

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Table of Contents

| Finding Number | State Agency | CFDA Number | Page Number |
|-----------------------|---|--------------------|--------------------|
| 05-01 | Department of Social and Health Services | 93.778 | I-7 |
| 05-02 | Department of Social and Health Services | 93.778 | I-9 |
| 05-03 | Department of Social and Health Services | 93.778 | I-10 |
| 05-04 | Department of Social and Health Services | 93.778 | I-12 |
| 05-05 | Department of Social and Health Services | 93.778 | I-13 |
| 05-06 | Department of Health/Department of Social and Health Services | 93.778 | I-14 |
| 05-07 | Department of Health/Department of Social and Health Services | 93.778 | I-16 |
| 05-08 | Department of Social and Health Services | 93.778 | I-18 |
| 05-09 | Department of Social and Health Services | 93.778 | I-20 |
| 05-10 | Department of Social and Health Services | 93.778 | I-21 |
| 05-11 | Department of Social and Health Services | 93.778 | I-22 |
| 05-12 | Department of Social and Health Services | 93.778 | I-24 |
| 05-13 | Department of Social and Health Services | 93.778 | I-25 |
| 05-14 | Department of Social and Health Services | 93.778 | I-26 |
| 05-15 | Department of Social and Health Services | 93.778 | I-28 |
| 05-16 | Department of Social and Health Services | 93.778 | I-30 |
| 05-17 | Department of Social and Health Services | 93.778 | I-31 |
| 05-18 | Department of Health | 93.778 | I-32 |
| 05-19 | Department of Social and Health Services | 93.778 | I-34 |
| 05-20 | Department of Social and Health Services | 93.778 | I-35 |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006***

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

Table of Contents

| Finding Number | State Agency | CFDA Number | Page Number |
|-----------------------|---|-----------------------------------|--------------------|
| 05-21 | Department of Social and Health Services | 93.778 | I-37 |
| 05-22 | Department of Social and Health Services | 93.778 | I-38 |
| 05-23 | Department of Social and Health Services | 93.778 | I-39 |
| 05-24 | Department of Social and Health Services | 93.778 | I-40 |
| 05-25 | Department of Social and Health Services | 93.778 | I-41 |
| 05-26 | Department of Social and Health Services | 93.778 | I-42 |
| 05-27 | Department of Social and Health Services | 93.778 | I-43 |
| 05-28 | Department of Social and Health Services | 93.778 | I-44 |
| 05-29 | Department of Social and Health Services | Not Specified | I-46 |
| 05-30 | Department of Social and Health Services | 93.575, 93.596, 93.558, 93.667 | I-48 |
| 05-31 | Department of Social and Health Services | Not Specified | I-50 |
| 05-32 | Department of Social and Health Services / Department of Health | 10.561 | I-52 |
| 05-33 | Department of Social and Health Services | 93.778, 93.658, 93.659 | I-54 |
| 05-34 | Department of Social and Health Services | Undetermined | I-55 |
| 05-35 | Department of Social and Health Services | Not Specified | I-56 |
| 05-36 | Department of Social and Health Services | 93.558 | I-59 |
| 05-37 | Department of Social and Health Services | 93.558 | I-60 |
| 05-38 | Department of Social and Health Services | 10.551, 10.651 | I-62 |
| 05-39 | Department of Social and Health Services | 96.001 | I-63 |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006***

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

Table of Contents

| Finding Number | State Agency | CFDA Number | Page Number |
|-----------------------|--|---|--------------------|
| 05-40 | Department of Social and Health Services | 93.778 | I-64 |
| 05-41 | Department of Social and Health Services | 96.001 | I-65 |
| 05-42 | Department of Social and Health Services | 93.767 | I-66 |
| 05-43 | Department of Social and Health Services | 93.958 | I-67 |
| 05-44 | Department of Social and Health Services | 93.958 | I-68 |
| 05-45 | Department of Social and Health Services | 93.958 | I-69 |
| 05-46 | Department of Social and Health Services / Health Care Authority | 93.958 | I-70 |
| 05-47 | Department of Community, Trade and Economic Development | 93.568 | I-72 |
| 05-48 | Department of Community, Trade and Economic Development | 93.568 | I-73 |
| 05-49 | Department of Community, Trade and Economic Development | 93.568 | I-74 |
| 05-50 | University of Washington | 93.389, 93.866, 93.846, 93.837, 93.864, 93.866, 93.856, 93.859 | I-75 |
| 05-51 | University of Washington | Not Specified | I-76 |
| 05-52 | Department of Community, Trade and Economic Development | 14.239 | I-77 |
| 05-53 | Employment Security Department | 17.225 | I-78 |
| 05-54 | Employment Security Department | 17.258, 17.259, 17.260, 17.225 | I-79 |
| 05-55 | Military Department | 12.401 | I-80 |
| 05-56 | Military Department | 16.007, 97.004 | I-81 |
| 05-57 | Military Department | 12.401 | I-82 |
| 05-58 | Department of Ecology | 66.458 | I-83 |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Table of Contents

