



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

March 26, 2019

Washington State Auditor's Office
ATTN: Jim Brownell, Audit Manager
3200 Sunset Way S.E.
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's corrective action plan for the following audit findings in the fiscal year 2018 single audit report.

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-001	State of Washington	G - 7	E - 13
2018-002	Department of Social and Health Services	G - 10	E - 21
2018-003	Department of Health	G - 12	E - 26
2018-004	Department of Health	G - 13	E - 32
2018-005	Department of Health	G - 14	E - 37
2018-006	Department of Health	G - 15	E - 42
2018-007	Office of the State Treasurer	G - 16	E - 48
2018-008	Military Department	G - 17	E - 53
2018-009	Office of Civil Legal Aid	G - 18	E - 57
2018-010	Office of Civil Legal Aid	G - 19	E - 61

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-011	Department of Transportation	G - 20	E - 66
2018-012	Department of Transportation	G - 21	E - 70
2018-013	Department of Transportation	G - 22	E - 75
2018-014	Department of Transportation	G - 23	E - 83
2018-015	Department of Transportation	G - 24	E - 92
2018-016	Department of Ecology	G - 25	E - 106
2018-017	Department of Ecology	G - 26	E - 110
2018-018	Department of Services for the Blind	G - 27	E - 115
2018-019	Department of Services for the Blind	G - 29	E - 120
2018-020	Department of Services for the Blind	G - 30	E - 123
2018-021	Department of Social and Health Services	G - 31	E - 128
2018-022	Department of Social and Health Services	G - 33	E - 134
2018-023	Department of Social and Health Services	G - 34	E - 139
2018-024	Department of Social and Health Services	G - 36	E - 145
2018-025	Department of Social and Health Services	G - 37	E - 148
2018-026	Department of Social and Health Services	G - 38	E - 154
2018-027	Department of Social and Health Services	G - 40	E - 168
2018-028	Department of Social and Health Services	G - 42	E - 175
2018-029	Department of Social and Health Services	G - 44	E - 181
2018-030	Department of Social and Health Services	G - 46	E - 188
2018-031	Department of Social and Health Services	G - 49	E - 203

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-032	Department of Commerce	G - 51	E - 209
2018-033	Department of Children, Youth, and Families	G - 53	E - 214
2018-034	Department of Children, Youth, and Families	G - 55	E - 221
2018-035	Department of Children, Youth, and Families	G - 58	E - 236
2018-036	Department of Social and Health Services	G - 60	E - 249
2018-037	Department of Social and Health Services	G - 61	E - 254
2018-038	Department of Social and Health Services	G - 62	E - 259
2018-039	Department of Social and Health Services	G - 63	E - 264
2018-040	Department of Health	G - 64	E - 269
2018-041	Health Care Authority	G - 65	E - 273
2018-042	Health Care Authority	G - 66	E - 280
2018-043	Health Care Authority	G - 68	E - 288
2018-044	Health Care Authority	G - 69	E - 295
2018-045	Health Care Authority	G - 70	E - 301
2018-046	Health Care Authority	G - 71	E - 306
2018-047	Health Care Authority	G - 72	E - 311
2018-048	Health Care Authority	G - 73	E - 322
2018-049	Health Care Authority	G - 74	E - 332
2018-050	Department of Social and Health Services	G - 75	E - 339
2018-051	Department of Social and Health Services	G - 77	E - 347
2018-052	Department of Social and Health Services	G - 78	E - 354

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2018-053	Department of Social and Health Services	G - 79	E - 361
2018-054	Department of Social and Health Services	G - 81	E - 366
2018-055	Department of Social and Health Services	G - 83	E - 374
2018-056	Department of Social and Health Services	G - 84	E - 380
2018-057	Department of Social and Health Services	G - 86	E - 394
2018-058	Department of Social and Health Services	G - 88	E - 405
2018-059	Department of Social and Health Services	G - 91	E - 421
2018-060	Department of Social and Health Services	G - 93	E - 433
2018-061	Military Department	G - 95	E - 446

The state's corrective action plan is a compilation of the corrective action plan information provided to us by the applicable state agencies. The corrective action plan document is prepared in conjunction with the 2018 single audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2018. If you have any questions regarding the corrective action plans, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
 Assistant Director, Accounting

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	001	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The State should improve internal controls over specific areas of recording and reporting financial activity in the State’s financial statements.</p> <p><u>CFDA #</u> N/A</p> <p><u>Amount</u> \$0</p> <p>Corrective action in progress</p> <p>The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state’s financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Responses from each agency are listed below:</p> <p><i>State Board for Community and Technical Colleges</i></p> <p>It is the Board’s priority to ensure accurate financial data from the new financial system (ctcLink) is interfaced into the Agency Financial Reporting System (AFRS). Since the fiscal year 2017 audit, the Board has had a support team dedicated to assist the two colleges who implemented the ctcLink system to close their prior fiscal years.</p> <p>As of July 2018, the Board required all colleges’ fiscal months be closed on the same schedule.</p> <p>As of November 2018:</p> <ul style="list-style-type: none"> • The Community Colleges of Spokane closed fiscal years 2016, 2017, and 2018. • The Tacoma Community College closed fiscal year 2018. <p>The Board is currently reviewing and reconciling the colleges’ financial data to AFRS and making necessary adjustments to ensure they were recorded accurately in the system. The Board will continue to work with college staff to resolve outstanding issues.</p> <p>By February 2019, the Board will implement an automated process for uploading data from the ctcLink system to AFRS. The new process is expected to reduce the Board’s workload and enable more timely and accurate reconciliations and adjustments of college financial data reported in AFRS at year-end.</p> <p><i>Department of Licensing</i></p> <p>The Department is currently conducting a complete reconciliation of revenues to identify the sources of receipts in the clearing account and to correctly classify revenue in the accounting records.</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	001 (cont'd)	<p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Implement internal controls to ensure sources of revenue receipts are promptly identified and accurately recorded in the state's accounting system. • Continue to work with OFM to determine the most effective method to monitor, review, and conduct analysis of year-end account balances and properly address any errors. <p><i>University of Washington</i></p> <p>Since the University has a different accounting basis for reporting, OFM processes year-end adjustments to consolidate and properly report the University's financial information in the state's financial statements. In fiscal year 2018, certain misclassification of funds on the University's financial statements were not identified timely, resulting in misstatements on the state's financial statements.</p> <p>OFM and the University will work on strengthening internal controls to ensure the year-end process for consolidating, adjusting and reporting year-end financial data in the state's accounting system are performed timely and accurately.</p> <p>By June 2019, OFM will develop a monitoring plan for higher education institutions to identify issues that require immediate attention during the fiscal year.</p> <p><i>Office of Financial Management</i></p> <p>OFM prepares the state's financial statements in accordance with generally accepted accounting principles. OFM concurs that several year-end adjustments were inaccurately recorded in fiscal year 2018 when implementing the new accounting standards related to pensions and other post-employment benefits. These errors were corrected in the state's final financial statements.</p> <p>OFM is responsible for ensuring all agencies report their fiscal activities accurately, and recognizes the importance of internal controls over recording and reporting financial transactions. OFM has the following procedures in place to monitor and identify significant agency activities that may impact the state's financial reporting:</p> <ul style="list-style-type: none"> • Perform quarterly, mid-year, and year-end analytical reviews to detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Conduct necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	001 (cont'd)	<p>state's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board.</p> <ul style="list-style-type: none"> • Monitor agencies' financial data by running monthly reports from AFRS to identify incorrect transactions and questionable balances. <p>In fiscal year 2018, OFM utilized a new financial reporting software tool to prepare the State's Comprehensive Annual Financial Report (CAFR). The reporting software tool improved the efficiency and accuracy for developing the report. For fiscal year 2019, OFM has extended the agreed-upon opinion date for the CAFR, allowing additional time for preparation and review. OFM expects that increased proficiency in using the reporting software tool and additional preparation time will allow sufficient dedicated resources for year-end review.</p> <p>OFM maintains ongoing communication with agencies and continually emphasizes the need to seek OFM guidance when reporting unique accounting activities.</p> <p>As of January 2019, OFM:</p> <ul style="list-style-type: none"> • Increased communication with agencies regarding the importance of performing regular and timely general ledger reconciliations. • Identified agencies with significant impact to the state's financial statements. Quarterly engagement meetings have been initiated with those agencies to discuss current issues and concerns, and to communicate any updated implementation guidance for new accounting standards. <p>OFM will continue to:</p> <ul style="list-style-type: none"> • Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. • Work with the State Board for Community and Technical Colleges, Department of Licensing, and the University of Washington to strengthen their internal controls over processing and reporting of financial activities. <p>Completion Date: Estimated August 2019</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	002	<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 improperly charged \$454,838 to the SNAP Cluster.</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>10.551</td> <td style="text-align: right;">\$454,838</td> </tr> <tr> <td>10.561</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>In response to prior audit findings, the Department had taken steps to correct the deficiencies identified by the auditors. As of March 2017, the Department’s Economic Services Administration implemented a mandatory process for staff to include the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS). The Department utilizes the MOS to perform a monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. However, at the time of this audit, the Department has not established a process to ensure staff were following procedures to meet period of performance requirements.</p> <p>As of December 2018, the Department had moved the improperly charged expenditures identified in the audit to the proper grant year via the journal voucher process.</p> <p>By April 2019, the Department will update processes and procedures for management oversight to prevent future expenditures from being improperly charged to the wrong grant year. The Department will:</p> <ul style="list-style-type: none"> • Assign backup coverage during staff absences. • Review and monitor monthly expenditure reports, and take actions where appropriate. • Increase staff accountability through the use of a monthly task list. • Begin meeting monthly with the Accounting and Internal Control Administrator to provide updates on corrective action status related to period of performance issues. <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-002, 2016-002, 2015-003, and 2014-022.</p> <p>Estimated April 2019</p>	<u>CFDA #</u>	<u>Amount</u>	10.551	\$454,838	10.561	
<u>CFDA #</u>	<u>Amount</u>								
10.551	\$454,838								
10.561									

