process improvement.</p> <p>The BAM team randomly pulls 930 cases a year for both paid and denied cases. The sampling of this audit was 30 cases. 18 of the 30 cases were found to have incomplete information needed to verify facts. While the BAM investigators follow the current written procedures for investigating cases, the Department sees an opportunity to be more aggressive in obtaining information and updating procedures to reflect changes for improvement.</p> <p>The BAM team proposes several process improvement ideas to implement in 2010:</p> <ul style="list-style-type: none"> · Improve the record keeping of documented attempts to contact the claimant or employer. · Create and use a special “attention” stamp on all our envelopes of correspondence with verbiage to encourage the claimant and employer to respond. · Use certified mail in our letters of correspondence to both claimant and employer. · Set time specific appointments with claimants for the interview. · Increase the number of attempts to contact employers from two to four. · Make a more rigorous effort to verify all job search contacts, specifically the online applications. · Monitor investigator calls to observe content of their verbal communication.

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Employment Security Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	05 (Cont'd)	<p>Additionally, the BAM team has started to conduct their own internal quality control process, where the team meets monthly to review peer cases and give feedback that outlines successes and areas for improvement. The Department has a new BAM supervisor with an adjudication background who will lead this effort and monitor the quality of cases more closely.</p> <p>Completion Date: Estimated June 2010</p>

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Employment Security Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	06	<p>Finding: The Employment Security Department does not adequately review job search logs to ensure unemployment insurance claimants are eligible for benefits.</p> <p>Questioned Costs: <u>CFDA#</u> <u>Amount</u> 17.225 – ARRA and non-ARRA \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department recognizes there has been a shift in methods used to apply for jobs. Most jobs now require that the applicant apply online and often to a “blind ad posting.” Employers determine the recruitment and application methods for available positions.</p> <p>As a result, the Department is revising regulations to address job search contacts, including contacts made in the on-line/internet world. Revisions related to job search contacts will be immediately incorporated into Job Search Review (JSR) program information, on-line resources, and training materials when approved. Staff is advised to ask additional clarifying questions with the claimant regarding their job search contacts to make sure all requirements for the contact are met.</p> <p>The Department makes every reasonable effort to ensure that job search contact requirements are consistently applied, regardless of the method of contact. The Department is committed to fair and equitable treatment of all claimants.</p> <p>Staff performing JSR will be made aware of and have access to numerous resources that clearly define the program requirements. The Department’s Unemployment Insurance (UI) Division maintains a comprehensive reference website for staff that includes links to:</p> <ul style="list-style-type: none"> § The UI Resource Manual – Job Search Review section, has been provided to all offices § Applicable Laws and Regulations § Desk Aids § Weekly Policy Updates § WorkSource UI Liaison Information. <p>Other resources available include local training and coaching provided by trained JSR staff. A two-and-a-half day formal JSR training is available and</p>

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Employment Security Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	06 (Cont'd)	<p>includes a comprehensive Training/Resource Manual for each trainee. A one day UI Reemployment Supervisors training that includes JSR requirements also is available.</p> <p>Supervisory reviews of monthly JSR activity will be conducted in WorkSource offices. Technical assistance is provided by Employment and Career Development Division (ECDD) Reemployment Services Administration staff. If questions arise related to program requirements, UI Policy is consulted and the response shared with the appropriate staff.</p> <p>The Department will be conducting job search log quality and performance monitoring on a weekly and monthly basis. Logs will be requested from a minimum of six WorkSource offices each quarter by ECDD Reemployment Services Administration staff. A standard format will be used to evaluate the logs for legal requirements and quality. Offices may be monitored multiple times. Other monitoring efforts include onsite technical assistance, monthly sampling of job search logs from selected locations, and formal corrective action plans, if necessary. Offices are selected based on workload, staffing, and results of previous monitoring conducted by ECDD.</p> <p>The Department's WorkSource Standards and Integration Division (WSID) also independently schedules monitoring visits to WorkSource locations monthly and include job search log reviews. ECDD coordinates with WSID to address and resolve findings/exceptions identified during an onsite review.</p> <p>Also, weekly random samples of job search logs are submitted to the UI Performance Audit Unit for verification. The UI Performance Audit Unit and ECDD staffs meet monthly to discuss job search log quality, common issues and process improvements.</p> <p>Completion Date: Estimated June 2010</p>

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Employment Security Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
09	07	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Employment Security Department's internal controls are inadequate to ensure it complies with subrecipient monitoring requirements of the American Recovery and Reinvestment Act.</p> <table border="0"> <tr> <td><u>CFDA#</u></td> <td><u>Amount</u></td> </tr> <tr> <td>17.258 – ARRA and non-ARRA</td> <td>\$0</td> </tr> <tr> <td>17.259 – ARRA and non-ARRA</td> <td></td> </tr> <tr> <td>17.260 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The American Recovery and Reinvestment Act (ARRA) recovery funds identified in this finding were passed through to Workforce Development Councils (WDC) in accordance with Workforce Investment Act (WIA) formula calculations. All twelve of the WDCs have had longstanding contractual relationships with the Department.</p> <p>The Department concurs that the Central Contractor Registration (CCR) database was not verified prior to the release of WIA ARRA funds. As noted by the auditor, the Department has verified that all twelve WDC subrecipients are properly registered with the CCR and eligible to receive ARRA funds.</p> <p>For future ARRA grants the Department will ensure that this registration is included in the WDC grant agreements authorized by the WorkSource Standards and Integration Division. This requirement will also be included in the WDC annual monitoring conducted by the Department. The fiscal office will verify this registration is current prior to releasing funds to the WDCs. The original grant agreements, including CCR registration information, will be maintained in the Department's contracts office.</p> <p>October 2009</p>	<u>CFDA#</u>	<u>Amount</u>	17.258 – ARRA and non-ARRA	\$0	17.259 – ARRA and non-ARRA		17.260 – ARRA and non-ARRA	
<u>CFDA#</u>	<u>Amount</u>										
17.258 – ARRA and non-ARRA	\$0										
17.259 – ARRA and non-ARRA											
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Washington State Department of Transportation

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	08	<p>Finding: The Department of Transportation does not have internal controls to ensure that the American Recovery and Reinvestment Act Subrecipient Monitoring compliance requirements are identified and adhered to.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 20.205 – ARRA and non-ARRA \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: As soon as the Department became aware of this requirement for subrecipient registration, procedures were modified to ensure compliance. The Department is now notifying subrecipients of the registration requirement and monitoring for their compliance with this requirement.</p> <p>The Department goes to great lengths to identify and comply with requirements that come with ARRA funds, reviewing federal guidance on a regular basis and continually updating our procedures to ensure compliance. The registration requirement was added to the OMB Circular A-133 Compliance Supplement through Addendum #1 dated June 30, 2009, the last day of the fiscal year. While this requirement was introduced in another OMB document in April 2009, the Department’s Federal Highway Administration (FHWA) contact was not aware of this requirement. The Department will continue to stay apprised of federal requirements of ARRA funds and work hard to ensure compliance.</p> <p>Completion Date: December 2009</p>