| Finding Number | State Agency | CFDA Number | Page Number |
|-----------------------|--|--------------------|--------------------|
| 05-59 | Department of Social and Health Services/Department of Community, Trade and Economic Development/ Military Department/Department of Health/Department of Veterans' Affairs | 16.523, 84.126 | I-84 |
| 04-01 | Department of Social and Health Services / Health Care Authority | 93.778 | I-90 |
| 04-02 | Department of Social and Health Services | 93.778 | I-92 |
| 04-03 | Department of Social and Health Services | 93.778 | I-95 |
| 04-04 | Department of Social and Health Services | 93.778 | I-97 |
| 04-05 | Department of Social and Health Services | 93.778 | I-99 |
| 04-07 | Department of Social and Health Services / Health Care Authority | 93.778 | I-101 |
| 04-08 | Department of Social and Health Services | 93.778 | I-103 |
| 04-09 | Department of Social and Health Services | 93.778 | I-104 |
| 04-11 | Department of Social and Health Services | 93.778 | I-105 |
| 04-12 | Department of Social and Health Services / Department of Health | 93.778 | I-107 |
| 04-13 | Department of Social and Health Services | 93.778 | I-108 |
| 04-14 | Department of Social and Health Services | 93.778 | I-110 |
| 04-18 | Department of Social and Health Services | 93.778 | I-112 |
| 04-20 | Department of Social and Health Services | 93.778 | I-113 |
| 04-21 | Department of Social and Health Services | 93.778 | I-115 |
| 04-22 | Department of Social and Health Services | 93.778 | I-116 |
| 04-23 | Department of Social and Health Services | 93.558 | I-117 |
| 04-24 | Employment Security Department | 17.225 | I-118 |
| 04-25 | Department of Social and Health Services | 93.575, 93.596 | I-119 |
| 04-26 | Department of Social and Health Services | 93.575 | I-120 |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Table of Contents

| Finding Number | State Agency | CFDA Number | Page Number |
|-----------------------|---|--|--------------------|
| 04-27 | Department of Social and Health Services | Undetermined | I-121 |
| 04-28 | Department of Social and Health Services | 10.561 | I-122 |
| 04-30 | Department of Social and Health Services | 93.958 | I-124 |
| 04-31 | Office of Superintendent of Public Instruction | 84.010 | I-125 |
| 04-32 | Department of Social and Health Services | 93.958 | I-126 |
| 04-33 | Department of Social and Health Services | Not Specified | I-127 |
| 04-34 | Department of Social and Health Services | Not Specified | I-130 |
| 04-35 | Department of Social and Health Services | 10.561, 93.558, 93.566, 93.596, 93.667, 93.778 | I-134 |
| 04-36 | Department of Social and Health Services | 93.958 | I-135 |
| 04-37 | Department of Community, Trade and Economic Development | 14.239 | I-136 |
| 04-38 | Department of Community, Trade and Economic Development | 93.568, 93.569 | I-137 |
| 04-39 | Department of Social and Health Services | 84.126 | I-138 |
| 04-40 | Department of Social and Health Services | 16.523 | I-140 |
| 04-41 | Military Department | 16.007, 97.004 | I-141 |
| 04-44 | Department of Social and Health Services | 93.958 | I-142 |
| 04-45 | Military Department | 16.007, 97.004 | I-143 |
| 04-46 | University of Washington | 93.846, 93.856 | I-144 |
| 04-47 | Employment Security Department | 17.245 | I-145 |
| 04-48 | Employment Security Department | 17.245 | I-146 |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

Table of Contents

| Finding Number | State Agency | CFDA Number | Page Number |
|-----------------------|---|---------------------------|--------------------|
| 04-49 | Department of Social and Health Services | 93.767 | I-147 |
| 03-1** | Department of Community, Trade and Economic Development | 14.239 | n/a |
| 03-3 | Employment Security Department | 17.225 | I-148 |
| 03-4** | Employment Security Department | 17.225 | n/a |
| 03-5 | Employment Security Department | 17.255*** | I-149 |
| 03-8** | Department of Social and Health Services | 93.778 | n/a |
| 03-11 | Department of Social and Health Services | 93.778 | I-150 |
| 03-12** | Department of Social and Health Services | 93.778 | n/a |
| 03-13 | Department of Social and Health Services | 93.778 | I-152 |
| 03-14 | Department of Social and Health Services | 93.778 | I-153 |
| 03-17* | Department of Social and Health Services | 93.778 | n/a |
| 03-19* | Department of Social and Health Services | 93.558 | n/a |
| 03-22* | Department of Social and Health Services | 93.958 | n/a |
| 03-23* | University of Washington | 12.000, 93.279, 93.361 | n/a |
| 02-11* | Department of Social and Health Services | 93.778 | n/a |
| 01-17 | Department of Social and Health Services | 93.563, 93.778 | I-155 |
| 00-12 | Department of Social and Health Services | 93.563, 93.778 | I-156 |

*Corrective action was taken

** Two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse, the Federal agency is not currently following up with the auditee, and a management decision was not issued.

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

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|----------|
| 05 | 01 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), does not have procedures to identify treatments and services that may not be allowable for reimbursement under the State Medicaid Plan.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$47,970</td> </tr> </table> <p>Corrective action complete</p> <p>By policy, the Department intends to pay only for medically necessary services. The Department is not aware of any exception or specific unallowable claims for which corrective action is necessary. Research activities began (noted below) upon receipt of medical documentation and/or detailed working papers from the auditor. The Department investigated and found no corrective action necessary.</p> <ul style="list-style-type: none"> • The Health and Recovery Services Administration (HRSA) researched and verified the medical necessity of the clients who were identified as “exceptions” for having received breast reduction and breast enlargement surgery. Medical records were requested and reviewed for all exceptions. The surgeon in charge indicated in the patient’s medical records that the surgery was necessary due to the need for pain management, a qualifying condition for the surgery. This process was completed November 10, 2006. • Breast enlargement and reduction surgery is paid according to Expedited Prior Authorization criteria included on a claim. HRSA hired a Registered Nurse July 16, 2006, to perform the responsibilities of managing the Expedited Prior Authorization program. | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$47,970 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$47,970 | | | | | | |