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	002 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	003	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Health improperly charged \$151 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.</p> <table border="0"> <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;">10.557</td> <td style="text-align: right;">\$151</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department has been working on a new system, Cascades MIS, which issues benefits on electronic benefit cards. The new system has built-in safeguards, which will prevent loading funds onto a client's benefit card if proof of identity/residence and/or income verification is not provided within 30 days after the initial intake appointment.</p> <p>By October 2019, the Department will fully implement the Cascades MIS system.</p> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Review current program policies to ensure they comply with federal requirements. • Clarify policies and rules related to program eligibility with local agencies, and provide training and technical assistance as needed. • Consult with the federal grantor to discuss whether the known questioned costs identified in the audit should be repaid. <p>Estimated December 2019</p> <p>Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$151
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$151						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	004	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Health improperly charged \$31,051 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.</p> <table border="0"> <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;">10.557</td> <td style="text-align: right;">\$31,051</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department will strengthen internal controls to insure quarterly time certifications are submitted in a timely manner. This includes:</p> <ul style="list-style-type: none"> • Reviewing Department policies and procedures to ensure they meet federal requirements. • Evaluating current processes to identify areas that need improvement. • Providing training to staff on Department policies and federal regulations related to time certifications. <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>Estimated November 2019</p> <p>Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$31,051
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$31,051						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	005	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Health did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children program received required audits. <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>10.557</td> <td style="text-align: right;">\$0</td> </tr> </table> Corrective action in progress The Department concurs with the finding. To strengthen internal controls over subrecipient monitoring, the Department will: <ul style="list-style-type: none"> • Review and update the agency process of monitoring subrecipient audits to ensure the Department complies with federal requirements. • Improve the agency spreadsheet used to track audit activities to include audit periods and due dates. • Implement a process to follow up on subrecipient audit findings and issue timely management decisions. • Provide training and adequate instructions to staff on monitoring subrecipient audit activities. Estimated June 2019 Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$0						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	006	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Health did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children grant. <table border="0"> <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;">10.557</td> <td style="text-align: right;">\$0</td> </tr> </table> Corrective action in progress The Department concurs with the finding. To strengthen internal controls over program cash management, the Department will: <ul style="list-style-type: none"> • Review and update agency procedures to ensure cash draws are performed in accordance with the Cash Management Improvement Act agreement. • Ensure staff understand the federal requirements related to cash management and provide cross-training on processes to ensure compliance with federal regulations. Estimated September 2019 Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$0						

Office of the State Treasurer

Agency 090

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	007	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of the State Treasurer did not have adequate internal controls to properly identify and notify participating counties of the amount and source of funds they received for the Schools and Roads program.</p> <table border="0"> <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;">10.665</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Office does not concur with the finding.</p> <p>It is the Office’s priority to establish and maintain an effective system of internal controls to ensure financial integrity of public funds. The error reported in this finding was an isolated incident that was identified prior to the audit. As of July 2018, the Office had promptly corrected the mistake and subsequently followed up with each county to confirm the funding source was correctly recorded in their systems.</p> <p>The Office continually makes improvement to internal processes and appreciates the auditor’s recommendations to strengthen controls over the proper identification of funding types and amounts to participating counties of the program.</p> <p>The Office has:</p> <ul style="list-style-type: none"> • Provided training to responsible staff to properly identify the different funding types. • Established procedures to perform adequate review of the disbursements to ensure the amounts and funding types are reported accurately to the counties. <p>The Office continues to strive for the highest standards in fiscal management. The internal audit position recently added to the Office’s staff will provide on-going evaluation and monitoring of the Office’s internal procedures and control activities.</p> <p>July 2018</p> <p>Dan Mason Budget and Fiscal Director PO Box 40207 Olympia, WA 98501 (360) 902-8990 Dan.Mason@tre.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.665	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.665	\$0						

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	008	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly supported.</p> <table border="0"> <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;">12.401</td> <td style="text-align: right;">\$82,338</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>Department policy requires:</p> <ul style="list-style-type: none"> • Employees who are permanently assigned to activities directly benefiting a single federal program to submit a Certification of Time and Effort (certification) on a quarterly basis. • Supervisors to review certifications for accuracy before submitting to the Payroll Office. <p>In some cases, despite efforts made by the Payroll Office to send reminders to employees and their supervisors, the certifications were never submitted to the Payroll Office.</p> <p>The Department will initiate the following actions to ensure payroll costs charged to a federal grant are supported by required documentation:</p> <ul style="list-style-type: none"> • Update time and effort reporting policy to provide timekeeping guidance and clarify requirements. • Provide copies of the policy to employees and supervisors who are subject to the certification requirement and are not overtime eligible. • Provide training to employees and supervisors on Department's expectations regarding time and effort certification. • Payroll Office will follow up with employee supervisor for any past due certifications. Continued non-compliance with Department policy will lead to escalated actions as necessary until required documentation is received. <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>Estimated September 2019</p> <p>Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 Rich.shimizu@mil.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	12.401	\$82,338
<u>CFDA #</u>	<u>Amount</u>						
12.401	\$82,338						

Office of Civil Legal Aid

Agency 057

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	009	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victims Assistance program received required audits.</p> <table border="0"> <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;">16.575</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Office concurs with the finding.</p> <p>As of January 2019, the Office has:</p> <ul style="list-style-type: none"> • Established and implemented policies and procedures to monitor subrecipient audits in accordance with federal regulations. • Developed an audit certification form to determine if subrecipients are subject to audit requirement based on established criteria. <p>The new process requires:</p> <ul style="list-style-type: none"> • Subrecipients subject to the audit to: <ul style="list-style-type: none"> ○ Submit audit reports by specified due dates. ○ Complete corrective action plans and management responses if audit reports include findings. • Subrecipients not subject to audit must submit signed certifications of exemption within nine months of the end of the subrecipient's fiscal year. <p>Additionally, the Office has established a system to track subrecipients fiscal year-end and send annual notification of certification due date. Since implementation of the new policies and procedures, the Office has received three Single Audit reports and one certification of exemption.</p> <p>January 2019</p> <p>James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 jim.bamberger@ocla.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
<u>CFDA #</u>	<u>Amount</u>						
16.575	\$0						

Office of Civil Legal Aid

Agency 057

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2018	010	<p>Finding: The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with requirements to ensure subgrants of the Crime Victim Assistance Program received required risk assessments.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>16.575</td> <td style="text-align: right;">\$0</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Office concurs with the finding.</p> <p>To address the audit recommendations, the Office has:</p> <ul style="list-style-type: none"> • Established and implemented policies and procedures to ensure risk assessments of subrecipients are performed and properly documented. • Developed a risk assessment tool to evaluate the ability of each subrecipient to perform the work and manage the administrative and financial responsibilities in accordance with the subgrant’s terms and conditions. Results of the risk assessment will be used as the basis for determining the level and type of monitoring activities. • Developed a risk assessment and monitoring checklist to track required monitoring activities. <p>In addition, the Office will improve internal controls over monitoring subrecipients by:</p> <ul style="list-style-type: none"> • Conducting initial risk assessment prior to entering into a new subgrant agreement. • Performing annual reassessments of all subrecipients within 30 days of the start of the state fiscal year. • Implementing necessary corrective actions and scheduling appropriate follow-up activities if a risk assessment indicates an elevated risk associated with the subrecipient. <p>By April 2019, the Office will complete initial assessments of all current subrecipients.</p> <p>Completion Date: Estimated April 2019</p> <p>Agency Contact: James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 jim.bamberger@ocla.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
<u>CFDA #</u>	<u>Amount</u>					
16.575	\$0					

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	011	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.</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>20.205</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>20.224</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department is committed to ensuring grant programs comply with federal regulations. The Department’s program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments for fiscal year 2018 were suspended or debarred.</p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"> • Update the Local Agency Guidelines Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts. • Update the boilerplate agreement to include a suspension and debarment clause for subrecipients to certify. <p>Estimated July 2019</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
<u>CFDA #</u>	<u>Amount</u>								
20.205	\$0								
20.224									

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	012	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster. <table border="0"> <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;">20.205</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">20.224</td> <td></td> </tr> </table> Corrective action in progress The Department is committed to ensuring grant programs comply with federal regulations. To strengthen internal controls over subrecipient monitoring, the Department will: <ul style="list-style-type: none"> • Evaluate the current processes at both the regional and headquarters level to identify areas for improvement regarding risk assessments for subrecipients. • Update policies and establish procedures for performing risk assessments to determine the appropriate level of monitoring. • Work with project stakeholders to develop a system for documenting risk assessments of subrecipients. Estimated July 2019 Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
<u>CFDA #</u>	<u>Amount</u>								
20.205	\$0								
20.224									

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	013	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>20.205</td> <td>\$0</td> </tr> <tr> <td>20.224</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with the finding.</p> <p>After consulting with the Federal Highway Administration (FHWA) and our additional research, we believe the Department’s process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. Please consider the email dated February 6, 2019, from FHWA in support of our agency’s compliance with the regulations at issue, and as referenced in our technical response to the State Auditor’s Office.</p> <p>However, in our efforts to continue to improve, the Department will issue a Construction Bulletin to its construction offices reemphasizing the need to use appropriate tracking tools for monitoring timely collection of certified payrolls from prime and subcontractors. The Department uses Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis.</p> <p>The Department will consult with FHWA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report, expected by March 31, 2019. After consulting with FHWA staff, the Department will await the FHWA management decision by September 2019 for any further action in response to the finding.</p> <p>Not Applicable</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
<u>CFDA #</u>	<u>Amount</u>								
20.205	\$0								
20.224									

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2018	014	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.</p> <table border="0"> <thead> <tr> <th data-bbox="672 548 769 575"><u>CFDA #</u></th> <th data-bbox="980 548 1078 575"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="672 575 769 602">20.500</td> <td data-bbox="980 575 1078 602">\$0</td> </tr> <tr> <td data-bbox="672 602 769 630">20.507</td> <td></td> </tr> <tr> <td data-bbox="672 630 769 657">20.525</td> <td></td> </tr> <tr> <td data-bbox="672 657 769 684">20.526</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Department does not concur with the finding.</p> <p>After consulting with both the Federal Transit Administration (FTA) and the Federal Highway Administration and our additional research, we believe the Department’s process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p>However, in our efforts to continue to improve, the Department will issue a Construction Bulletin to its construction offices, reemphasizing the need to use appropriate tracking tools for monitoring timely collection of certified payrolls from prime and subcontractors. The Department uses Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis, and will share this information with Terminal and Vessel Engineering groups in the Ferries Division.</p> <p>The Department will consult with FTA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report, expected by March 31, 2019. The Department will await the FTA management decision by September 2019 for any further action in response to the finding.</p> <p>Not Applicable</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.500	\$0	20.507		20.525		20.526	
<u>CFDA #</u>	<u>Amount</u>												
20.500	\$0												
20.507													
20.525													
20.526													