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Washington State Department of Transportation

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
09	09	<p>Finding: The Department of Transportation did not adequately support over \$740,000 in payroll costs charged to the Formula Grants for Other Than Urbanized Areas.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="607 716 1149 779"> <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;">20.509</td> <td style="text-align: right;">\$740,889.08</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department’s current method for allocating direct payroll expenditures was approved by the grantor, the Federal Transit Administration (FTA), so the Department believed its allocation method was in compliance with Federal Regulations. As mentioned in the finding, the Department’s Public Transportation Division administers a number of closely related grant programs, and the work performed by some staff support multiple programs. The Department is considered an innovative leader by FTA for its grant administration methods. However, the Department appreciates the State Auditor’s recommendations and will make the necessary changes to follow the audit recommendations. The Department has begun to formalize its allocation of direct payroll costs, to meet the Federal requirements for a “substitute system,” as addressed in the Federal regulations (OMB Circular A-87). The Department will work with FTA to receive grantor approval of that system and update policies and procedures to reflect the approved “substitute system.”</p> <p>Additionally, the Department will confirm with the FTA that funds questioned in the finding should not be repaid, since the current allocation method is approved by the FTA.</p> <p>Completion Date: Estimated June 2010</p>	<u>CFDA #</u>	<u>Amount</u>	20.509	\$740,889.08
<u>CFDA #</u>	<u>Amount</u>					
20.509	\$740,889.08					

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Department of Commerce

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09	10	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Commerce, Energy Division, does not have controls to ensure it complies with reporting requirements for the State Energy Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>81.041 – ARRA and non-ARRA</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>As noted in the finding, the required status reports were filed before the audit was completed. Program staff has developed a tickler system to ensure that status reports are filed timely in the future.</p> <p>November 2009</p>	<u>CFDA #</u>	<u>Amount</u>	81.041 – ARRA and non-ARRA	\$0
<u>CFDA #</u>	<u>Amount</u>						
81.041 – ARRA and non-ARRA	\$0						

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Department of Social and Health Services (DSHS)

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09	11	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services does not ensure that Temporary Assistance to Needy Families payments are reduced for clients who do not participate in WorkFirst activities as required by state law.</p> <table border="0" data-bbox="609 751 1112 814"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td>\$506</td> </tr> </table> <p>Corrective action complete</p> <p>The Department partially concurs with this finding. This finding was similar to the finding issued for fiscal year 2008. As a result of the 2008 finding the Department planned on amending the TANF State Plan by eliminating the requirement to sanction 16 and 17 year old children who were not in school. Also, the Department planned on revising the state rule and WorkFirst Handbook to reflect the change made to the state plan. However, the Department was unable to implement these changes by the end of fiscal year 2009. Finally, the Department does not believe there is a federal law that mandates participation by TANF recipients beginning at age 16.</p> <p>The Department proceeded with plans to modify the state rule and the final state rule was adopted on July 14, 2009. The Administrative Procedures Act provides guidance regarding the timing of rule filings, hearings, etc. to allow sufficient time for public review and comment of draft rules. The revised rule was initially drafted and filed on May 1, 2009 and adopted on July 14, 2009. The rule became permanent 31 days after being filed. The WorkFirst Handbook was revised to reflect the rule change. The revisions, which became effective August 14, 2009, eliminate the requirement to sanction dependent 16 and 17 year olds who were not in school. In addition, the Department revised the state rule and WorkFirst Handbook to eliminate the requirement that these 16 and 17 year olds attend school.</p> <p>The condition noted in this finding was previously reported in finding 08-11.</p> <p>August 2009</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$506
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$506						

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Department of Early Learning (DEL)/Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
09	12	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Early Learning and the Department of Social and Health Services do not have adequate internal controls over direct payments to child care providers.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA#</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.596</td> <td></td> </tr> <tr> <td>93.713 - ARRA</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department of Early Learning (DEL) and the Department of Social and Health Services (DSHS) have numerous activities in place to ensure there are adequate internal controls over subsidy payments to child care providers and will implement additional measures as follows:</p> <ul style="list-style-type: none"> · DSHS performs an audit of subsidy payments by comparing subsidy child care provider billings with attendance records for DEL. As a result of this audit finding, DEL is requiring DSHS to expand the audit scope when they identify a care child provider that has billed incorrectly. DSHS added three staff to the child care audit to handle the expanded scope. DSHS will report their findings to DEL monthly. The expanded audits will begin in March 2010 and will be an on-going activity. · When DSHS identifies child care providers that are having a difficult time billing properly, DEL will be informed. DEL will notify the provider that they have technical assistance available through the DSHS provider line, subsidy training provided as a result of the collective bargaining agreement for the family child care home provider, and classes offered through the State Training and Registry System. · By March 2010, DEL will make available an updated Subsidy Billing Booklet to child care providers, either by paper copy or on-line. This guide booklet will assist child care providers in proper billing methods. In addition to providing clearer instructions, DEL is streamlining some of the calculations, such as absent days, to make it easier for providers to bill properly. DEL expects to see improvements in billings once providers have this new booklet. <p>The condition noted in this finding was previously reported in finding 08-13.</p> <p>Estimated March 2010</p>	<u>CFDA#</u>	<u>Amount</u>	93.575	\$0	93.596		93.713 - ARRA	
<u>CFDA#</u>	<u>Amount</u>										
93.575	\$0										
93.596											
93.713 - ARRA											

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(This plan only addresses findings reportable under the revised OMB Circular A-133.)

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
09	13	<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, Children's Administration, does not ensure the eligibility of foster care payment recipients prior to paying them.</p> <table border="0" data-bbox="609 724 1474 787"> <tr> <td data-bbox="609 724 1006 751"><u>CFDA #</u></td> <td data-bbox="1006 724 1474 751"><u>Amount</u></td> </tr> <tr> <td data-bbox="609 751 1006 779">93.658 – ARRA and non-ARRA</td> <td data-bbox="1006 751 1474 779">\$48,602.20</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding. The Department began a process to identify all cases that have been paid using a source of funds (SOF) not consistent with the eligibility of the client. These cases will be corrected in FamLink (an automated foster care payment/tracking system) which will automatically process a correction of payment to adjust the funding according to the correct eligibility information. FamLink uses eligibility information on the case to determine the correct SOF and does not rely on a manual determination from the worker.</p> <p>By March 1, 2010, the Department will release the second phase of Famlink. This will allow for additional edits that will compliment current controls.</p> <p>By May 1, 2010, any federal funds drawn down inappropriately will be refunded through the bi-weekly draw process facilitated by the Department's Office of Accounting Services.</p> <p>By June 30, 2010, all exceptions will be addressed and funding implications corrected. To do this, the Department is analyzing queries of the payment history file in Famlink where the source of funds code does not match the eligibility information.</p> <p>Estimated June 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.658 – ARRA and non-ARRA	\$48,602.20
<u>CFDA #</u>	<u>Amount</u>						
93.658 – ARRA and non-ARRA	\$48,602.20						