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 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
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| 05 | 01 (Cont'd) | <ul style="list-style-type: none"> • The Department implemented a new medical necessity Washington Administrative Code (WAC) 388-501-0165 in December 2005. All cases with a diagnosis of trans-sexualism are reviewed according to the amended medical necessity WAC. The Department continues to participate in Fair Hearings and submit decisions to the Board of Appeals as appropriate and necessary to sustain coverage decisions. • HRSA added trans-gender surgery as a non-covered service in the state's new Certificate of Coverage WAC in December 2006, because evidence-based criteria deems hormone therapy and psychotherapy as effective, lower risk and lower cost treatment for the condition of gender dysphoria. The new Certificate of Coverage WAC is designed to clarify which service categories are covered, covered with limitations and non-covered. • Clients may enter into Medicaid with chronic diseases and/or medical equipment (including penile implants) paid for by the client or another health plan. HRSA will authorize payment for devices or previous procedures that fail or require repair when medically necessary. HRSA continues to review requests and authorize payment for those procedures that are considered medically necessary. • Because office visits are not prior authorized and not reviewed by diagnosis HRSA continues to assume that office visits carrying the diagnosis of trans-sexual are medically necessary and backed up with documentation by the provider as required by law and regulation. • HRSA continues to make decisions based on medical necessity and pay for hormone replacement and psychotherapy as equally effective, less risky and less costly alternatives for both pre and post surgery candidates as determined appropriate. <p>Completion Date: December 2006</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|
| 05 | 02 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration, does not have adequate controls to ensure that all alleged violations and complaints of abuse and neglect are investigated in accordance with federal law.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>No action taken</p> <p>The Department disagrees with this finding. The Department requires facilities to follow the Code of Federal Regulations, 42 CFR 483 Subpart I in order to protect individuals from abuse, neglect, and mistreatment. Residential Care Services, a division in the Aging and Disability Services Administration, conducts complaint investigations according to procedures established in the federal State Operations Manual by the Centers for Medicare and Medicaid Services.</p> <p>All identified examples have been reviewed and were triaged and investigated according to the established procedures.</p> <p>N/A</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|-----|
| 05 | 03 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration, does not perform certification surveys of Intermediate Care Facilities for the developmentally disabled according to federal law.</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>93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Refer to finding 06-10</p> <p>The Department follows the survey process identified in the Centers for Medicare and Medicaid Services (CMS) State Operations Manual, Appendix J. This is where the directions for survey of Intermediate Care Facilities for the Mentally Retarded are found.</p> <p>As authorized by 42 USC § 1302, the Secretary of the Department of Health and Human Services (DHHS) has adopted regulations consistent with the requirements of the Social Security Act. Under these rules: Providers of Intermediate Care Facilities for the Mentally Retarded must meet all of the certification requirements of 42 CFR 483 Subpart I; and state agencies must conduct certification surveys in accordance with 42 CFR 488.26(c), including subsection (5) (d), which states, "the state survey agency must use the survey methods, procedures and forms that are prescribed by CMS."</p> <p>During an initial certification survey the Department reviews all eight Medicaid conditions of participation, including the associated 489 standards. For a recertification survey, CMS has adopted specific procedures, which require state agencies to review four conditions of participation and the associated 57 standards. The procedures also give the Department the authority to expand the scope of the survey at any time, based upon survey findings or information from other sources.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 03 (Cont'd) | <p>The Department sought additional clarification from the federal Department of Health and Human Services (HHS) to resolve the conflicting direction received by the Office of Inspector General and CMS. DSHS Secretary Robin Arnold-Williams initially raised this question with HHS during a conference call in July 2006, and discussions are continuing with HHS. The Department expects to receive an official decision from HHS shortly.</p> <p>Completion Date: This finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-10.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 05 | 04 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration does not have a process to impose sanctions, recover funds, schedule or hold hearings for Intermediate Care Facilities for the Developmentally Disabled that are not in substantial compliance with federal health and safety standards.</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;">93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department continues to follow the Code of Federal Regulations (CFR) regarding scheduling and holding hearings will establish internal procedures consistent with the CFR.</p> <p>As of June 2006, the Department established:</p> <ul style="list-style-type: none"> • Procedures to schedule and hold appeals hearings. • Process for instituting denial of payment sanctions. • Procedures to recoup funds paid to a facility in denial of payment status. <p>June 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Health (DOH)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|-----|
| 05 | 05 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Health is not conducting hospital surveys according to the frequency stipulated by state law and the Medicaid State Plan.</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>93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The scope of the Fiscal Year 2005 audit covered the survey cycle for Fiscal Years 2004 and 2005. During this time, state law RCW 70.41 required the Department to conduct inspection surveys of all hospitals at least yearly. However, the law allowed for a hospital surveyed by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) within the previous 12 months to be exempt from annual state survey if the Department received the results of the JCAHO survey.</p> <p>At the time of the audit, the Department acknowledged that it was not accomplishing the annual surveys due to lack of adequate staff and that a change to the law was being proposed to address this. The 2005 Legislature changed the law to require the Department to conduct inspection surveys of hospitals on average at least every 18 months. In addition, the Legislature modified the requirement for the JCAHO survey to allow those surveys to be deemed as meeting the 18-month survey requirement. These law changes became effective July 24, 2005 and, as of December 31, 2005, all hospitals are now being surveyed according to the 18-month average.</p> <p>December 2005</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Health (DOH) & Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|--|---|---------------|---------------|--------|-----|