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2018	015	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>20.500</td> <td>\$0</td> </tr> <tr> <td>20.507</td> <td></td> </tr> <tr> <td>20.525</td> <td></td> </tr> <tr> <td>20.526</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>It is the Department's position that the parts in question identified in the audit are not capital assets and, therefore, the requirements cited in the audit finding do not apply to these parts.</p> <p>The parts in question have no utility to the State until they are installed on a larger assembly or depreciable asset, in this case one of the Department's ferry vessels. Once installed, the parts cease to be discrete items and are part of the vessel. When an installed part meets the definition of a betterment as defined in Chapter 30 of the State Administrative and Accounting Manual, it is capitalized and depreciated as part of the vessel. If the part does not meet the definition of a betterment, it is expensed when purchased.</p> <p>The Department recognizes the importance of safeguarding these parts through their installation on one of our vessels and accounting for them properly. In the ordinary course of business, purchased parts are delivered to the warehouse and almost immediately transferred to the vessel. Occasionally, a vessel's scheduled maintenance will be delayed due to operational needs which necessitates the parts be stored in the warehouse.</p> <p>The Department will follow up with the Office of Financial Management for any recommendations on accounting for the parts in question. We look forward to working with the State Auditor's Office during the next audit to resolve any remaining items reported in this finding.</p> <p>Estimated September 2019</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.500	\$0	20.507		20.525		20.526	
<u>CFDA #</u>	<u>Amount</u>												
20.500	\$0												
20.507													
20.525													
20.526													

Department of Ecology

Agency 461

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	016	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.</p> <table border="0"> <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;">66.458</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to the audit recommendations, the Department updated agency policy on subrecipient monitoring. A new policy has also been developed to formalize program responsibilities for corrective actions and audit resolution.</p> <p>Additionally, the Department will develop procedures on managing subawards to ensure federal compliance, which includes:</p> <ul style="list-style-type: none"> • Requiring subrecipients to submit written responses to indicate if they are subject to audit requirement. • Assigning dedicated staff to maintain the tracking spreadsheet used to monitor subrecipient audit activities. • Establishing effective communication to properly notify the program of subrecipient audit findings. • Increasing oversight of subrecipients who are not meeting Department requirements. The Department may apply sanction for continued non-compliance. <p>Estimated April 2019</p> <p>Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	66.458	\$0
<u>CFDA #</u>	<u>Amount</u>						
66.458	\$0						

Department of Ecology

Agency 461

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	017	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds program.</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>66.458</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The finding resulted from conflicting guidance provided by the regional office of the Environmental Protection Agency (EPA) and the guidance the auditor received from EPA’s Office of Inspector General.</p> <p>The Department has requested clarification and guidance from the EPA on how to properly report federal equivalency expenditures on the quarterly financial reports and the schedule of expenditures of federal awards. Once definitive guidance is received, the Department will work with the federal grantor to implement appropriate procedures related to the financial reporting of equivalency projects.</p> <p>Additionally, the Department will continue to maintain effective internal controls over reporting, which include:</p> <ul style="list-style-type: none"> • Enhancing the tracking tool for designated equivalency projects and related expenditures. • Evaluating internal processes to ensure updated procedures comply with federal requirements. <p>Estimated April 2019</p> <p>Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	66.458	\$0
<u>CFDA #</u>	<u>Amount</u>						
66.458	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	018	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Services for the Blind did not have adequate internal controls over federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.</p> <table border="0" data-bbox="667 552 1096 615"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>84.126</td> <td></td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department has addressed prior audit findings and has implemented corrective actions to ensure client eligibility determination is completed timely and adequate supporting documentation is maintained when a delay is necessary. Specifically, the Department:</p> <ul style="list-style-type: none"> • Implemented the Dashboard in the case management system for Case Managers to manage their caseloads on a real-time basis. • Implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe. • Required Counselors to document exceptional and unforeseen circumstances, and support extensions of specific period of time with a client agreement. • Provided training to counselors on the effective use of the Dashboard feature. Area Managers perform weekly monitoring of the use of the tool. <p>The Department continues to improve internal controls by ongoing coaching and monitoring. As a result, the number of delayed eligibility determinations has been declining. For fiscal year 2018, three percent of eligibility determinations were delayed, compared to the respective 8.3 percent and 12.5 percent in the previous two years. Additionally, a significant number of the past due cases were delayed by only one to three days, which was often found to be caused by errors in calculating due dates.</p> <p>The Department will:</p> <ul style="list-style-type: none"> • Continue to provide training to staff about eligibility requirements and accurate calculation of the due dates of eligibility determinations. • Define the criteria for exceptional and unforeseen circumstances and the proper documentation for support. • Strengthen the process of supervisory reviews and documentation. <p>The conditions noted in this finding were previously reported in findings 2017-007 and 2016-009.</p>		<u>CFDA #</u>	<u>Amount</u>	84.126		\$0
	<u>CFDA #</u>	<u>Amount</u>							
84.126		\$0							

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	018 (cont'd)	Completion Date: Estimated June 2019 Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	019	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.</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>84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to prior year's audit finding, the Department had implemented corrective actions to improve internal controls over the federal reporting process. However, the Department continues to experience staff turnover in the positions that create and review the program cost reports.</p> <p>As of December 2018, the Department hired a consultant to:</p> <ul style="list-style-type: none"> • Assist with an organizational plan for the fiscal unit. • Strengthen internal controls over the federal reporting process, including a secondary review. <p>The Department anticipates that the organizational plan and hiring of required staff will be completed by June 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2017-010.</p> <p>Estimated June 2019</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	020	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and timely for the Vocational Rehabilitation program.</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>84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to prior year’s audit finding, the Department implemented corrective actions to improve internal controls over cash management. However, the Department continues to experience staff turnover in the positions that perform federal draws.</p> <p>As of December 2018, the Department hired a consultant to:</p> <ul style="list-style-type: none"> • Assist with an organizational plan for the fiscal unit. • Strengthen internal controls over the federal draw process to include a secondary review. <p>The Department anticipates that the organizational plan and hiring of required staff will be completed by June 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2017-008.</p> <p>Estimated June 2019</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	021	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with eligibility timelines and required procedures.</p> <p>By April 2019:</p> <ul style="list-style-type: none"> • The Fiscal Compliance Manager will conduct a six- month review of eligibility extensions to identify cases that do not conform to policy and documentation requirements. These cases will be sent to the respective supervisors for follow-up. • Rehabilitation Technicians will review cases coming due within 30 days for eligibility determination and alert counselors of upcoming due dates. • Revise the requirements for supervisors’ monthly case reviews to include mandatory follow-up activities and ensure reviews are effective and properly documented. • Supervisors will complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed. <p>By June 2019, the Department will:</p> <ul style="list-style-type: none"> • Provide training to staff on updated procedural guidance that will clearly define “exceptional and unforeseen circumstances.” • Revise the eligibility extension letter to include a mandatory field for the extension end date. • Amend eligibility extension procedures to require follow-up with clients when extension letters are not returned. <p>By August 2019, the Department will enhance the case management report to identify eligibility extension dates and determination completion dates.</p> <p>By September 2019, the Department will update the eligibility extension process in the case management system to auto-generate:</p> <ul style="list-style-type: none"> • Case narratives • Client letters • Completion dates

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	021 (cont'd)	<p>The conditions noted in this finding were previously reported in findings 2017-013 and 2016-012.</p> <p>Completion Date: Estimated September 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	022	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.</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>84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with timelines and required procedures.</p> <p>By April 2019:</p> <ul style="list-style-type: none"> • The Fiscal Compliance Manager will conduct a six-month review of individual plans of employment (IPE) to identify cases that do not conform to policy and documentation requirements. These cases will be sent to the respective supervisors for follow-up. • Supervisors will correct any IPE that do not conform to policy and documentation requirements. • Rehabilitation Technicians will review IPEs coming due within 30 days and alert counselors of upcoming due dates. • Supervisors will complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed. <p>By May 2019, the Department will revise the eligibility determination letter to include an appointment date with the client to begin the IPE process.</p> <p>By June 2019, the Department will amend procedures to require counselors to follow-up with clients when IPE extension letters are not returned, and to ensure both counselor and client properly approve the completed IPE.</p> <p>The conditions noted in this finding were previously reported in findings 2017-012 and 2016-011.</p> <p>Estimated June 2019</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	023	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.</p> <table border="0" data-bbox="667 583 1096 646"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>84.126</td> <td style="text-align: right;">\$10,553</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with allowable uses of program funds.</p> <p>By March 2019, the Department will issue a directive requiring case records to be reviewed prior to authorization of services. Staff perform reviews to ensure:</p> <ul style="list-style-type: none"> • Services are properly documented in the individual plan for employment (IPE). • The IPE has been approved by the counselor and client. • Case actions are appropriately referred to the supervisor if necessary. <p>By May 2019, the Department will:</p> <ul style="list-style-type: none"> • Update procedures to clarify that payments for any authorized services on an IPE cannot be made until the IPE is properly signed by client. • Create detailed procedures for supervisors to conduct monthly review of payments. <p>By July 2019, the Department will</p> <ul style="list-style-type: none"> • Enhance the case management system’s preventative controls to only allow authorizations of services that are included on the IPEs. If an emergency, non-authorized service is needed, supervisory approval is required to proceed. • Review all service category requirements from the Department of Education and identify process improvements. • Consult with the grantor to determine whether any questioned costs need to be repaid. <p>The conditions noted in this finding were previously reported in findings 2017-014 and 2016-013.</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$10,553
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$10,553						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	023 (cont'd)	Completion Date: Estimated July 2019 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	024	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared.</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>84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>As of September 2018, the Department has established written procedures to require secondary reviews of the Federal Financial Report (SF-425).</p> <p>By April 2019, the Department will establish written procedures and require secondary reviews of the Program Cost Report (RSA-2). The Finance and Budget Manager will review completed reports for accuracy.</p> <p>The Department will continue to strengthen internal controls over reporting to ensure program reports are complete and accurate.</p> <p>Estimated April 2019</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2018	025	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.243</td> <td></td> <td style="text-align: center;">\$0</td> </tr> <tr> <td>93.959</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>As of July 1, 2018, the Behavioral Health Administration’s Division of Behavioral Health and Recovery was transferred from the Department to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.</p> <p>To address the audit recommendations, the Authority will:</p> <ul style="list-style-type: none"> • Evaluate the existing process in monitoring subrecipient audits and identify potential improvements. • Assess and update policies and procedures related to subrecipient monitoring. • Strengthen internal controls to ensure: <ul style="list-style-type: none"> ○ Subrecipients submit required audits. ○ Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews. ○ All audit findings and corrective action plans are tracked and management decisions are issued promptly. <p>The conditions noted in this finding were previously reported in findings 2017-016, 2016-014, 2015-016, and 2014-019.</p> <p>Estimated March 2019</p> <p>Keri Kelley External Audit Compliance Manager State Health Care Authority P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>		<u>CFDA #</u>	<u>Amount</u>	93.243		\$0	93.959		
	<u>CFDA #</u>	<u>Amount</u>										
93.243		\$0										
93.959												