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
09	14	<p>Finding: Department of Social and Health Services, Children's Administration, is not following established internal controls to ensure the eligibility of clients receiving the adoption assistance payments.</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="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.659 – ARRA and non-ARRA</td> <td style="text-align: right;">\$156,302</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding. Monitoring of cases for children turning 18 is an area in which the Department is trying to improve. The Department does not agree with attaching questioned costs to cases where a scheduled review has not been done. The intent of a 5 year review is not to verify eligibility, but to communicate with the adoptive parent and re-visit their adoption agreement. There is no risk in overpayments associated with a 5 year review. Exceptions identified in the audit where a 5 year review was not conducted did not result in an overpayment. Pursuant to RCW 74.13A.040, reviews are no longer required. Given this, the Department has incurred no liability for not having performed them.</p> <p>The Department will take the following action in response to the recommendations resulting from the audit:</p> <ul style="list-style-type: none"> · By April 1, 2010, the Department will train staff in offices where exceptions were discovered in correct internal controls. · By May 1, 2010, the Department will review the cases for exceptions identified because of the ineligibility of the client. Where overpayments were made, corrections will be processed in FamLink, which will automatically return any federal portion of the payment. <p>The condition noted in this finding was previously reported in finding 08-17.</p> <p>Completion Date: Estimated May 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.659 – ARRA and non-ARRA	\$156,302
<u>CFDA #</u>	<u>Amount</u>					
93.659 – ARRA and non-ARRA	\$156,302					

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
09	15	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date</p>	<p>The Department of Social and Health Services' internal controls are inadequate to ensure it refunds the appropriate amount to the federal Medicaid program when overpayments to providers are found.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding. The Aging and Disability Services Administration (ADSA) and the Health and Recovery Services Administration (HRSA) were both involved with this finding.</p> <p>ADSA agreed the information in the audit related to Home and Community Based waiver services. The information will be used to review all adjustments and ensure the correct Federal Medical Assistance Percentage (FMAP) rate is charged in the future. ADSA indicated this will be accomplished in February 2010.</p> <p>HRSA acknowledged the Medicaid Management and Information System (MMIS) is not capable of identifying the correct FMAP rate for prior year adjustments. This will be addressed when the Department implements the new claims payment system, ProviderOne.</p> <p>By June 2010 the new MMIS will properly account for overpayments and refund the federal grantor at the correct FMAP rate. This issue did not have significant financial impacts prior to the enhanced FMAP rates the state received under the American Reinvestment and Recovery Act (ARRA). As a result, until implementation of the new ProviderOne, the Department will identify prior period adjustment claims processed effective October 1, 2008 forward and will reprocess all adjustments that were refunded at the inappropriate FMAP rate.</p> <p>Estimated June 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
93.775	\$0												
93.776													
93.777													
93.778 – ARRA and non-ARRA													

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
09	16	<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 did not have adequate controls to ensure it complied with federal requirements for allocating employee salaries and wages and other administrative costs in accordance with its Public Assistance Agency Cost Allocation Plan.</p> <table border="0"> <tr> <td data-bbox="609 779 706 806"><u>CFDA #</u></td> <td data-bbox="1015 779 1112 806"><u>Amount</u></td> </tr> <tr> <td data-bbox="609 806 966 833">93.778 – ARRA and non-ARRA</td> <td data-bbox="1015 806 1144 833">\$6,081,875</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs that costs associated with Base 476 were incorrectly allocated from May through August 2009, however does not concur with the questioned costs of \$12,163,750. Base 476 is an automated base in the Department’s Public Assistance Cost Allocation Plan used to allocate Regional and Community Service Office administrative costs to various funding sources based on the Economic Services Administration (ESA) Random Moment Time Sample. Administrative costs allocated through Base 476 include salaries, benefits, building lease, goods and services and travel costs. The Department realized the error on August 18, 2009 and took action to correct the misallocation of funds. The base information was updated immediately and correcting journal vouchers were processed by the end of September 2009 before the federal claim was processed.</p> <p>Written procedures have been developed and are in place to mitigate the occurrence of future cost allocation base update errors. The procedure requires an internal review, by an ESA fiscal staff person, of cost allocation forms used to update base information prior to submission to the Office of Accounting Services for input. The procedure also requires an internal review of the information entered in to the automated cost allocation system to determine if the information was input accurately.</p> <p>After the Statewide Single Audit has been completed and distributed at the federal level, federal agencies review the findings and contact the Department to determine if any questioned costs need to be adjusted or repaid.</p> <p>Estimated January 2011</p>	<u>CFDA #</u>	<u>Amount</u>	93.778 – ARRA and non-ARRA	\$6,081,875
<u>CFDA #</u>	<u>Amount</u>						
93.778 – ARRA and non-ARRA	\$6,081,875						

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	17	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls in place to ensure all assets applicants own are counted when Medicaid eligibility is determined.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="609 745 1104 898"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department does not concur with this finding for the following reasons:</p> <ul style="list-style-type: none"> · Most clients do not have 60 months of bank statements available to provide. This is a very onerous request to make of clients, most of whom have not transferred assets in order to qualify. The process that the client or Department would have to go through to provide that much history would be lengthy and expensive, and would not meet the federal requirement in 42CFR 435.902 that an agency’s policies and procedures for determining eligibility must be conducted in a manner consistent with simplicity of administration and is in the best interests of applicants and recipients. · The Department would have to pay banks to provide archived statements that the clients no longer have per WAC 388-490-0005(7). The length of time it would take to request and then review a minimum of 60 bank statements, with the possibility of hundreds more if there are multiple accounts at different banks, would make it impossible to meet the Department’s standard of promptness for Medicaid applications with existing staff. Many additional FTEs would be required. Requiring all clients to provide 60 months of bank statements would not be cost-effective. · Requiring clients to provide five years of bank statements would only pertain to bank accounts that are declared. The Department does not have a system in place to identify undeclared bank accounts and other types of undeclared transfers which is the primary reason for reliance on self-declaration. · The Department is committed to ensuring that Medicaid clients are financially eligible for the program benefits that they receive and will continue to pursue and verify any asset transfers that it becomes aware of through the written application, the subsequent interview, 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
93.776												
93.777												
93.778 – ARRA and non-ARRA												