| 05 | 06 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | <p>The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, are not ensuring compliance with federal law regarding hospital surveys.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress</p> <p><u>Department of Health</u></p> <p>The Department of Health (DOH) and the Department of Social and Health Services (DSHS) have a signed agreement, effective December 2, 2005, that complies with the Medicaid State Plan and federal requirements. The agreement reflects those items that are required by the Centers for Medicare and Medicaid Services (CMS).</p> <p>During the Fiscal Year 2006 Medicaid audit, the auditor reiterated the position that the Department is not in compliance with federal requirements governing Medicaid surveys.</p> <p>While DOH maintains its position that it is meeting all federal requirements, the Department is working to implement documentation procedures that are intended to satisfy the auditor's requirement that field notes are retained as part of the documentation for hospital surveys.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-09.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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Department of Health (DOH) & Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|--|---------------|---------------|--------|---------------|--|
| 05 | 06 (Cont'd) | <p>Finding: The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, are not ensuring compliance with federal law regarding hospital surveys.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$291,547,052</td> </tr> </table> <p>Status: Refer to finding 06-09</p> <p>Corrective Action:</p> <p><u>Department of Social and Health Services</u></p> <p>The Department of Health (DOH) and the Department of Social and Health Services (DSHS), have a signed agreement effective December 2, 2005 that complies with the Medicaid State Plan and federal requirements for hospital surveys as approved by the Centers for Medicare and Medicaid Services (CMS).</p> <p>The agreement reflects those items that are required by CMS. All reports now indicate that all Federal Medicare hospital certification regulations (Conditions of Participation) are reviewed for compliance during the on-site. All deficient findings are documented according to CMS Principles of Documentation. The Department's review of the information made available by DOH indicates that source documents and other information obtained during survey's is retained in accordance with federal requirements and the agreement between the Department and DOH. DOH and DSHS believe that the terms of the agreement are in compliance with CMS rules.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-09.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$291,547,052 | |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$291,547,052 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Health (DOH) & Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 05 | 07 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, agreement covering hospitals' survey activities does not comply with federal requirements.</p> <p><u>Department of Health</u></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department of Health (DOH) and the Department of Social and Health Services (DSHS), have a signed agreement effective December 2, 2005 that complies with the Medicaid State Plan and federal requirements for hospital surveys as approved by the Centers for Medicare and Medicaid Services (CMS).</p> <p>The agreement reflects those items that are required by CMS. All reports now indicate that all Federal Medicare hospital certification regulations (Conditions of Participation) are reviewed for compliance during the on-site. All deficient findings are documented according to CMS Principles of Documentation. The Department's review of the information made available by DOH indicates that source documents and other information obtained during surveys is retained in accordance with federal requirements and the agreement between the DSHS and DOH. DOH and DSHS believe that the terms of the agreement are in compliance with CMS rules.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to Finding 06-19.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Health (DOH) & Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 05 | 07 (Cont'd) | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, agreement covering hospitals' survey activities does not comply with federal requirements.</p> <p><u>Department of Social and Health Services</u></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Refer to finding 06-19</p> <p>The Department of Social and Health Services and Department of Health (DOH) have a finalized and signed agreement dated December 2, 2005, that complies with the Medicaid State Plan and Federal requirements for hospital surveys as approved by the Centers for Medicare and Medicaid Services (CMS).</p> <p>The agreement reflects those items that are required by CMS. The information that is shared by DOH is compliant with those requirements.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-19.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|--|---------------|---------------|--------|--------------|
| 05 | 08 | <p>Finding: The Department of Social and Health Services, Health and Recovery Services Administration (formerly Medical Assistance Administration), received federal Medicaid funds for unallowable services provided to undocumented aliens.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$83,199,933</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department will wait for the finalization of the current Alien Emergency Medical (AEM) audit by the federal Office of Inspector General and make appropriate corrections so as to avoid any conflicts on the interpretation of the AEM policy. This is estimated to be completed by June 2007.</p> <p>As a result of the Fiscal Year 2005 audit, the following corrective steps are currently in progress to improve internal controls of Social Security number (SSN) verification:</p> <p>As a result of the Fiscal Year 2005 audit, the following corrective steps are currently in progress to improve internal controls of Social Security number (SSN) verification:</p> <ul style="list-style-type: none"> ▪ A review of the automated SSN verification at the time of the Automated Client Eligibility system (ACES) entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal database to update nightly, with income and Medicare eligibility updated daily. ▪ The most significant solution for ensuring correct social security numbers is the modification to the State On-line Query (SOLQ). This change was made in ACES April 16, 2006. The SOLQ interface was modified to accommodate users' ability to multiple queries without exiting the system. With the upgrade staffs were trained to verify the SSN upfront to maximize efficiency and accuracy. | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$83,199,933 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.778 | \$83,199,933 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 08 (Cont'd) | <ul style="list-style-type: none"> ▪ Staff is currently required to act on SSN discrepancy alerts sent by the Social Security Administration. The Department will continue to provide instruction and written guidance to staff regarding the manner in which alerts are handled. ▪ The Department has initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System. ▪ The auditor also recommended that the Department fund a state program that would pay for the additional care that the state wishes to provide for the undocumented alien population. Such funding decisions are the prerogative of the Legislature and not the Department. <p>The conditions noted in this finding were previously reported in finding 04-05.</p> <p>Completion Date: Estimated June 2007</p> |