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan				
2018	026	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td style="text-align: right;">\$2,252</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department of Children, Youth, and Families (DCYF) policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper-based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made.</p> <p>In response to prior findings, the Department has implemented internal controls including:</p> <ul style="list-style-type: none"> • Third-party reviews through the establishment of the Process Review Panel (PRP) to review and evaluate audit findings, explore options and recommend appropriate corrective actions. • Pre-authorization reviews on high-risk and/or high cost cases based on trend analysis discovered during the PRP. <p>As of December 2018, DCYF requires all licensed providers who accept subsidy payments to use DCYF's electronic attendance system or an approved third party system to track attendance. DCYF's system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. DCYF will expand the requirement to all families, friends and neighbor providers by November 2019.</p> <p>Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF. The Department will continue to conduct post-payment reviews where improper payments appear likely to have occurred, or refer to DCYF for review.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-017 and 2016-019.</p> <p>Completion Date: Estimated November 2019</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$2,252
<u>CFDA #</u>	<u>Amount</u>					
93.558	\$2,252					

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	026 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	027	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.</p> <table border="0" data-bbox="667 548 1096 611"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td></td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>In response to prior years' findings, the Department has taken actions to improve internal controls over the maintenance of effort (MOE) process for the Temporary Assistance for Needy Families (TANF) grant.</p> <p>As of February 2017, the Department developed manuals that outline the collaborative report preparation procedures among the Community Services Division, the Research and Data Analysis Division (RDA) and the Division of Finance and Financial Recovery.</p> <p>Since March 2018, the Department has:</p> <ul style="list-style-type: none"> • Hosted weekly workgroup meetings to review and update existing policies, procedures and manuals as necessary. The workgroup also focuses on improving the Department's ability to forecast and monitor the level of TANF program's MOE expenditures throughout the year. • Maintained a quarterly monitoring and reporting schedule for all MOE sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and accurate. • Used Memorandums of Understanding (MOUs) at the beginning of each year to ensure previous year's sources are still viable for the current fiscal year. The MOUs give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering source. During presentation of the MOUs, the Department also reviews partners' methodologies and record management protocols, and offers training and assistance, if needed. <p>Additionally, the Department:</p> <ul style="list-style-type: none"> • Reviews budget data for upcoming years and conducts a trend analysis with previous years' data to ensure there is no significant fluctuation. • Submits quarterly 196R financial reports, which contain Department's MOE expenditures. • Verifies with partners at the beginning of the federal fiscal year, through written agreements, that each MOE source will have eligible programs and similar expenditure levels as prior reports. 		<u>CFDA #</u>	<u>Amount</u>	93.558		\$0
	<u>CFDA #</u>	<u>Amount</u>							
93.558		\$0							

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	027 (cont'd)	<p>The Department's RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. By September 2019, the Division will:</p> <ul style="list-style-type: none"> • Track which employees making coding changes. • Require supervisors review coding changes and document these reviews. • Add a section in the TANF MOE manual outlining the roles and responsibilities of employees who make coding changes and for management who review these changes. <p>The conditions noted in this finding were previously reported in findings 2017-019, 2016-017 and 2015-020.</p> <p>Completion Date: Estimated September 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	028	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls in place to ensure quarterly reports for the Temporary Assistance for Needy Families Grant were submitted accurately.</p> <table border="0" data-bbox="667 548 1096 611"> <tr> <td data-bbox="667 548 771 575"><u>CFDA #</u></td> <td data-bbox="1003 548 1096 575"><u>Amount</u></td> </tr> <tr> <td data-bbox="667 575 771 602">93.558</td> <td data-bbox="1003 575 1096 602">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department currently has the following processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF):</p> <ul data-bbox="699 873 1466 1129" style="list-style-type: none"> • Maintains extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and how Statistical Analysis System processes use this data to comply with reporting requirements. • Runs a quality assurance process for each report that identifies potential fatal and warning edits, the results of which are reviewed by the Supervisor. <p>The Department has documented the quarterly reporting processes in detail, and continues to extend and update documentation, written policies and procedures for this complex reporting process.</p> <p>While the Department may benefit from a more formal process, the review of both code and results is extensive and the process includes monthly dissemination of summary data to multiple partners for review and validation. The established process ensures quarterly reports required for meeting participation rates are accurate, complete and submitted timely.</p> <p>The Department believes that the controls for change requests, coding updates and the approval processes are adequate.</p> <p>As of October 2018, the Department began manual monitoring, reviewing, and testing of coding changes to ensure they were applied correctly. While no version control software was used, Department staff maintained copies of all old code versions using filename conventions.</p> <p>By November 2019, the Department will update documentation to reflect automation enhancements to existing data set generation and reporting processes.</p> <p>By January 2020, the Department will</p> <ul data-bbox="699 1906 1398 1961" style="list-style-type: none"> • Implement the use of technical assessment forms and security review forms. 	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	028 (cont'd)	<ul style="list-style-type: none"> • Conduct peer reviews and document results, testing, logging and approval prior to moving code changes into the production environment. <p>The conditions noted in this finding were previously reported in findings 2017-020 and 2016-016.</p> <p>Completion Date: Estimated January 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	029	<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 internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.</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>93.558</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action not taken</p> <p>The Department does not concur with the finding.</p> <p>In response to prior years' finding, the Department has taken actions to improve internal controls over the reporting process for the Temporary Assistance for Needy Families (TANF) grant.</p> <p>Since March 2018, prior to the end of the audit period, the Department fully implemented the following process changes:</p> <ul style="list-style-type: none"> • Hosted weekly workgroup meetings to review and update existing policies and procedures as necessary to enhance internal control deficiencies. • Implemented a quarterly monitoring and reporting schedule for all maintenance of effort sources to ensure reported expenditures are allowable, accurate and submitted in a timelier manner. • Used Memorandums of Understanding (MOUs) at the beginning of each year to ensure previous year's sources are still viable for the current fiscal year. The MOUs give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering sources. During presentation of the MOUs, the Department reviews partners' methodologies and records management protocols, and offers training and assistance, if needed. <p>Additionally, the Department:</p> <ul style="list-style-type: none"> • Reviews all reported expenditures to ensure they are accurate, verifiable, and not used for other federal matching purposes, • Maintains all supporting documentation locally and electronically for the reports submitted to the federal grantor. <p>The Department asserts that current processes and procedures are adequate to ensure expenditures are verifiable and meet federal regulations.</p> <p>The conditions noted in this finding were previously reported in findings 2017-021, 2016-018, and 2015-021.</p> <p>Not applicable</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	029 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan													
2018	030	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.</p> <table border="0" data-bbox="667 552 1096 674"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td></td> <td style="text-align: right;">\$37,959</td> </tr> <tr> <td>93.575</td> <td></td> <td></td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The exceptions identified by the auditor results from minor procedural errors or incorrect calculations that did not have an effect on the eligibility determinations. While some of these errors caused payment errors, the clients were eligible.</p> <p>In response to the fiscal years 2016 and 2017 findings, the Department has enacted major changes to improve internal controls over eligibility determination. Many of these changes were implemented during fiscal year 2018, while some were implemented at the beginning of fiscal year 2019.</p> <p>The Department of Children, Youth, and Families (DCYF), formerly the Department of Early Learning, established child care program policies. DCYF policy does not require secondary review or approval when determining eligibility, or authorizing benefits and payments. Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF under the Child Care Development Fund.</p> <p>However, the Department has continued to employ the following controls to ensure child care subsidy payment authorizations are made correctly:</p> <ul style="list-style-type: none"> • Require a supervisory review of payment requests that exceed certain parameters. The supervisor reviews the justifications for the need of additional payment and will deny the payment if the client is not eligible. A monthly report is generated and supervisor checks for any authorization that appears to have been approved without the required secondary review. • For authorizations with high cost special needs rates, a panel consisting of DSHS and DCYF staff review the request and supporting documentation prior to approval. The authorization is subsequently reviewed by a supervisor prior to payment. • Require one hundred percent of new employees' work be audited by a lead worker until they achieve proficiency. These reviews may be conducted before or after authorization. • Requires at least one percent of child care cases be audited monthly. 		<u>CFDA #</u>	<u>Amount</u>	93.558		\$37,959	93.575			93.596		
	<u>CFDA #</u>	<u>Amount</u>													
93.558		\$37,959													
93.575															
93.596															

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	030 (cont'd)	<ul style="list-style-type: none"> • Participate in the Improper Payments Information Act audit required by the Federal Office of Child Care and conducted by the DCYF once every three years. <p>As of August 2017, the Department has:</p> <ul style="list-style-type: none"> • Implemented enhancements in the Barcode system to automatically generate a sixty-day reminder letter requesting income verification of new employment. • Created a 9-code avoidance report that identifies cases that may require supervisory approval. These cases are reviewed and returned to the employee for coaching and corrective action. <p>As of February 2018, the Department implemented a child care process review panel within the Department’s Division of Program Integrity. A child care quality team reviews cases, verifies circumstances and determines whether each sampled case has been correctly determined in accordance with state policy and procedure.</p> <p>As of March 2018, the Department:</p> <ul style="list-style-type: none"> • Completed enhancements to the Barcode system to automatically flag cases when the household composition for child care is different than information entered in other state systems. Procedures were also updated to require comparison of household composition data reported for childcare against those reported for other programs when determining eligibility. • Updated appropriate state rules, procedures and trainings to strengthen: <ul style="list-style-type: none"> ○ Household composition rules including a new policy for single parent households. ○ Mandatory cross-matching with other state systems. ○ Required documentation for new employment wage verification. <p>In preparation for the transfer of the child care program to DCYF, the Department has been collaborating with DCYF to update policies and procedures, and develop system enhancements to correct deficiencies and improve internal controls. As of October 2018, the Department has:</p> <ul style="list-style-type: none"> • Updated a combined policy manual which is accessible on the DCYF website to ensure consistent guidance is provided to staff. • Established an integrity review process for eligibility determinations that are made by a worker who was not assigned to the case through the automated workload assignment system. • Worked with DCYF to ensure family, friends, and neighbors providers receive DCYF’s full portable background checks and are approved by DCYF as providers. Upon approval of a background check, DCYF assigns a vendor number, which together with the