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	17 (Cont'd)	<p>or discovered through other means. The Department is taking the following actions:</p> <ul style="list-style-type: none"> ○ Staff will routinely check online county assessor systems to see if clients have transferred property within the county they reside in. ○ If the bank statements from the last three or six months contain payments or credits that present red flags, staff will look as far into this as necessary to resolve the issue. ○ If the client declares a transfer, staff will request and obtain verification and thoroughly evaluate that transfer to ensure that it is consistent with Medicaid rules. ○ If the interview is inconsistent with the application, staff will evaluate and probe inconsistencies as necessary. ○ If staff learn of possible transfers through other means, they always follow-up and verify. <p>The Department submitted policies and procedures to the Centers for Medicare and Medicaid Services (CMS) Region 10 in June 2009 requesting an opinion as to whether or not the federal guidelines were being met. CMS responded in December 22, 2009. CMS indicated states have flexibility on implementing the five year look-back provision according to the general “rules of reason.”</p> <p>The Department believes the response from CMS validates the position that asking for bank statements for the entire look-back period is not required. The Department believes the methods described above meet the “rules of reason” test referred to by CMS in their email.</p> <p>The condition noted in this finding was previously reported in finding 08-31.</p> <p>Completion Date: January 2010</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	18	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, Home and Community Based Services Division, does not have adequate controls to ensure Medicaid recipients have received the services for which Medicaid is being billed.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="609 777 1104 924"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with this finding. The Department does not have a process that provides Medicaid recipients with information on the number of hours billed to the Department by individual providers (IP). The Department is in the process of procuring a Provider Compensation System (PCS) that will improve the verification process. The PCS will be a sub-system of Provider One, the new Medicaid Management Information System. Specifically, the new system will generate monthly notices to all clients informing them how many hours were paid to the provider on their behalf during the previous month. The clients will be instructed to notify the Department if they notice a discrepancy in the hours provided versus the hours billed.</p> <p>Unfortunately, it will be approximately two years before the new system is implemented. Until then the Department will rely on the following controls which are currently in place to ensure Medicaid recipients receive the services for which Medicaid is billed:</p> <ul style="list-style-type: none"> • Case managers complete an assessment that results in an authorization of hours that cannot be exceeded by a provider invoice. • Clients receive a copy of the service summary that tells them the number of hours of service they are eligible to receive. Clients are advised that they can choose when those hours are provided and direct the individual provider when to provide them. Case Managers also advise clients to contact them if they are not receiving the hours (or care) for which they are eligible. • Clients are expected to keep copies of timesheets for their individual providers and case managers periodically review these time sheets and verify with the client that authorized services have been provided. Case managers are instructed to document the review of time sheets and the discussion of service verification in a Service Episode Record 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
93.776												
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Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	18 (Cont'd)	<ul style="list-style-type: none"> · The Department, through its Payment Review Program, runs algorithms to detect possible fraudulent claims. Overpayments are initiated and referrals are made to the Medicaid Fraud Control Unit as indicated by findings. · The Social Service Payment System will not process payments in excess of hours authorized. A provider is therefore unable to claim and be reimbursed for hours that exceed those authorized by the case manager. <p>Additionally, the Department will take the following actions:</p> <ul style="list-style-type: none"> · By April 30, 2010, the Department will send a letter to all currently authorized Individual Providers reminding them of their responsibilities as a contracted provider. Specifically, they will be reminded of their obligation to maintain records and respond to inquiries to produce documentation. · By October 31, 2010, staff will review their document titled "Acknowledgement of My Responsibilities As the Employer of My Individual Providers" with all clients who employ an individual provider. <p>The condition noted in this finding was previously reported in finding 08-34.</p> <p>Completion Date: Estimated October 2010</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	19	<p>Finding: The Department of Social and Health Services, Health and Recovery Services Administration, does not comply with state law and the federal Deficit Reduction Act of 2005, thereby increasing the likelihood that the state is paying claims that should have been paid by liable third parties.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th data-bbox="609 779 703 806"><u>CFDA #</u></th> <th data-bbox="1015 779 1109 806"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="609 806 703 833">93.775</td> <td data-bbox="1015 806 1109 833">\$0</td> </tr> <tr> <td data-bbox="609 833 703 861">93.776</td> <td></td> </tr> <tr> <td data-bbox="609 861 703 888">93.777</td> <td></td> </tr> <tr> <td data-bbox="609 888 703 915">93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with this finding. The Department believes it is in compliance with the Deficit Reduction Act of 2005. The Department meets this standard by making data available to all insurers to use for Third Party Liability (TPL) reporting and by matching data directly with those insurers most likely to provide third party coverage to Medicaid recipients.</p> <p>The Department’s position has recently been corroborated by an independent review. In November 2009, Health Management Systems (HMS) performed an assessment of the Health and Recovery Services Administration’s (HRSA) Coordination of Benefits (COB) operations, including recommendations addressing applicable legislation and state statutes. HMS is currently engaged with 40 Medicaid agencies to conduct TPL identification and recoveries. HMS brings a depth of subject matter expertise in Medicaid TPL best practices as well as a thorough understanding of current technologies and capabilities within the industry. A draft of the report indicated the following points.</p> <ul style="list-style-type: none"> • “In 2007, Washington passed Substitute House Bill 1826, updating its Medicaid data matching and recovery regulations as required by Section 6035 of the federal Deficit Reduction Act (DRA) of 2005. As a result, Washington’s federal DRA compliant laws are fragmented across several sections of state statute including: Rev. Code Wash. (ARCW) 74.09A.020, 42.48, 74.09, 74.04, 70.02, and 42.56RCW.” • “However, despite the fragmentation, <i>Washington’s law is compliant with the requirements set forth in the DRA and U.S.C. Sec. 1396a.</i>” • “The current state statute instructs <i>health insurers</i> to determine joint-beneficiaries – those enrolled in Medicaid and commercial carriers.” • “The current language instructs DSHS to focus on the carriers with the highest probability of coverage. It does make sense for DSHS to focus efforts on carriers with large populations. However, these carriers should not be the sole focus.” 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
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93.778 – ARRA and non-ARRA												