**State of Washington
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 For the Fiscal Year Ended
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 09 | <p>Finding: The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal requirements to defer Medicaid expenditures related to undocumented aliens.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$27,264,885 to 32,114,267</p> <p>Status: Refer to finding 06-07</p> <p>Corrective Action: The Department established account coding in the Agency Financial Reporting System (AFRS) which facilitated the alien emergency medical (AEM) reporting on the CMS64 effective with the quarter ending June 30, 2004.</p> <p>Effective October 1, 2004, the Department has not drawn federal matching funds for AEM expenditures, except for labor and delivery. The cost for labor and delivery was specifically exempted upon confirmation with the Centers for Medicare and Medicaid Services via an email dated November 17, 2005.</p> <p>The Department will wait for the finalization of the current AEM audit by the federal Office of Inspector General to draw from the Medicaid award. This is estimated to be complete by June 2007.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-07.</p> |

**State of Washington
Summary Schedule of Prior Audit Findings
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**OMB Circular A-133 Audit
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|--------------|
| 05 | 10 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to support its decisions on eligibility of clients enrolled in Medicaid's Basic Health Plus Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$29,206,364</td> </tr> </table> <p>Refer to finding 06-05</p> <p>The Department disagrees with this finding.</p> <p>The Department's Automated Client Eligibility System (ACES) receives data interfaced from several sources including the Employment Security Dept. (ESD); SEMS (Child Support); Social Security/Bendex and a private income verification system known as TALX. It uses this information to determine employment of all adults in the household using their Social Security Numbers (SSN). Because these are Basic Health (BH) Plus households and the adults are BH members, the Department receives all adult SSN which are added ACES. Once in ACES the SSN is cross-matched with the interfaces. "Alerts" are generated if there are unreported earnings or income discrepancies for all adults (spouse included). These interfaces are considered independent sources. The Department does not accept client declaration of income as stated by the auditor. Staff follows established Department policies for corroborating client income as outlined in the EA-Z Manual. The Department follows the income methodology set forth in Washington Administrative Code, the EA-Z Manual, and federal regulations.</p> <p>The auditor has not shared with the Department the eligibility time frames they reviewed, or the methods employed to calculate household income. Due to this, the Department is not able to speak to the statements in the auditor's report regarding cases in which income found is thought to be in excess of federal standards.</p> <p>The conditions noted in this finding were previously reported in finding 04-07.</p> <p>The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-05.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$29,206,364 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$29,206,364 | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|--|---------------|---------------|--------|-----------|
| 05 | 11 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, does not have procedures to determine whether expenditures for anabolic steroids are allowable under the Medicaid program.</p> <table border="0" data-bbox="669 772 974 829"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$269,610</td> </tr> </table> <p>Corrective action complete</p> <p>The Department disagrees with this finding. The Department has hard stops and clinical review of all Point-of-Sale (POS) expenditures for anabolic steroids. Procedures to assure that anabolic steroid expenditures are allowable have been in place and operating effectively since the products came on the market. The Department received the auditors' working papers and examined each claim number or other specific identifier to determine if there was a weakness in the system that needs to be corrected or if a provider needs to be investigated. This process showed no weaknesses in the system; all questioned claims were paid appropriately.</p> <p>Prior to the audit, the Department has implemented its plan for managing the utilization of these medications and assuring that prescriptions written for medications classified as "anabolic steroids" are medically necessary through prior authorization. Procedures to direct all requests for these prescriptions to the Drug Utilization Review Team (DURT) for review and determination have been implemented. Standards for required clinical information from the prescriber are in place, as well as criteria for making medical necessity determinations. In 2005, DURT reviewed 171 requests of which 12 (7 percent) were denied for lack of medical necessity.</p> <p>The Department continues to assess the strength and consistency of its edits and prior authorization program. A review of data obtained from the Department's contracted POS vendor was completed on May 10, 2006 to test the effectiveness of edits and determine if any of these medications "slipped" through without prior authorization. Some problems were found on pharmacy claims and changes to procedures were made in June 2006.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$269,610 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$269,610 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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 For the Fiscal Year Ended
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 11 (Cont'd) | <p>The auditor found that payments for anabolic steroids appear to be at inconsistent rates. The Department acknowledges the complexity of drug programs. Product strengths, dosages, package sizes, and units are among the variables that impact reimbursement costs. The Department has closely examined each claim and payment listed as a questionable cost. It was determined that all payments were made correctly.</p> <p>Completion Date: July 2006</p> |