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	030 (cont'd)	<p>provider's eligibility information, is communicated to the Department for creating an authorization.</p> <p>As of January 2019, the Department and DCFY developed a policy that provides guidance on viewing documents/information for relative validity, and on the process of prioritizing the best information to obtain first to ensure determinations are supported.</p> <p>By April 2019, the Department will review the fiscal year 2018 audit exceptions, establish and refer the appropriate overpayments to the Office of Financial Recovery for collection.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the grantor and take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.</p> <p>Completion Date: Estimated April 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	031	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.</p> <table border="0" data-bbox="667 514 1096 577"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.563</td> <td style="text-align: right;">\$29,733</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department does not concur that some timesheets were not processed. The timesheets in question were for employees whose time was spent processing negotiables for another Administration. For this work, the Department bills the other Administration for the work performed and records the revenue as a reduction to expenditures for the grant.</p> <p>The Department also does not concur with the auditor’s determination of \$29,733 questioned costs on this finding. The Department discovered a calculation error on the questioned costs cited in the fiscal year 2017 finding during the process of closing the prior finding with the cognizant federal agency. This discovery prompted the Department to review the auditors’ testing and calculation of questioned costs in the fiscal year 2018 finding. Based on the review, the Department believes that \$24,250 of the \$29,733 questioned costs were allowable costs. The Department calculated the actual questioned costs to be \$5,484.</p> <p>To address the audit recommendations, the Department has initiated actions to improve processes and controls.</p> <p>As of August 2018, the Department:</p> <ul style="list-style-type: none"> • Created a new journal voucher template with correct formulas to perform calculations and allocate the payroll costs from the grant to other activities associated with work by these employees. • Implemented a supervisory review process prior to processing journal vouchers. • Began the process of separating journal vouchers by funding source to reduce the complexity and volume of journal vouchers. <p>By April 2019, the Department will:</p> <ul style="list-style-type: none"> • Review current procedures for processing journal vouchers and strengthen controls as necessary to ensure they are all processed. • Correct accounting records to reverse costs that were inappropriately charged to the Child Support Enforcement grant. <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p>	<u>CFDA #</u>	<u>Amount</u>	93.563	\$29,733
<u>CFDA #</u>	<u>Amount</u>						
93.563	\$29,733						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	031 (cont'd)	<p>The conditions noted in this finding were previously reported in finding 2017-023.</p> <p>Completion Date: Estimated April 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	032	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.</p> <table border="0" data-bbox="665 546 1088 619"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">97.568</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Low-Income Home Energy Assistance program (LIHEAP) contracted with 26 subrecipients. These agencies are required to enter payment data for each client that receives a LIHEAP benefit into a centralized database. The Department uses this information to select transactions for onsite and desk monitoring.</p> <p>The Department will strengthen internal controls over monitoring activities of subrecipients to ensure subawards from LIHEAP are used for authorized purposes. The Department will:</p> <ul style="list-style-type: none"> • Require subrecipients to submit back up documentation for invoices during the program year. • Increase the threshold for onsite and desk monitoring review from one to three months of fiscal transactions. • Request general ledger and back up documentation for each selected transaction to verify allowability of costs. <p>As of January 2019, the program reviewed and formally updated the program monitoring plan to reflect the new processes of subrecipient monitoring.</p> <p>By June 2019, the program will:</p> <ul style="list-style-type: none"> • Work with the Department’s Energy Division, which also makes subawards of LIHEAP funds, to coordinate and increase efforts around fiscal and administrative monitoring. Program staff will attend trainings hosted by the Energy Division on subrecipient monitoring. • Perform analytical reviews of each subrecipient’s spending trends over a five-year period. The analysis will help identify the highest three months of spending, and each subrecipient will be required to submit backup documentation for each expense incurred for those months. <p>By providing staff training, leveraging Department resources to increase monitoring and utilizing a data-driven approach to identify high-risk transactions, the Department will enhance the detection of unallowable or unsupported costs at the subrecipient level.</p>		<u>CFDA #</u>	<u>Amount</u>		97.568	\$0
	<u>CFDA #</u>	<u>Amount</u>							
	97.568	\$0							

Department of Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	032 (cont'd)	Completion Date: Estimated June 2019 Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO BOX 42525 Olympia, WA 98504 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	033	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.</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;">\$9,544,526</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>During the six-month period in which the auditor found semi-annual certifications were not completed, the Department’s immediate priority was to transition from the former Department of Early Learning (DEL) by the June 2018 deadline. Due to insufficient available resources, responsible staff were not able to complete the semi-annual certifications timely as required by Department policy.</p> <p>The Department concurs with the exceptions identified by the auditor that semi-annual certifications or timesheets were not completed for five employees to allocate their time as required. As of March 2018, the Department made retroactive adjustments to the payroll coding of affected employees to appropriately charge multiple cost activities. The employees were also reminded of the need to complete monthly timesheets as required by federal regulations.</p> <p>As of September 2018, the Department completed the semi-annual certifications for the second half of fiscal year 2018 for DEL and provided the information to the auditor as part of the program audit.</p> <p>While the Department concurs that semi-annual certifications, documentation, or timesheets were not completed as described in the finding, the cause of the issue was an isolated, exceptional circumstance that no longer presents an internal control issue going forward.</p> <p>The Department will:</p> <ul style="list-style-type: none"> • Implement preventative internal controls over allowable retroactive adjustments to ensure payroll charges are properly documented. • Continue to review position action requests and monthly payroll reports to ensure employees who charge to multiple cost activities complete timesheets as required. <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Estimated June 2019</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$9,544,526	93.596	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$9,544,526								
93.596									

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	033 (cont'd)	Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2018	034	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.</p> <table border="0" data-bbox="667 583 1096 674"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td></td> <td style="text-align: center;">\$5,894</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The auditor found eight providers had not paid the correct rates based on their region. After further review, the Department confirmed the rates were correctly determined. As specified in state regulations, centers in four counties are assigned rates for a region not based on their geographic location in order to account for market differences in these counties. However, due to timing of the audit, the auditor was unable to reverse these exceptions.</p> <p>In response to prior audit findings, the Department had:</p> <ul style="list-style-type: none"> • Modified the Child Care and Development Fund Plan to align with federal and state regulations for fiscal years 2019 to 2021. • Improved internal controls and implemented preventative controls to assist in the detection of improper provider billings and reduce the risks of unallowable payments. • Implemented policies to include the Department’s definition of fraud, as well as the consequences for providers. • Initiated a risk-based approach to audit providers’ billings and payments that includes selecting providers’ billings in excess of licensed capacity and billings to the limit of the provider’s authorizations. The Department will continue to refine this approach. • Collaborated across agencies and divisions, through the Working Connection Child Care Reframe Workgroup and the Child Care Audit Committee, to align and clarify state rules and requirements with those of the Child Care and Development Block Grant Act. <p>The Department has also taken the following actions:</p> <ul style="list-style-type: none"> • As of October 2018, implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be providers. Upon approval, the Department assigns a vendor number which, together with the provider’s eligibility information, is communicated to the Department of Social and Health Services to create an authorization. This separation of duties strengthens internal controls and helps to reduce payment errors. By September 2019, the Department expects 		<u>CFDA #</u>	<u>Amount</u>	93.575		\$5,894	93.596		
	<u>CFDA #</u>	<u>Amount</u>										
93.575		\$5,894										
93.596												

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	034 (cont'd)	<p>all existing FFN providers to complete the transition to the PBC process.</p> <ul style="list-style-type: none"> • As of November 2018, implemented a process that allows subsidy auditors to provide technical assistance to providers who have been using incorrect billing practices. After the Department implements new program violation rules in July 2019, providers with repeat violations will be excluded from receiving child care subsidy payment. • As of December 2018, required all licensed providers who accept subsidy to use the Department’s electronic attendance system or an approved third party system to track attendance. In addition, new FFN providers are required to use the Department’s new electronic system within 90 days after being authorized to receive subsidy payment. The Department’s system: <ul style="list-style-type: none"> ○ Enables accurate, real-time recording of child care attendance, tracking of daily attendance, and capturing data on child care usage. ○ Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities. ○ Is capable of generating reports that allow the Department to conduct automated audits beginning in April 2019. <p>By November 2019, all FFN providers will be required to use the system, or an approved third party system for tracking attendance.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • Continue to improve the billing guides to help providers understand billing rules, authorization and the billing process. The billing guides will be available in April 2019. Prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union, the Department will update training curriculum. After the tentative agreement expires in 2021, training will become mandatory for all licensed homes and FFN providers. • Continue to research options for simplifying authorization and billing rules. • Develop rules defining provider program violations and establishing additional consequences for intentional violations. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p>

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	034 (cont'd)	Completion Date: Estimated June 2021 Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	035	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 552 1096 646"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.575</td> <td style="text-align: center;">\$1,678</td> </tr> <tr> <td></td> <td style="text-align: center;">93.596</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In response to prior audit findings, the Department has:</p> <ul style="list-style-type: none"> • Implemented new monitoring and compliance agreement policies and procedures to clarify: <ul style="list-style-type: none"> ○ Mandatory use of a full checklist every three years. ○ When a site visit is needed. ○ Acceptable methods of verifying compliance and the timelines for documentation. • Implemented a new electronic caseload management system, WA COMPASS, and provided training to licensing staff in using the system to manage licensing inspections and monitor visits. The system provides electronic reminders to licensing staff and supervisors, which has improved data integrity and streamlined staff work processes. • Provided training to all child care licensing staff regarding the new policies and procedures, including the 10-day health and safety recheck requirements and timely documentation of follow-up visits. Currently, supervisors are able to run a report to identify over-due cases and address concerns with licensing staff. <p>As of January 2019, the Department has also clarified and implemented a policy revision to allow for “termination without notice” of a provider when an unsafe environment exists or when the provider becomes ineligible. The Department of Social and Health Services (DSHS) has already provided updated training to its staff on the revised Department policies. The Department is working on updating the Washington Administrative Code (WAC) language to be consistent with the policy revision.</p> <p>As of October 2018, the Department implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be a provider. Upon approval, the Department assigns a vendor number which, together with the provider’s eligibility information, is communicated to DSHS to create an authorization.</p> <p>By September 2019, the Department expects all existing FFN providers to complete the transition to the PBC process.</p>		<u>CFDA #</u>	<u>Amount</u>		93.575	\$1,678		93.596	
	<u>CFDA #</u>	<u>Amount</u>									
	93.575	\$1,678									
	93.596										