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	19 (Cont'd)	<p data-bbox="657 598 1448 688">• “Although improvements can be made to the State’s data sharing and matching laws, it should be noted that <i>Washington has some of the strongest recovery language in the nation.</i>”</p> <p data-bbox="609 720 1448 869">While the Department believes it currently meets legal requirements, with the implementation of the new ProviderOne system which will replace the Medicaid Management Information System (MMIS), the Department will further enhance data matching activities. The anticipated implementation date for ProviderOne is April 2010.</p> <p data-bbox="609 903 1448 1022">In September 2009, pending implementation of ProviderOne as a temporary measure to increase the opportunity for data matches with providers, the Department sent letters (4,024) to all active third party payers on file in MMIS reminding them of the Department’s willingness to perform data matches.</p> <p data-bbox="609 1056 1448 1419">By June 2010 when ProviderOne is operating, HRSA will be able to send an electronic Coordination of Benefits eligibility inquiry to health plans who have signed Trading Partner Agreements with the Department. The trading partners will be able to respond electronically to eligibility inquiries to indicate the availability of third party health care coverage at a particular time. HRSA has no authority to compel insurers to sign a Trading Partner Agreement. Similarly, HRSA and the health insurers are waiting for Centers for Medicare and Medicaid Services (CMS) to approve a set of data elements that could be used in the agreements. However, the use of the Trading Partner Agreements is not dependant on CMS approval of language. For those insurers or carriers who may not have their systems ready to participate electronically, HRSA will continue working with them using the methods currently in place.</p> <p data-bbox="609 1453 1448 1509">The condition noted in this finding was previously reported in finding 08-25.</p> <p data-bbox="441 1543 834 1600">Completion Date Estimated June 2010</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	20	<p>Finding: The Department of Social and Health Services, Health and Recovery Services Administration, does not perform a quarterly retrospective drug use review of pharmaceutical claims data to identify patterns of fraud or abuse as required by federal and state law.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="609 779 1105 926"> <thead> <tr> <th data-bbox="609 779 706 806"><u>CFDA #</u></th> <th data-bbox="1015 779 1105 806"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="609 806 706 833">93.775</td> <td data-bbox="1015 806 1105 833">\$0</td> </tr> <tr> <td data-bbox="609 833 706 861">93.776</td> <td></td> </tr> <tr> <td data-bbox="609 861 706 888">93.777</td> <td></td> </tr> <tr> <td data-bbox="609 888 1105 926">93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with this finding. The Department believes that it is in full compliance with the federal rules for retrospective drug utilization review. The Department conducts retrospective reviews for this purpose every quarter. An analysis is completed for each of the measures cited Title 42 (b) CFR and the results of that analysis are reported to the Centers for Medicare and Medicaid Services (CMS) Region 10. These results are reported on forms CMS specifically created for reporting the results of the analysis on each of these measures, including overutilization and abuse and misuse.</p> <p>The Department’s Pharmacy Administrator has attended in-service trainings hosted by CMS to understand this requirement and assure the Department has in place activities that will support compliance.</p> <p>The Pharmacy Administrator uses the data to determine which drug or class will be the focus for each quarter. Predetermined standards are used along with a professional drug advisory committee to monitor all the measures cited above, including overutilization and abuse and misuse of any medication for that quarter. If “Abuse” and “Misuse” is identified in the process, the “suspected” abuser is referred to the Department’s internal resources: Office of Patient Review and Coordination (PRC), the Quality Management Team Unit (QMT), the Payment Review Program Unit (PRP) and the Office of Payment Review and Audit (OPRA).</p> <p>The Department believed it had presented reports to the state auditor’s office (SAO) which document compliance with the CFR and will continue to work with the SAO to understand what additional documentation would meet their needs.</p> <p>The Department has designated the Office of Payment Review and Audit (OPRA), part of the payment integrity division, as the Department’s contact point for referrals to the Medicaid Fraud and Control Unit (MFCU). This was</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$0											
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(This plan only addresses findings reportable under the revised OMB Circular A-133.)

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	20 (Cont'd)	<p>an internal protocol put into place in 2004 so there would be coordination and one source for this external body to interface with. The CFR does not stipulate which drug class or specific drug(s) should be reviewed each quarter. It does not stipulate these reviews must be done looking at every physician's prescribing practices every quarter. Nor does it say the DUR must be conducted on every drug every quarter. The Department meets this requirement by looking at drug utilization by types of drugs or groups of drugs in a systematic way designed to identify the flags outlined above.</p> <p>The Pharmacy Administrator contacted CMS in September 2009 to confirm that Washington Medicaid was in compliance with the federal requirements regarding retrospective and prospective DUR. The CMS pharmacist sent the following email that verifies Washington's compliance:</p> <p style="padding-left: 40px;">“CMS finds that you are conducting your DUR program in accordance with Section 1927 (g) of the Social Security Act. You were acting appropriately to refer identified outliers to your internal audit and integrity section for further investigation. It is their responsibility to refer the case(s) on to MFCU if indeed fraud or abuse has been determined.</p> <p style="padding-left: 40px;">The DUR program is designed to educate physicians and pharmacists and patients on therapeutic appropriateness, over and under utilizations, therapeutic duplication, drug-disease contraindications, drug-drug interactions as well as clinical abuse and misuse.”</p> <p style="padding-left: 40px;">“In addition, you are in compliance with 42 CFR Ch. IV sec. 456.714 which states: § 456.714 DUR/surveillance and utilization review relationship. (a) The retrospective DUR requirements in this subpart parallel a portion of the surveillance and utilization review (SUR) requirements in subpart A of this part and in part 455 of this chapter. (b) A State agency may direct DUR staffs to limit review activities to those that focus on what constitutes appropriate and medically necessary care to avoid duplication of activities relating to fraud and abuse under the SUR program.”</p> <p>This audit area continues to be one in which the auditors and DSHS disagree on the intent and focus of the CFR requirements. The Department's focus is on the appropriateness of prescribing physicians drug selection; the auditors focus was on the usefulness of the utilization review in detecting fraud. The Department will continue to work with the auditors and jointly request CMS review of the Department's efforts to comply with this CFR.</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	20 (Cont'd)	<p>In February 2010, CMS will be meeting with the state Medicaid pharmacists during the American Drug Utilization Review Symposium (ADURS) to discuss any updates to the Annual DUR reporting required by CMS. Any changes in the rules will not be effective until FFY 2010 or later. No action will be taken at this time except that a HRSA pharmacist will be attending the ADURS in February 2010 to hear the discussion and the possible changes to the format of the future Annual DUR Reports.</p> <p>The condition noted in this finding was previously reported in finding 08-29.</p> <p>Completion Date: Estimated February 2010</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	21	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, Home and Community Based Services Division, does not have adequate internal controls to ensure Medicaid payments to in-home service providers are allowable and supported.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="609 777 1136 934"> <tr> <td style="text-align: left;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$1,030,677</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with this finding. The Department concurs it does not have a process that provides Medicaid recipients with information on the number of hours billed to the Department by individual providers (IP). The Department is in the process of procuring a Provider Compensation System (PCS) that will improve the verification process. The PCS will be a sub-system of the Provider One, the new Medicaid Management Information System. Unfortunately, it will be approximately two years before the system is implemented. When implemented the new system will generate monthly notices to all clients informing them how many hours were paid to the provider on their behalf during the previous month. The clients will be instructed to notify the Department if they notice a discrepancy in the hours provided versus the hours billed.</p> <p>Until the new system is implemented the Department will:</p> <ul style="list-style-type: none"> • Inform clients during annual assessments, as well as at the time of contracting with an individual provider, they are responsible for supervising their care provider. If a client is unable to do so, agency managed personal care may be available or the client and case manager can identify a representative who will monitor services. If a representative is not available, by policy (Chapter 3 of the Long Term Care Manual – Assessment Minimum Standards) the client receives more frequent contacts with the case manager who monitors the provision of services. • Inform clients that as the employer they can terminate their provider. Also, the Department has the authority to terminate payment if there is a good faith belief that services are not being provided as authorized to a Medicaid client. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,030,677	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$1,030,677											
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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	21 (Cont'd)	<p>The Department provides the client a form titled - "Acknowledgement of My Responsibilities as the Employer of My Individual Providers" that explains the above bulleted information.</p> <p>Also, the Social Service Payment System (SSPS) will not process payments in excess of hours authorized. A provider is, therefore, unable to claim and be reimbursed for hours that exceed those authorized by the case manager.</p> <p>By April 30, 2010, the Department will send a letter to all currently authorized Individual Providers reminding them of their obligation to maintain records and respond to inquiries to produce documentation.</p> <p>The condition noted in this finding was previously reported in finding 08-27.</p> <p>Completion Date: Estimated April 2010</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	22	<p>Finding: The Department of Social and Health Services, Health and Recovery Services Administration’s internal controls are insufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th data-bbox="609 751 706 779"><u>CFDA #</u></th> <th data-bbox="1015 751 1112 779"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="609 779 706 806">93.775</td> <td data-bbox="1015 779 1112 806">\$0</td> </tr> <tr> <td data-bbox="609 806 706 833">93.776</td> <td></td> </tr> <tr> <td data-bbox="609 833 706 861">93.777</td> <td></td> </tr> <tr> <td data-bbox="609 861 706 888">93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department does not concur with this audit finding. The Department believes there are sufficient controls in-place to assure that managed care rates are set based on the verified managed care organizations (MCO) actual costs of care. Actuarially certified, proprietary cost information is submitted directly to the Department’s actuary from the MCOs. The Department’s actuary verifies the information submitted by comparing it to audited financial statements submitted to the Office of the Insurance Commissioner, and encounter data submitted to the Department. The actuary also does analysis of prior years, compares MCOs to each other and resolves outliers that arise from its analyses with the MCOs.</p> <p>In addition, the MCOs each have compliant fraud and abuse controls to prevent provider fraud. These controls provide reasonable assurance that the data used in rate-setting is accurate and complete. This assertion is supported by the fact that the Department has had no findings regarding rate setting in two Centers for Medicare and Medicaid Services (CMS) reviews and has had its rates consistently approved by CMS with their full understanding of the Department’s rate setting methodology.</p> <p>The condition noted in this finding was previously reported in finding 08-24.</p> <p>Completion Date: February 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
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93.778 – ARRA and non-ARRA												