**State of Washington
Summary Schedule of Prior Audit Findings
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|--|--------|-------------|--|
| 05 | 12 | <p>Finding: The Department of Social and Health Services is not adequately reviewing pharmaceutical claims to identify patterns of fraud and abuse.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$1,258,343</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action:</p> <p>On June 5, 2006, the Pharmacy Point of Sale (POS) vendor loaded Drug Enforcement Authority (DEA) numbers from the national DEA database and the Department has completed a change request to the Medicaid Management Information System (MMIS) that will utilize this data to validate against the full DEA national database at the time claims are processed for payment. This validation will eliminate the need to rely on a manual process for blocking invalid DEA numbers.</p> <p>New Health Insurance Portability and Accountability Act rules require the use of a National Provider Identifier (NPI) for medical providers starting in May 2007. The Department has expressed to the Centers for Medicaid and Medicare that upon implementation of the ProviderOne system, projected for February 2008, this number will be used to identify prescribing providers in the POS and the DEA number. It will be used solely for validation that a provider is registered to prescribe controlled substances.</p> <p>The Department is in the process of development and implementation of a new MMIS and Pharmacy POS. The new MMIS/POS, targeted for implementation in July 2007, is designed to support the NPI as described above.</p> <p>The Department has a rigorous and extensive Drug Use Review Program and is in full compliance with Sec. 456.709. Post payment review of invalid DEA numbers has been added to the regular Department Payment Review Program (PRP) algorithm process. The PRP ran an algorithm that uses the federal DEA database to identify invalid DEA numbers and issued overpayment notices totaling \$769,000 to 219 pharmacies statewide in January 2006. Upon investigation of overpayment notices and responses from pharmacies, it was determined that virtually all invalid DEA numbers are the result of administrative errors. Given this development, the Department will not perform further post payment review on pharmacy claims through June 2006 (when the automatic check was implemented).</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-17.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.778 | \$1,258,343 | |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.778 | \$1,258,343 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|
| 05 | 13 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, is not in compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Refer to finding 06-18</p> <p>The Department's Division of Alcohol and Substance Abuse (DASA), Mental Health Division (MHD) Headquarters and Eastern and Western State Hospitals now include procedures and policies to report allegations of abuse and neglect to the Medicaid Fraud Control Unit (MFCU) in accordance with federal law. Mental Health's policy went into effect March 2005 and DASA's policy went into effect June 30, 2005.</p> <p>The MHD Compliance Officer currently reviews 100 percent of incident and daily reports submitted to the division from the hospitals.</p> <p>The DASA Certification Supervisor currently reviews 100 percent of incident reports of fraud or abuse. The DASA Internal Auditor is monitoring and reviewing incident reports on a monthly basis and ensuring the division is in compliance with all polices related to reporting requirements of Medicaid Fraud and Abuse of Medicaid Patients.</p> <p>The Department also examined the adequacy of policies and procedures related to follow up on contacts made to the Department by the Fraud Control Unit related to potential abuse. This was complete October 25, 2006. Policies and procedures were found to be adequate.</p> <p>The condition noted in this finding was previously reported in finding 04-18.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-18.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|-----|
| 05 | 14 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed and have submitted accurate information.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In February 2006, the Department's Provider Enrollment Unit put new policies in place requiring verification of a provider's address using the reverse directory.</p> <p>The current Medicaid Management Information System (MMIS) only allows a field for one license. Consequently both business and professional licenses cannot be stored. The new Provider One system will allow both.</p> <p>The current MMIS system is being replaced with the new "ProviderOne" MMIS. The Administration is actively participating in design sessions for the new system. This includes requiring the system to identify expired business licenses. Implementation is target for June 2007.</p> <p>Provider Enrollment is reviewing all providers to assure requirements are met. In January 2006 Provider Enrollment sent out the "24 Month" letters asking providers who have not done any business with the Department for 24 months to respond by Feb 15, 2006, if they wanted to remain on the Department's active list. As of Feb 18, 2006, the Department terminated 820 providers.</p> <p>The Department has initiated a policy where the Provider Relations Field Unit and the Office of Payment Review and Audit (OPRA), visit durable medical equipment (DME) providers ("drive-bys") to verify the address of the DME dealers in that area. This is currently being done and documented.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

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

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 14 (Cont'd) | <p>The Division of Fraud and Investigations also verify DME vendors when their investigators are in the field. This information is provided to OPRA, which is responsible for this activity. As of November 17, 2006, 271 reviews have been conducted. There are twelve vendors that remain to be reviewed by OPRA.</p> <p>The condition noted in this finding was previously reported in finding 04-14.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-16.</p> |

**State of Washington
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 For the Fiscal Year Ended
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-------------|
| 05 | 15 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to prevent Medicaid payments for services provided after a client's death or to prevent payments for services provided to individuals using the Social Security number of a deceased person.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$1,873,889</td> </tr> </table> <p>Corrective action in progress</p> <p>On February 4, 2005, the Department completed a review of the automated Social Security number (SSN) verification at the time of the Automated Client Eligibility System (ACES) entry. As a result, newly established automated verification of SSN for each ACES entry has been implemented. The ACES federal interface was modified to use State Data Exchange/Wire Third Party Query (WTPY) for SSN verification on a nightly basis. In addition, the Department has enhanced procedures, including modification of the interface with the federal Social Security Administration (SSA) database to update nightly, with income and Medicare eligibility updated daily.</p> <p>The SSA's State Online Query (SOLQ) user interface was modified April 16, 2006, to accommodate user's ability to multiple SSN validations without exiting the system. The Department continues to provide instruction and written guidance to staff regarding the manner in which alerts are handled.</p> <p>The Department has initiated a cross-administration SSN Quality Improvement Workgroup and continues to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System (MMIS).</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$1,873,889 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$1,873,889 | | | | | | |