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	035 (cont'd)	<p>The Department will:</p> <ul style="list-style-type: none"> • Continue to work on enhancements to the electronic caseload system for tracking and monitoring the due dates of health and safety rechecks. • Continue to prepare for the implementation of the new WAC on Family Home and Child Care Center in response to the demands of the legislature and the needs of the provider community. The new WAC is expected to become effective in August 2019. In preparation, the Department will: <ul style="list-style-type: none"> ○ Ensure all child care licensing staff are completing mandatory training on the updated WAC components and resulting policy, procedure, and task changes. ○ Develop new checklists to enable more focused monitoring. ○ Develop an inspection report that can clearly delineate the high-risk areas that would require follow-up visits. ○ Continue to revise licensing policies, procedures and tasks as needed to align with current state and federal rules and regulations. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in finding 2017-025, 2016-022, and 2015-024.</p> <p>Completion Date: Estimated October 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2018	036	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to detect fraud in the Child Care and Development Fund program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.575</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.596</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the audit finding.</p> <p>In response to prior audit recommendations, the Department took steps to include child care dollars as a risk factor in determining the priority of fraud referral investigations.</p> <p>In December 2017, the Department convened a workgroup to modify the Fraud Early Detection program (FRED) algorithm to address child care cases while not adversely affecting other medical programs that also use the FRED algorithm.</p> <p>In February 2018, the Office of Fraud and Accountability’s (OFA) Senior Director issued a directive to managers that all cases rated as 1 or 2 should be assigned for investigations within 90 days after referral.</p> <p>As of April 2018, an algorithm was implemented in the Barcode system to include child care benefit payments and household composition. This enhancement increases the assigned point values in child care cases, resulting in a higher priority level for investigation.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Maintain a goal of completing as many of the fraud cases with highest risk as staffing and workload allows. • Monitor the monthly status of all FRED cases by OFA managers to ensure high priority cases are assigned timely. • Review monthly performance measurement reports. <p>The conditions noted in this finding were previously reported in findings 2017-027, 2016-020 and 2015-025.</p> <p>April 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$0	93.596	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$0								
93.596									

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	037	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.</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>93.658</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department will revise its reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and demonstration project.</p> <p>As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth and Families (DCYF) and is now responsible for managing the Foster Care program.</p> <p>DCYF has already assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes will track payments made for the demonstration project, which is scheduled to conclude in September 2019.</p> <p>The Department will work with the grantor if revisions to prior reports are determined to be necessary.</p> <p>Estimated October 2019</p> <p>Stefanie Niemela Audit Liaison Department of Children, Youth and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.658	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	038	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services improperly charged \$798,930 to the federal foster care grant.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.658</td> <td style="text-align: right;">\$798,930</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the audit finding.</p> <p>The auditors determined that \$797,740 of federal expenditures were not supported because this amount could not be reconciled between the Department’s provider payment system (SSPS) and the State’s accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.</p> <p>In response to the audit findings, the Department has:</p> <ul style="list-style-type: none"> • Communicated with accounting field staff to emphasize the requirement of reviewing proper documentation when making invoice payments to vendors. • Informed providers of the requirement of providing adequate supporting documentation to align with the Department’s internal procedure. <p>In addition, the Department will continue to:</p> <ul style="list-style-type: none"> • Strengthen the review process to ensure services are authorized prior to making payments. • Provide training to accounting field staff to reinforce their understanding of the invoice payment process. <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>As of July 1, 2018, the Legislature created a new state agency that combined the Department’s Children’s Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth, and Families and is now responsible for managing the Foster Care program.</p> <p>The conditions noted in this finding were previously reported in finding 2017-028.</p> <p>Estimated July 2019</p> <p>Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$798,930
<u>CFDA #</u>	<u>Amount</u>						
93.658	\$798,930						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	039	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.659</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>In response to prior audit findings, the Children’s Administration of the Department had improved internal controls and developed written policies and procedures to ensure the federal level of effort requirements are met for the Adoption Assistance program.</p> <p>As of July 1, 2018, the Legislature created the Department of Children, Youth, and Families (DCYF) by combining the Children’s Administration and the Department of Early Learning. The new agency assumed the responsibilities of managing the Adoption Assistance program.</p> <p>To address the audit recommendations, DCYF will implement appropriate corrective actions, which will include:</p> <ul style="list-style-type: none"> • Establishing written procedures for staff to identify and accurately report adoption savings expenditures. • Reviewing quarterly reports to ensure reported expenditures are accurate and supported by adequate documentation. • Providing training to staff on the policies and procedures. <p>The conditions noted in this finding were previously reported in findings 2017-030 and 2016-026.</p> <p>September 2019</p> <p>Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.659	\$0						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	040	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Health did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> Corrective action in progress To ensure the Department complies with survey requirements, the Department will strengthen internal controls to ensure Statements of Deficiencies are sent to facilities within the 10-day required timeframe. This includes: <ul style="list-style-type: none"> • Adding a field to the Integrated Licensing Reporting System to track the due dates of Statements of Deficiencies. • Generating a report for management to monitor and notify staff on Statements of Deficiencies that are coming due. • Sending written notification to the Centers for Medicare and Medicaid Services when a Statement of Deficiency is expected to be submitted late. Estimated September 2019 Brandy Brush Acting External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 brandy.brush@doh.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	041	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.</p> <table border="0"> <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;">97.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. While it is not within the Authority’s scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability.</p> <p>The Authority has requested legislation that modifies the specific method and timing of data exchange with insurance carriers.</p> <p>In June 2018, the auditor submitted this finding to the appropriate committees of the legislature in accordance with the requirements of the amended RCW 43.09.312 when the auditor determines that the audited agency has not made substantial progress in remediating its noncompliance.</p> <p>The Authority anticipates the finding will be resolved through the legislation request and/or the decision of the legislative committees regarding resolution.</p> <p>The conditions noted in this finding were previously reported in findings 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.</p> <p>Estimated June 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2018	042	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1096 703"> <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;">97.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports.</p> <p>The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers.</p> <p>The Authority also noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. The Authority determined that there were approximately two dozen providers, out of 98,000, that met the specific criteria and required to be re-categorized as high risk. The Authority has implemented internal processes for divisions to notify the provider enrollment unit of any events related to provider overpayments, payment suspensions or new sanctions, which would trigger the need to adjust a provider’s risk level to high.</p> <p>As of December 2018, the Authority:</p> <ul style="list-style-type: none"> • Completed the process of re-categorizing current high-risk providers. • Updated procedures to include the new process of adjusting risk level when a qualifying event occurs. <p>By March 2019, the Department will send notification of the revalidation requirement to all providers who enrolled with the Authority prior to March 31, 2014.</p> <p>By July 2019, the Authority will implement the new fingerprint requirement and will conduct fingerprint-based criminal background checks on the high risk providers identified under the re-categorization process.</p> <p>The conditions noted in this finding were previously reported in finding 2017-033.</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
97.775	\$0									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	042 (cont'd)	Completion Date: Estimated July 2019 Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	043	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.</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>97.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>To address the audit recommendation, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims. • As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs. <p>The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.</p> <p>The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.</p> <p>The conditions noted in this finding were previously reported in findings 2017-034, 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39.</p> <p>March 2018</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan													
2018	044	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">97.775</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">93.777</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority is aware of the staffing turnover in the Medicaid Transformation Demonstration (MTD) Project and is in the process of filling vacant positions. Additionally, the Authority will develop policies and procedures describing the roles and responsibilities of staff within the project.</p> <p>The Authority is working on improving internal controls to ensure its federal draws for the MTD project are allowable and adequately supported. By June 2019, the Authority will contract with an independent external auditor to review the Designated State Health Programs (DSHP) expenditure reporting for calendar years 2017 and 2018, and to validate the accuracy of federal claims.</p> <p>The Authority is also working on documenting defined administrative costs for DSHP. Once established, the Authority will be able to provide guidance to DSHP entities to ensure defined administrative costs are excluded from certified public expenditure reports.</p> <p>DSHP entities include state agencies, cities and county governments that use different financial payment systems to generate expenditure reports. Therefore, the Authority finds it challenging to require DSHP entities to provide supporting documentation in a consistent manner. The Authority will work with DSHP entities to ensure adequate and consistent supporting documentation is provided on certified public expenditure reports.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding establishing a process for program integrity as appropriate.</p> <p>Estimated November 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>		<u>CFDA #</u>	<u>Amount</u>		97.775	\$0		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>													
	97.775	\$0													
	93.777														
	93.778														