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
09	23	<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 is not complying with staffing requirements in its Medicaid Eligibility Quality Control project agreement.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>In August 2009, the Economic Services Administration (ESA) submitted a request for a one year extension of the Medicaid Eligibility Quality Control (MEQC) Pilot Project to the Centers for Medicaid and Medicare Services (CMS). ESA noted in the request the number of staff required to manage the project was reduced. CMS approved the request and notified ESA in October 2009.</p> <p>October 2009</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
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Fiscal Year	Finding Number	Finding and Corrective Action Plan											
09	24	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Health and Recovery Services Administration, does not have a system in place to adequately compensate for an inherent control weakness that is susceptible to errors and abuse.</p> <table border="0" data-bbox="609 745 1104 903"> <tr> <td data-bbox="609 745 706 777"><u>CFDA #</u></td> <td data-bbox="1015 745 1104 777"><u>Amount</u></td> </tr> <tr> <td data-bbox="609 777 706 808">93.775</td> <td data-bbox="1015 777 1104 808">\$0</td> </tr> <tr> <td data-bbox="609 808 706 840">93.776</td> <td></td> </tr> <tr> <td data-bbox="609 840 706 871">93.777</td> <td></td> </tr> <tr> <td data-bbox="609 871 1104 903">93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with this finding. The Department concurs with the recommendation to strengthen controls over the entry of claims into the Pharmacy Point of Sale (POS) and will continue to explore and pursue these changes via the established system Change Control process. Some controls have already been identified that have the potential to provide enhanced information to pharmacies via POS. These changes are dependent upon additional information in the Coordination of Benefits (COB) portion of ProviderOne and will be further explored as soon as ProviderOne is implemented. The Department is also exploring the feasibility of other cost-avoidance methods including contracting with vendors for some COB eligibility reviews at the point of adjudication.</p> <p>By June 2010, it is anticipated the new ProviderOne System will strengthen initial controls by allowing providers to send and receive eligibility inquiries from ProviderOne. DSHS staff will also be able to perform these eligibility checks with other payers. When DSHS staff verifies third party liability (TPL) information from payers, DSHS staff will update recipient’s TPL information in ProviderOne.</p> <p>The Department does not concur with the statement in the audit finding that due to the lack of risk analysis and adequate post-payment audits, the Department cannot reasonably assure improper payments will be identified and recovered. This statement contradicts the State Auditor’s <i>State Government Performance Review Opportunities for Washington</i> dated December 2009. In the Government Reform section of that report, “<i>Medicaid Pharmacy Overpayments</i>” the auditor found that “the Department uses a risk assessment to prioritize and target pharmacy claims with a high potential for a return of investment.” The report further states that the risk assessment process is</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
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June 30, 2009***