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 15 (Cont'd) | <p>The Department is not aware of any known computer interface issues that require specific action at this time. The Department continues to assess, prioritize, and resolve interface issues as they are identified.</p> <p>The Design Phase of the new MMIS is underway and includes a complete assessment of the ACES/MMIS interface. Implementation of the new ProviderOne interface with ACES will be thoroughly tested prior to implementation to assure that data is being transferred accurately. This is targeted for June 2007.</p> <p>The Department receives quarterly death data from the Department of Health (DOH). The Department is a stakeholder in a DOH initiative that will provide the Department with real-time on-line access to DOH death data. Although currently being piloted in two counties, statewide implementation is not anticipated for several years. DOH will remain dependent upon counties for receipt of death data, resulting in a lag in receipt of the information. Due to this lag, the Department continues its successful post-pay review activities and the identification and recoupment of claims paid for deceased clients.</p> <p>The Department's Payment Review Program follows up with quarterly post-payment review activities related to date of death with the identification of any potential provider fraud and appropriate referral to the Medicaid Fraud Control Unit.</p> <p>The conditions noted in this finding were previously reported in finding 04-02.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-03.</p> |

**State of Washington
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 For Years Prior to Fiscal Year 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|--------------|
| 05 | 16 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, did not ensure that home health agencies providing services under the Medicaid program complied with federal surety bond requirements.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$15,269,485</td> </tr> </table> <p>No action taken</p> <p>The Department recognizes the concerns of this finding. Because of that, the Department has asked for and received a memorandum from the Department’s Attorney General (AG) regarding the surety bond issue. The final conclusion of the AAG is: “CMS (the Centers for Medicare and Medicaid Services) suspended the surety bond requirement in July 1998 and has not reinstated this requirement; therefore, Home Health Agencies are not required to show compliance with the surety bond requirement at this time.”</p> <p>DSHS Secretary Robin Arnold-Williams asked the federal Department of Health and Human Services (HHS) to resolve the conflicting direction received by the Office of the Inspector General and CMS on this issue and to provide clarification and direction to the state so both the State Auditor’s Office and DSHS are clear about federal expectations and requirements. The Department expects to receive an official decision from HHS shortly.</p> <p>N/A</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$15,269,485 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$15,269,485 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|--|
| 05 | 17 | <p>Finding: The Department of Social and Health Services, Health and Recovery Services Administration, does not have adequate reviews of home health agencies to ensure providers are licensed, Medicare certified, and have signed a Core Provider Agreement as required by law.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$208,587</p> <p>Status: Refer to finding 06-14</p> <p>Corrective Action: The Department's Provider Enrollment Unit updated the Provider Enrollment manual in July 2005 to reflect all the required documents. The lead worker in Provider Enrollment personally trained each worker in the unit to ensure that new manual requirements are met.</p> <p>Provider Enrollment started a project in November 2005 to bring all Home Health providers up to date and have all the needed documents. The project was completed in March 2006.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-14.</p> | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006***