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	045	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority claimed Medicaid federal funds for Medicaid expenditures that exceeded the two-year time limit.</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>97.775</td> <td style="text-align: right;">\$2,095,931</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>For the expenditures identified in this audit as outside the two-year claim period, the Authority will research to determine if they were in fact unallowable. When the Center for Medicaid and Medicare (CMS) sends award closeout data and initiates the closeout process, the Authority will make any needed adjustments and return the federal funds to CMS.</p> <p>The Authority will continue to explore options to ensure refunds will be processed more timely to return claimed federal funds that are outside the allowable period.</p> <p>Estimated July 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$2,095,931	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$2,095,931										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2018	046	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.</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>97.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Authority currently has the follow processes in place to verify that providers have not been suspended or debarred:</p> <ul style="list-style-type: none"> • Conducts List of Excluded Individuals/Entities (LEIE) and Excluded Parties List System/System for Award Management (EPLS/SAM) database checks during new provider enrollment and provider re-validation. • Conducts monthly LEIE database checks on Medicaid providers. • Managed Care Organizations conduct LEIE and EPLS/SAM database checks on network providers under the Authority’s Apple Health contract. <p>The Authority is not currently conducting monthly checks with EPLS/SAM. The system only has the ability to search a single individual and there is a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS/SAM checks on providers.</p> <p>Last year, the Authority was approved as a pilot state to utilize the U.S. Department of Treasury’s Do Not Pay database system, which will allow the Authority to upload the volume of providers into EPLS/SAM and conduct the required checks on a monthly basis. However, this process has since stalled on the federal side.</p> <p>The Authority is exploring other opportunities to meet compliance. Although the Authority is not currently conducting EPLS/SAM database checks at the frequency required, there were no improper payments identified.</p> <p>The conditions noted in this finding were previously reported in findings 2017-037.</p> <p>Completion Date: Estimated July 2019</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
97.775	\$0									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	047	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority, Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.</p> <table border="0"> <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;">97.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>To address the auditor’s recommendations, the Authority will take actions to improve internal controls over monitoring provider case reviews to ensure suspected fraud cases are appropriately referred for investigation.</p> <p>The Authority will review current policies and procedures and update as necessary to include:</p> <ul style="list-style-type: none"> • Conducting secondary reviews of audits and findings to ensure they are accurate and supported. • Maintaining sufficient documentation to support case decisions. • Providing necessary and adequate training to staff to ensure all requirements to identify and investigate suspected fraud cases are met. <p>Estimated October 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	048	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.</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>97.775</td> <td style="text-align: right;">\$4,145</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action not taken</p> <p>The Authority does not concur with the cause of condition of the finding.</p> <p>The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in our federally approved verification plan, and the Authority does not agree that a material weakness in internal control exists.</p> <p>The condition that led to the \$3,293 in unallowable claims for additional CHIP funds was corrected in July 2017. The remaining \$852 in questioned costs represent claims that were not only eligible for additional CHIP funds, but also allowable at a higher rate than the Authority claimed.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2017-038, 2016-034, 2015-039, and 2014-037.</p> <p>Not applicable</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$4,145	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$4,145										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	049	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage. <table border="0"> <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;">97.775</td> <td style="text-align: right;">\$3,762,678</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • As of March 2016, developed an algorithm to identify Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare. • As of June 2018, went live with the enhancements to the ProviderOne system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare. • Ran the new algorithm for the period from the last algorithm run in November 2017 to the system enhancement in June 2018, and identified all PMPM premium duplicate payments. <p>The Authority has been working on recouping the duplicate payments, and will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2017-039.</p> <p>Estimated May 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$3,762,678	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$3,762,678										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	050	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.</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;">\$325,468</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>As stated in the background of this finding, the auditor could not determine in the fiscal year 2017 audit whether the duplicate expenditures identified were caused by billing errors of the individual providers, or the hospital or long-term care facility. For this reason, the auditor did not issue a finding.</p> <p>For the fiscal year 2018 audit, the auditor used the same audit methodology and issued a finding. However, the auditor failed to provide a rationale as to how they were able to determine the source of the billing errors or why those errors were attributed to the Department. It is not known whether the payments were incorrectly claimed by the individual provider, or the hospital or nursing facility.</p> <p>The Department had developed a process to research and remediate payments made to in-home providers while a client was either hospitalized or admitted to a long-term care facility:</p> <ul style="list-style-type: none"> • As of November 2018 , the Department: <ul style="list-style-type: none"> ○ Created a report to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility. ○ Hired an employee to perform payment analysis and coordinate remediation with field contacts. • As of January 2019, the Department began reviewing, processing and tracking the duplicate payments that were identified. <p>By June 2019, the overpayment functionality in the Department’s Individual ProviderOne system is expected to be fully implemented.</p> <p>By July 2019, the Department will work with the Health Care Authority to analyze the duplicate payments found and identify the ones that the Department is responsible for.</p> <p>By November 2019, the Department will begin the process of issuing overpayments to the providers for any unallowable payments.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$325,468	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$325,468										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	050 (cont'd)	<p>By January 2020, the Department will consult with the Department of Health and Human Services to discuss any remaining questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2016-048.</p> <p>Completion Date: Estimated January 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	051	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Developmental Disabilities Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$34,510</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department has enhanced monitoring procedures for identifying unallowable payments. A process had been developed to research and remediate payments made to in-home providers while a client was either hospitalized or admitted to a long-term care facility.</p> <p>As of November 2018, the Department:</p> <ul style="list-style-type: none"> • Created a report to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility. • Required management staff to distribute the monthly report to field payment specialists for follow-up on the issues identified. <p>By June 2019, the overpayment functionality in Individual ProviderOne system is expected to be fully implemented.</p> <p>By July 2019, the Department will work with the Health Care Authority to analyze the duplicate payments found and identify the ones that the Department is responsible for.</p> <p>By November 2019, the Department will begin the process of issuing overpayments to the providers for any unallowable payments.</p> <p>The Department will work with the federal grantor to determine if any questioned costs identified in the audit and associated costs need to be repaid.</p> <p>Estimated November 2019</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$34,510	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$34,510										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	052	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with survey requirements for Medicaid intermediate care facilities.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department utilizes a survey-tracking tool to monitor survey due dates and completion, and has established internal controls to ensure survey requirements for Medicaid intermediate care facilities are met.</p> <p>The one recertification that was performed past its due date in April 2018 was not an indication of internal control deficiency, but rather a result of resource prioritization. The facility was non-compliant with a condition of participation from a prior recertification survey, and was imposed with a “Denial of Payment” penalty for new admissions. After receiving the facility’s credible allegation of compliance letter in January 2018, the Department conducted two re-survey visits and subsequently placed the facility back in compliance in March 2018.</p> <p>The facility’s recertification was performed in May 2018 due to the Department’s executive decision to prioritize a recertification survey of another facility that had been out of substantial compliance and placed clients’ safety and welfare at risk.</p> <p>The Department will continue to ensure survey requirements are met. By April 2019, the Department will request assistance from:</p> <ul style="list-style-type: none"> • Certified surveyors of other units within Residential Care Services as needed. • The federal grantor’s contracted certified surveyors, if available, to meet compliance with survey intervals. <p>The conditions noted in this finding were previously reported in finding 2017-042, 2016-037, 2015-045, and 2014-046.</p> <p>Estimated April 2019</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	053	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.</p> <table border="0"> <tr> <td data-bbox="672 575 769 604"><u>CFDA #</u></td> <td data-bbox="1003 575 1094 604"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 606 748 636">93.775</td> <td data-bbox="1003 606 1029 636">\$0</td> </tr> <tr> <td data-bbox="672 638 748 667">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 669 748 699">93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department does not concur with the finding.</p> <p>In response to prior audit findings, the Department had implemented the Electronic Plan of Correction (ePOC), an electronic application that enables the Department to monitor compliance more effectively. The Department asserts that internal controls have been strengthened to ensure Statements of Deficiencies (SOD) are mailed by the tenth working day after survey exits, as evidenced by the steady decrease in audit exceptions since fiscal year 2016.</p> <p>The auditors reported two cases where the Department did not deliver SOD within ten working days as required. One case was due to the failure of the ePOC system on the provider end, resulting in the Department manually delivering the SOD to the provider on the eleventh day. The Department subsequently confirmed that the technical problem had been resolved for the provider in question.</p> <p>In the second case, an administrative review of the SOD caused a slight delay and resulted in the Department delivering the SOD to the provider on the eleventh day.</p> <p>In both cases, the SOD were delivered less than 24 hours beyond the federal requirement. The providers submitted their plans of correction timely with no impact from the one-day delay.</p> <p>System failures are beyond the control of the Department, and administrative reviews are essential to ensure SOD are complete and accurate. These should be considered acceptable reasons for providers not receiving their SOD within the required ten days.</p> <p>The Department will continue to use existing internal controls and quality assurance reviews to monitor the timeliness of SOD distribution to providers.</p> <p>The conditions noted in this finding were previously reported in finding 2017-043, 2016-036, 2015-044 and 2014-046.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	053 (cont'd)	Completion Date: February 2019 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	054	<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 Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.</p> <table border="0"> <thead> <tr> <th data-bbox="670 590 764 617"><u>CFDA #</u></th> <th data-bbox="1003 590 1094 617"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="670 621 748 648">93.775</td> <td data-bbox="1003 621 1078 648">\$8,315</td> </tr> <tr> <td data-bbox="670 653 748 680">93.777</td> <td></td> </tr> <tr> <td data-bbox="670 684 748 711">93.778</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department concurs that there were 25 instances when a daily payment was not supported by an electronic timekeeping record. These payments were made to a home care agency that subsequently closed and did not respond to the request for documentation.</p> <p>However, the Department does not concur that payments with no attached task sheets or missing signatures on task sheets should be included in questioned costs. Task sheets are used to document what tasks were completed during the provider's shift, as required by the home care agency contract. They are not a federal or state requirement.</p> <p>By April 2019, the Department will:</p> <ul style="list-style-type: none"> • Modify the tool provided to the Area Agencies on Aging (AAA) for monitoring home care agency's compliance with electronic timekeeping contractual requirements. • Work with AAA's contract management staff to request corrective action plans from home care agencies that are noncompliant with contractual requirements. <p>By September 2019, the Department will:</p> <ul style="list-style-type: none"> • Determine if an overpayment will be issued to the home care agency that did not respond to the request for electronic time keeping records to support the payment. • Determine if state funds will be used to reimburse federal questioned costs. <p>By December 2019, the Department will work with the federal grantor to determine if the questioned costs related to exceptions with task sheets need to be repaid.</p> <p>Estimated December 2019</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$8,315	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$8,315										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	054 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	055	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	<p>The Department of Social and Health Services did not ensure the federal portion of uncashed Medicaid checks was returned to its grantor.</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>CFDA #</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td style="text-align: right;">\$237,078</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department is implementing a process for the vendor to return uncashed checks to the Department. By May 2019, the Department and the vendor will:</p> <ul style="list-style-type: none"> • Complete the development of an interface to identify uncashed checks older than 180 days. • Develop a report listing the uncashed checks that need to be returned to the Department. • Request the vendor to return uncashed checks that were issued from April 2016 through December 31, 2017. Thereafter, the vendor is required to submit a monthly report with any uncashed checks. <p>By December 2019, the Department will return the federal share of all uncashed checks to the Center for Medicaid and Medicare Services.</p> <p>Estimated December 2019</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$237,078	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$237,078										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2018	056	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1096 703"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$25,288</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department asserts that adequate internal controls are in place to ensure all Medicaid individual providers had proper background checks. Centers for Medicare & Medicaid Services require a minimum of 86 percent proficiency statewide related to compliance with individual provider background checks. The Department has monitored this requirement for many years and has consistently achieved over 90 percent proficiency statewide.</p> <p>The audit identified:</p> <ul style="list-style-type: none"> • Five instances when fingerprint background check were not performed on Community First Choice (CFC) individual providers within the required timeframe. In all cases, the Department subsequently completed fingerprint background checks and found no disqualifying crimes. • One instance where a background check was not renewed after two years. Although this requirement is included in the Department policy, the State Plan does not require individual providers to complete background checks every two years to remain qualified. The State Plan only requires a state background check prior to contracting, and a federal background check, when required, within 120 days of being hired. <p>The Department agrees that two of the three Area Agency on Aging (AAA) proficiency improvement plans did not address how the AAA would correct a background check deficiency.</p> <p>To address the audit recommendations, the Department will continue to follow established internal controls to materially ensure CFC individual providers have timely background checks.</p> <p>By June 2019, the Department will revise its internal process for approving proficiency improvement plans to ensure accuracy and completeness.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$25,288	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$25,288									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	056 (cont'd)	<p>By August 2019, the Department will:</p> <ul style="list-style-type: none"> • Identify associated costs related to unallowable payments for personal care services. • Work with the U.S. Department of Health and Human Services to return questioned costs. <p>The conditions noted in this finding were previously reported in finding 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41, and 11-34.</p> <p>Completion Date: Estimated August 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan												
2018	057	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were properly revalidated or screened, and fingerprint-based criminal background check requirements were met.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 611 1096 735"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.775</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">93.777</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of November 2017, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurred within the five-year requirement.</p> <p>As of September 2018, the Department completed screening of all nursing facilities.</p> <p>As of October 2018, the Department implemented an automated process to screen providers in the Agency Contracts Database (ACD). The new process includes a built-in system edit in the ACD that prevents a new or renewal of Medicaid contract to be approved or signed unless the screening process has been successfully completed in ACD.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Verify and document proof of identity and authorization to work in the U.S. from individual providers before revalidating providers' contracts. • Perform quality assurance monitoring and remediation activities to ensure compliance with contracting requirements. <p>By September 2019, the Department will complete a workload impact assessment and cost analysis for:</p> <ul style="list-style-type: none"> • Monitoring provider risk levels for risk level reassignment due to overpayments or Medicaid fraud referral. • Implementing a process to conduct fingerprint-based criminal background checks for high-risk providers to meet additional fingerprint requirements. <p>Once workload impact and cost analysis is complete, the Department will determine the best course of action to comply with screening and fingerprint requirements.</p> <p>Completion Date: Estimated September 2019</p>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$0		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$0												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	057 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	058	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.</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;">\$1,985,968</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs.</p> <p>SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year.</p> <p><u>Cost Reports and Timesheets</u></p> <p>The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client.</p> <p>The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping. The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided and does not take into consideration that the rate assessment is based on a client's daily, weekly and annual needs for support services.</p> <p>Support services are evaluated and spread out over the entire year. The algorithm encompasses and factors in these support hours to determine the</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,985,968	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$1,985,968										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	058 (cont'd)	<p>daily rate. The staffing plan is not intended to be a reflection of the daily hours provided, but rather a snapshot of the client's average assessed needs.</p> <p>During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports.</p> <p><u>Settlements</u> The Department has the authority to reimburse the service provider for services delivered. Sometimes, overtime costs are necessary to adequately support clients, such as when:</p> <ul style="list-style-type: none"> • The ISS cost exceeds the reimbursed rate. • A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage. • High staff turnover and vacancy rate in the supported living industry necessitates the use of overtime. <p>All ISS hours are documented initially in the cost report as delivered at the benchmark. During the cost settlement process, the Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased.</p> <p><u>Categorization of Employees</u> Department policy states that for staff who perform both administrative/non-staff functions and ISS, the service provider may include that portion of the employee's hours that are dedicated to ISS function. The Department relies on the function of the position, rather than the title of the position.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Follow current policy and monitoring activities to ensure individual client assessed support needs are met. • Use statistical sampling method and risk assessment to select a sample of agencies to verify that ISS cost information submitted by providers is accurate. • Grant exceptions to the payment rates if needed. <p>By December 2019, the Department will:</p> <ul style="list-style-type: none"> • Increase the sampling size for cost report reviews to cover approximately one quarter of the supported living agencies. • Work with ProviderOne payment system partners to address system edits to prevent duplicate claims. • Consult with the federal grantor as to whether the questioned costs identified by the audit should be repaid.