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	24 (Cont'd)	<p>effective in identifying high-risk payments, but current Department resources are limited and that an opportunity for funding additional auditors was identified.</p> <p>The condition noted in this finding was previously reported in finding 08-21.</p> <p>Completion Date: Estimated June 2010</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan											
09	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, Health and Recovery Services Administration, internal controls are inadequate to ensure errors identified by the Medical Eligibility Quality Control Unit are reviewed adequately and in a timely manner.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with this finding. In November 2008, the Department took action to establish internal controls and ensure errors identified by Medicaid Eligibility Quality Control audits are corrected by field offices in a timely manner by designating a program manager to process and monitor corrective actions for MEQC audits. The process is as follows:</p> <ul style="list-style-type: none"> · The MEQC program manager notifies HRSA’s audit liaison and HRSA’s regional representative of all MEQC audits; · The HRSA audit liaison notifies the regional representative within a specified time when an audit is outstanding and informs the representative that the field must take corrective action on the audit within a specified period of time; and · All corrective actions are monitored by the HRSA audit liaison and reported back to the MEQC program manager on a monthly basis until corrective actions are completed. <p>The condition noted in this finding was previously reported in finding 08-32.</p> <p>November 2008</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
93.775	\$0												
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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
09	26	<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, Aging and Disability Services Administration, does not adequately monitor subrecipients to ensure Medicaid expenditures are allowable and supported.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding. During the timeframe of this audit, Department resources were used to operate and train one Area Agency on Aging while it received certification and became operational, as well as to resolve findings from prior years' monitoring. Due to this workload, sub recipient monitoring, which was scheduled to begin in 2009, was delayed until 2010.</p> <p>Approximately 98 percent of the referenced \$425 million for the 13 Area Agencies on Aging is for client services and the administration of those services. All Area Agencies on Aging received in-depth monitoring of Medicaid case management, nursing services activities, and client services between May 2008 and December 2009. The monitoring is performed by a quality assurance unit within Aging and Disability Services Administration (ADSA).</p> <p>ADSA is scheduled to begin fiscal and contract monitoring on the funding subject to OMB Circular A-133 in state fiscal year 2010.</p> <p>By December 2010, the Department will conduct on-site reviews of four Area Agencies on Aging.</p> <p>Estimated December 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	27	<p>Finding: The Department of Social and Health Services did not ensure Medicaid services provided to undocumented aliens were allowable under its Alien Emergency Medical program.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$ 26,297.27 - ARRA</td> </tr> <tr> <td>93.776</td> <td>\$181,841.59 - non-ARRA</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td>– ARRA and non-ARRA</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with this finding. The Aging and Disability Services Administration (ADSA) and the Health and Recovery Services Administration were both involved in this finding. Each administration offered a reason for not concurring. Also, each offered actions they will take improve the situation.</p> <p><u>Aging and Disability Services Administration</u></p> <p>Seventeen of the exceptions noted in the finding were for undocumented alien clients who received services from ADSA however they did not receive services under the Alien Emergency Medical (AEM) program. Fifteen of the clients received Personal Care Services, 14 of which were minors who received those services from the Division of Developmental Disabilities. The minors were eligible for services under the state funded Categorically Needy Scope of Care which is allowed by RCW 74.09.520, WAC 388-501-0060(5) (w) and WAC 388-505-0210.</p> <p>Three of the above were undocumented clients who received long term care services. The services were authorized through an exception to rule (ETR). State funded programs paid for the services these clients received.</p> <p>All 17 of the ADSA clients were eligible for services that were 100% state-funded. For this reason, the ARRA enhanced match identified by the auditor did not affect the total state dollars to be expended for the programs.</p> <p>Currently, tracking and maintaining cost adjustments to the federal share expenditures is a manual process requiring the use of spreadsheets to track the services received by individual clients. State dollars are journal vouchered back to the Medicaid programs after expenditures are identified. This process will become automated when the Provider One phase two project is implemented.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$ 26,297.27 - ARRA	93.776	\$181,841.59 - non-ARRA	93.777		93.778	– ARRA and non-ARRA
<u>CFDA #</u>	<u>Amount</u>											
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Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	27 (Cont'd)	<p>ADSA will take the following actions as a result of this finding:</p> <ul style="list-style-type: none"> · By April 30, 2010, the Department of Health and Human Services will be contacted to determine if any unallowable costs need to be reimbursed. · By June 1, 2010, procedures will be developed that ensure Medicaid funds for undocumented clients are used appropriately and properly reported on the CMS 64. <p><u>Health and Recovery Services Administration</u></p> <p>The Department did not receive details for the claims relating to one client for insurance premiums and family planning services totaling \$863 to validate this finding. All medical related costs for individuals who are covered under the Alien Emergency Medical (AEM) program are charged to state only dollars.</p> <p>On a quarterly basis, the Department identifies by claim types and diagnoses codes, costs that are allowable for federal match and transfers those costs to earn federal match.</p> <p>Completion Date: Estimated June 2010</p>

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09	28	<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' internal controls are inadequate to ensure the federal share of overpayments made to Medicaid providers are refunded to the federal government in a timely manner.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action not taken</p> <p>The Department does not concur with this finding. The Department had a similar finding in fiscal year 2008. The Department discussed its process with the Centers for Medicare and Medicaid Services (CMS) auditor. The CMS auditor did not raise internal control concerns regarding the Department's accuracy and timeliness for refunding the federal share of overpayments to the federal government.</p> <p>The CMS auditor reviewed the Department's quarterly CMS-64 claim report as well as its accounting processes and procedures that create the CMS-64. Since the Department's Medicaid overpayment process is acceptable by CMS, the Department does not see a beneficial reason to change the process.</p> <p>Significant staff training occurred within the last year and has proven successful in addressing the issues from the previous audit finding.</p> <p>The Department will request that Health and Human Services (HHS) review the process identified in this audit finding during the federal clearing house audit process to ensure HHS is satisfied the overpayments have been properly refunded.</p> <p>The condition noted in this finding was previously reported in finding 08-20.</p> <p>N/A</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	29	<p>Finding: The Department of Social and Health Services did not ensure all individuals who receive Medicaid benefits have valid Social Security numbers.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th data-bbox="609 720 706 745"><u>CFDA #</u></th> <th data-bbox="1015 720 1112 745"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="609 745 706 770">93.775</td> <td data-bbox="1015 745 1112 770">\$169,063.20</td> </tr> <tr> <td data-bbox="609 770 706 795">93.776</td> <td></td> </tr> <tr> <td data-bbox="609 795 706 821">93.777</td> <td></td> </tr> <tr> <td data-bbox="609 821 706 846">93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding. This finding involved Economic Services Administration (ESA), Children’s Administration (CA), and Health and Recovery Services Administration (HRSA).</p> <p>The following actions will be taken in response to the audit recommendations:</p> <p>ESA, CA, and HRSA will follow up on the exceptions identified in the audit.</p> <ul style="list-style-type: none"> · By March 31, 2010, ESA will review all exceptions and take action as needed. In reviewing the exceptions ESA found of the 90 clients – one client was counted twice. The Community Services Division (CSD) reviewed all 89 exception cases. 80 were closed cases and no further action can be taken until client reapplies; some were closed for failure to provide a valid SSN. CSD documented in the case record the need to secure a valid SSN. Nine of the cases remain open. CSD sent the 9 cases to the Medical Unit to take appropriate action. Five of the cases have been corrected and 4 cases require further actions. · By April 2010, CA will take action on exceptions for which they are responsible. In reviewing the exceptions, CA determined of the nine identified for CA only three were actually claiming Medicaid. The three used a temporary SSN of 123456789. CA will request the valid SSN for each of these cases and will enter the correct SSN into each child’s file. · By April 2010, HRSA will take action on exceptions when ProviderOne is implemented. ProviderOne will have the capability to close cases when an individual has not provided a valid SSN. <p>The Department will take steps to ensure eligibility staff follow the Department’s Social Security Number verification procedures.</p> <ul style="list-style-type: none"> · By August 2010, ESA and HRSA will have staff complete an SSN interactive training module that will instruct them on verification procedures. <p>Completion Date: Estimated August 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$169,063.20	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$169,063.20											
93.776												
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93.778 – ARRA and non-ARRA												

**State of Washington
Corrective Action Plan**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2009**

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	30	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, did not evaluate or re-evaluate the level of in-home care services for some clients at least annually.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="609 745 1161 892"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$184,907.23</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with this finding. The SAO determined that 618 out of 57,597 assessments appeared to be late. Due to staff reductions, the Department was not able to complete a line by line review of all 618 assessments. There are routine reasons that an assessment may not be completed on time. Examples of these reasons include the client's inability to meet with the case manager to do the assessment, delays in locating a provider of personal care, referrals triggered by the skin observation protocol, and delays caused by bids for specialized medical equipment or environmental modifications. A client may also have been admitted to a nursing facility or hospital or had a break in service nullifying the annual assessment due date.</p> <p>With only 618 assessments that were late, this equates to a compliance rate of 98.9% for assessments that were completed within the required time frame. The Department feels this is well within an acceptable threshold given the routine reasons why an assessment could be late.</p> <p>By April 2010, the Department will work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid funds must be reimbursed.</p> <p>The condition noted in this finding was previously reported in finding 08-35.</p> <p>Completion Date: Estimated April 2010</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$184,907.23	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$184,907.23											
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**State of Washington
Corrective Action Plan**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2009**

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
09	31	<p>Finding</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services' internal controls are inadequate to ensure non-emergency medical transportation expenditures are allowable and adequately supported.</p> <table border="0" data-bbox="609 751 1104 905"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.776</td> <td></td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778 – ARRA and non-ARRA</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with this finding, however the following actions will be taken to improve oversight of transportation brokers:</p> <p>By July 2010, the Department will:</p> <ul style="list-style-type: none"> • Train staff involved in contract monitoring to ensure contract monitoring activities are recorded in the Agency Contracts Database (ACD). • Develop a formal monthly desk review and on-site contract monitoring document to ensure monitoring activities are documented and properly recorded in the ACD. Also hard copies of monitoring documents will be maintained. • Have the Health and Recovery Services Administration (HRSA) Contracts Steering Committee review transportation contracts in preparation for the Request for Proposal (RFP). Also, in conjunction with the steering committee review, an internal contract review process exploring ways to improve monitoring activities will be completed. • Have the Non-Emergency Medical Transportation (NEMT) and Division of Behavioral Health and Recovery (DBHR) workgroup investigate ideas to reduce transportation costs associated with transporting clients needing regular methadone treatment and improve the monitoring of trips provided under the RSN contracts. • Develop a formal process allowing Clinical Utilization Management and Patient Review and Coordination staff to review medically complex client cases that are associated with increased transportation costs. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>												
93.775	\$0												
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**State of Washington
Corrective Action Plan**

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2009***

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	31 (Cont'd)	<p>By January 2011, the Department will:</p> <ul style="list-style-type: none"> · Develop a database that will allow the Department to receive trip data from transportation brokers. Also, it will allow Department staff to review individual trips to ensure they are authorized and appropriate. · Have HRSA participate in developing and implementing the RFP. It is anticipated the RFP will result in a new contract that will better define allowable medical appointments and client and service eligibility. The new contract will be performance based. Also, staff will review and strengthen contract language, policies, procedures, and guidelines to ensure robust monitoring. · Develop Working Agreements/Memorandums of Understanding with partner agencies to better define what constitutes allowable trips. <p>The condition noted in this finding was previously reported in finding 08-26.</p> <p>Completion Date: Estimated January 2011</p>

**State of Washington
Corrective Action Plan**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2009**

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
09	32	<p>Finding: The Department of Social and Health Services, Health and Recovery Services Administration's, internal controls are inadequate to ensure controlled substances prescribed for Medicaid clients are authorized and allowable.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th data-bbox="609 751 706 779"><u>CFDA #</u></th> <th data-bbox="1015 751 1112 779"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="609 779 706 806">93.775</td> <td data-bbox="1015 779 1112 806">\$84,046.47</td> </tr> <tr> <td data-bbox="609 806 706 833">93.776</td> <td></td> </tr> <tr> <td data-bbox="609 833 706 861">93.777</td> <td></td> </tr> <tr> <td data-bbox="609 861 706 888">93.778 – ARRA and non-ARRA</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with this finding. The Department is of the opinion there are no federal or state statutes that require a payer (e.g. state) to validate the Drug Enforcement Administration (DEA) number of a prescriber. Therefore, the Department does not believe the lack of an edit that validates DEA for Schedule 2-5 drugs constitutes inadequate internal controls or the lack of such validation renders the payment unallowable.</p> <p>The Department believes that responsibility for compliance with controlled substance requirements lies with the prescribing provider and the dispensing pharmacies. There are no provisions in the Controlled Substance Act (21 USC Sec. 821) or the State Uniform Controlled Substance Act (RCW 69.50) that could be interpreted as a requirement relating to payment of claims for controlled substances. Below is the Title 21 CFR Section 1306.04 which clearly states that the prescribing practitioner is responsible for assuring that the prescription conforms in all essential respects to the law and regulation:</p> <p><i>(a) A prescription for a controlled substance to be effective must be issued for a legitimate medical purpose by an individual practitioner acting in the usual course of his professional practice. <u>The responsibility for the proper prescribing and dispensing of controlled substances is upon the prescribing practitioner, but a corresponding responsibility rests with the pharmacist who fills the prescription.</u> An order purporting to be a prescription issued not in the usual course of professional treatment or in legitimate and authorized research is not a prescription within the meaning and intent of section 309 of the Act (21 USC 829) and the person knowingly filling such a purported prescription, as well as the person issuing it, shall be subject to the penalties provided for violations of the provisions of law relating to controlled substances.</i></p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$84,046.47	93.776		93.777		93.778 – ARRA and non-ARRA	
<u>CFDA #</u>	<u>Amount</u>											
93.775	\$84,046.47											
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**State of Washington
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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
09	32 (Cont'd)	<p>The Department implemented a Pharmacy Point of Sale (POS) edit in July 2002 for the purpose of validating the DEA of the prescribing physician for Schedule II drugs. While the Department considered this to be an essential validation to add to the POS, it was not implemented because of any federal/state requirement. Rather, the Department implemented this because Schedule II drugs are subject to the highest risk of abuse and the Department considered it prudent to provide this additional validation to guard against the potential for fraud and abuse.</p> <p>At implementation of the new Pharmacy POS in October 2008, the prescriber identifier changed to the National Provider Identifier (NPI). This change caused the POS to experience some difficulty with the Schedule II system edit due to the incomplete nature of the association between NPI and DEA. No comprehensive national file exists which can be used to crosswalk all NPI to DEA. While the POS continues to validate DEA numbers for Schedule II drugs, a Change Request is currently in process to complete implementation of a comprehensive NPI to DEA association crosswalk and to add DEA effective date spans to the file. It is anticipated this will be implemented in December 2010.</p> <p>In addition to the POS edit that validates the DEA for Schedule II drugs, DSHS has a set of robust Program Integrity activities including pharmacy utilization review, pharmacy rules-based algorithms that identify improper payments, and data mining activities that identify patterns outside the norm. In the absence of any requirement to validate DEA for controlled substances, DSHS considers that this set of Program Integrity activities provide adequate controls to ensure that controlled substances are authorized and allowable.</p> <p>The condition noted in this finding was previously reported in finding 08-28.</p> <p>Completion Date: Estimated December 2010</p>

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