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	058 (cont'd)	<p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> • Offer training to providers on maintaining adequate documentation to support ISS expenses. • Review a targeted sample of provider records to evaluate and determine whether supporting documentation is adequate. • Complete desk audits of selected providers and work with the providers to resolve any payment discrepancies identified. <p>By July 2020, the Department will process overpayments for the duplicate payments identified.</p> <p>The conditions noted in this finding were previously reported in findings 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39.</p> <p>Completion Date: Estimated July 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	059	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</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;">\$1,362,413</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>While the Department agrees that person-centered service plans must be signed by the Department, client, and provider, the Department does not agree that improper payments can be assigned when a person-centered service plan is not signed by an individual responsible for its implementation.</p> <p>The Centers for Medicare and Medicaid Services (CMS) had previously provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed service plan does not render a client ineligible for services and therefore should not result in an improper payment.</p> <p>In January 2018, the Department updated the quality assurance procedures in monitoring compliance for obtaining client signatures on service plans. The Division's Quality Assurance team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance.</p> <p>The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures.</p> <p>Based on CMS guidance, effective December 2018, the Department changed its regulations to no longer require the termination of services should a client not return a signed service plan within 60 days of the completion of assessment. Since the previous rule was in conflict with</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,362,413	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$1,362,413										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	059 (cont'd)	<p>federal guidance and has subsequently been revised, the Department disagrees with the auditor's determination that:</p> <ul style="list-style-type: none"> • Improper payments resulted from seven service plans that were not signed by the clients within 60 days. • Seven Department signatures and two provider signatures received after 60 days were audit exceptions. The 60-day time frame for the Department and providers was not required by either federal or state regulations. <p>By July 2019, the Department will:</p> <ul style="list-style-type: none"> • Revise its policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process. • Implement technical upgrades in the Comprehensive Assessment and Reporting Evaluation assessment tool to allow clients to sign their service plans via an electronic method. • Provide training and outreach efforts to field staff on the new requirement and the alternatives for obtaining client's signature on person-centered service plans. <p>By November 2019, the Department will complete targeted reviews to measure compliance and determine additional actions needed to increase proficiency rate with this requirement.</p> <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> • Consult with CMS to clarify if person-centered service plans that are missing signatures should result in unallowable payments, and if applicable, the associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid. <p>The conditions noted in this finding were previously reported in finding 2017-045.</p> <p>Completion Date: Estimated January 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2018	060	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</p> <table border="0"> <tr> <td data-bbox="672 575 764 604"><u>CFDA #</u></td> <td data-bbox="1003 575 1096 604"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 606 748 636">93.775</td> <td data-bbox="1003 606 1122 636">\$1,089,551</td> </tr> <tr> <td data-bbox="672 638 748 667">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 669 748 699">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The auditors expanded the audit scope in fiscal year 2018 to include a review of provider signatures on person-centered service plans, in addition to Department and client signatures, for compliance with federal requirements.</p> <p>While the Department agrees that it must comply with federal regulations regarding obtaining signatures on clients' person-centered service plans, the Department does not agree that improper payments can be assigned when a service plan is not signed by an individual responsible for its implementation.</p> <p>The Centers for Medicare and Medicaid Services (CMS) had provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed person-centered service plan does not render a client ineligible for services or a provider unqualified to provide services, and therefore should not result in an improper payment.</p> <p>The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures.</p> <p>Based on CMS guidance, effective December 2018, the Department changed its regulations for the Community First Choice Program to no longer require the termination of services should a client not return a signed person-centered service plan within 60 days of the completion of assessment.</p> <p>The Department has quality assurance processes in place to monitor compliance in obtaining client and Department signatures on person-centered service plans:</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,089,551	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$1,089,551										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	060 (cont'd)	<ul style="list-style-type: none"> • The Administration’s Quality Compliance Coordination team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance. • Case Manager Supervisors perform monthly monitoring of all staff for compliance with signature requirements. <p>By July 2019, the Department will:</p> <ul style="list-style-type: none"> • Consult with CMS to determine if person-centered service plans that are missing signatures should result in an unallowable payment. If necessary, the Department will identify associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if any costs identified by the audit should be repaid. <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> • Update policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process. • Develop and implement a training specifically designed to provide support and guidance to staff in obtaining required signatures on service plans in alignment with CMS guidance. <p>By September 2020, the Department will enhance the quality assurance process to monitor compliance with the signatures requirement.</p> <p>The conditions noted in this finding were previously reported in finding 2017-046 and 2016-043.</p> <p>Completion Date: Estimated September 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	061	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.</p> <table border="0"> <tr> <td data-bbox="670 552 771 577"><u>CFDA #</u></td> <td data-bbox="1003 552 1094 577"><u>Amount</u></td> </tr> <tr> <td data-bbox="670 581 748 606">97.036</td> <td data-bbox="1003 581 1032 606">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to prior year’s finding, the Department has been working on implementing process changes as outlined in the corrective action plan.</p> <p>As of November 2018, the Department updated the existing subrecipient monitoring policy to clearly outline roles and responsibilities for divisions and grant programs.</p> <p>The Finance Division maintains the Department’s Audit Tracker system and is responsible for collecting audit data from subrecipients across the Department. As of March 2019, the Division has mostly completed documenting all relevant audits for subrecipients that received grant funds in 2017 and 2018.</p> <p>After all audit data has been collected, the Finance Division will:</p> <ul style="list-style-type: none"> • Verify all required audits occurred. • Ensure all subrecipient audit findings related to the program were followed up on. • Ensure management decision letters were issued promptly where necessary. • Continue to add new subrecipients to the Audit Tracker system as new grants are awarded in 2019 and beyond. • Monitor audit status in the system and follow up as required. <p>The program will continue to perform program monitoring activities. Upon receipt of an audit finding notification, the program performs an extensive review of the finding and issue management decision letters as needed.</p> <p>By April 2019, the Department anticipates the new process will be fully implemented.</p> <p>The conditions noted in this finding were previously reported in finding 2017-052.</p> <p>Estimated April 2019</p>	<u>CFDA #</u>	<u>Amount</u>	97.036	\$0
<u>CFDA #</u>	<u>Amount</u>						
97.036	\$0						

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2018	061 (cont'd)	Agency Contact:	Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 Rich.shimizu@mil.wa.gov