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

Department of Health (DOH)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|
| 05 | 18 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Health does not retain documentation that would provide evidence to ensure all home health agency providers performed criminal background checks and obtained disclosures on employees having unsupervised access to vulnerable adults, as the law requires.</p> <table border="0" data-bbox="669 779 964 835"> <tr> <td data-bbox="669 779 764 806"><u>CFDA #</u></td> <td data-bbox="870 779 964 806"><u>Amount</u></td> </tr> <tr> <td data-bbox="669 806 764 835">93.778</td> <td data-bbox="870 806 964 835">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with the finding and is in compliance with current state law. RCW 43.43.842 requires the Secretary of Health to adopt requirements for the licensure of home health agencies (HHAs) to include performance of criminal background checks on employees and others who have unsupervised access to vulnerable adults.</p> <p>The goal of an HHA survey is to determine if the entity is in compliance with conditions of participation as set forth in 42 CFR Parts 482 and 484, and by inference all applicable state laws including the requirement that HHAs perform criminal background checks.</p> <p>If the Department's surveyors determine that a subject HHA is in violation of the requirement to complete criminal background checks, it is noted as such on the final report (CMS Form 2567). If violations involve specific employees, a confidential list is also included and maintained in the file until the issue is resolved. If no violations have been found by the surveyor, the report is signed, filed and retained by the Department. The Department believes this fulfills the intent of CFR 42 CFR 431.610(f) (3) to retain all information and reports, and is consistent with state law.</p> <p>In addition, the process and methodology for conduct of HHA surveys and reporting conforms to the Centers for Medicare and Medicaid Services (CMS) policies and procedures found in their State Operation Manual and Principles of Documentation Guide. The State Operation Manual and Principles of Documentation Guide are based on the requirements of 42 CFR 488, which is descriptive of the exception reporting process currently followed by the Department.</p> <p>During the Fiscal Year 2006 Medicaid audit, the auditor reiterated the position that the Department is not in compliance with federal requirements governing surveys of HHAs.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Health (DOH)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|--|
| 05 | 18 (Cont'd) | Corrective Action: | While DOH maintains its position that it is meeting all federal requirements, the Department is working to implement documentation procedures that are intended to satisfy the auditor's requirement that field notes are retained as part of the documentation for HHA surveys. |
| | | Completion Date: | The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to Finding 06-15. |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|--------------|
| 05 | 19 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration, does not ensure providers of home health care services are Medicare-certified as required by the Medicaid State Plan.</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>93.778</td> <td style="text-align: right;">\$11,449,600</td> </tr> </table> <p>Corrective action in progress</p> <p>On March 27, 2006, the Aging and Disability Services Administration (ADSA) submitted recommended State Plan Amendment language to the Health and Recovery Services Administration to clarify Medicare certification is not required when home health agencies provide services that do not require licensed registered nurses or licensed professional nurses. The clarified language is as follows:</p> <p>“State plan skilled nursing services, other than Private Duty, require a home health agency to be Medicare-certified. All other, non-skilled services do not require Medicare certification.”</p> <p>This amended language was approved by Centers for Medicare and Medicaid Services (CMS) on June 30, 2006. It corrects the identified issues related to Private Duty Nursing services provided by home health agencies under the State Plan.</p> <p>CMS requested that the exemption of Medicare Certification for home health agencies that provide personal care services be addressed in the personal care sections of the State Plan. This necessitated an additional amendment request which was submitted to CMS on June 28, 2006. The Department responded to a CMS Request for Additional Information on August 31, 2006. It is anticipated that a decision will be made in June 2007.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-01.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$11,449,600 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$11,449,600 | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|--------------|
| 05 | 20 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, is not complying with federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$10,475,283</td> </tr> </table> <p>Refer to finding 06-02</p> <p>The Department’s current Washington Administrative Code (WAC) and procedures require that each client applying for Medicaid benefits furnish their Social Security number (SSN). However, the Department can not delay or deny a client Medicaid benefits pending the issuance or verification of a SSN from the Social Security Administration. This requirement is in federal rule.</p> <p>A review of the automated SSN verification at the time of Automated Client Eligibility System (ACES) entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modification of the interface with the federal Social Security Administration (SSA) database to update nightly, with income and Medicare eligibility updated daily.</p> <p>The SSA’s State Online Query (SOLQ) user interface was modified to accommodate user’s ability to perform multiple SSN validations without exiting the system on April 16, 2006.</p> <p>The Department continues to provide instruction and written guidance to staff regarding the manner in which “alerts” are handled.</p> <p>The Department initiated a cross-administration SSN Quality Improvement Workgroup and will continue to focus attention on increasing the accuracy of SSNs in ACES and the Medicaid Management Information System (MMIS).</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$10,475,283 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$10,475,283 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 20 (Cont'd) | <p>Beginning May 2006, the Health and Recovery Services Administration runs a monthly report of all clients who received two months of Medicaid benefits without furnishing a SSN. This facilitates follow-up for clients who are approved for Medicaid while pending a SSN or verification of an SSN. Follow-up includes sending letters and other contacts to clients, in order to obtain valid SSNs.</p> <p>Eligibility for the Take Charge Program clients (about 90,000 statewide) is not currently done in ACES but in a web-based program outside of ACES. The Take Charge program moved to the ACES main frame on January 7, 2007.</p> <p>The condition noted in this finding was previously reported in finding 04-11.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-02.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|---------------|
| 05 | 21 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.</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;">93.778</td> <td style="text-align: right;">\$917,124,619</td> </tr> </table> <p>Refer to finding 06-13</p> <p>Although the Centers for Medicare and Medicaid Services (CMS) has not found fault with the rate-setting process, the Department transferred the encounter data (from the Health Insurance Portability and Accountability Act like format) into the states decision support system (a subset of MMIS data warehouse) in August 2006. This change allows more rigorous analysis of encounter data in the rate setting process.</p> <p>Central Office CMS has not interpreted the Balanced Budget Act rules as saying that states must collect the cost reimbursement information. Region X, Central Office CMS, and the Department have all participated in telephone conversations together discussing this issue. Currently, the consensus is that it is a non-issue. If the requirements change, this would need to be addressed by the Department.</p> <p>The condition noted in this finding was previously reported in finding 04-20.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-13.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$917,124,619 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$917,124,619 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|--------------|
| 05 | 22 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, made supplemental Medicaid payments to public hospital districts totaling \$41,154,000 without a federally approved payment methodology.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$20,577,000</td> </tr> </table> <p>Corrective action complete</p> <p>The Department submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid funding authority, to clarify the methodology for nursing home supplemental payments (known as Proshare). The amendment was approved in October 2006, by CMS.</p> <p>The condition noted in this finding was previously reported in finding 04-08.</p> <p>October 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$20,577,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$20,577,000 | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

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

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|-------------|
| 05 | 23 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$1,725,509</td> </tr> </table> <p>Refer to finding 06-06</p> <p>The Washington Administrative Code was updated on November 18, 2005 require providers comply with documentation requirements for Medicare and Medicaid.</p> <p>A draft "Standardize Prescription and Proof of Medical Necessity Form" is going through internal review and is expected to be implemented by providers by December 2006.</p> <p>The auditor questioned the Department's policy not to require prior authorization of wheelchair purchases for clients who are dually eligible for Medicare and Medicaid. The Department believes that prior authorizations for dual eligible clients would be an unnecessary burden on the Department, providers, and clients. This requirement would not be cost effective given the medical necessity requirements fall to Medicare and the State relies on Medicare for this purpose. Medicare has improved its own guidelines including a prior authorization process, which appears to be quite stringent.</p> <p>The condition noted in this finding was previously reported in finding 04-13.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to 06-06.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$1,725,509 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$1,725,509 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----------|
| 05 | 24 | <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, Office of Financial Recovery and Health and Recovery Services Administration, does not have adequate internal controls to ensure that final settlement amounts are refunded to the federal government, and in a timely manner.</p> <table border="0" data-bbox="669 772 971 831"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$476,599</td> </tr> </table> <p>Refer to finding 06-12</p> <p>In October 2006, the Department's Division of Audit and Information Services (DAIS) finalized new policies and procedures that direct proper reporting of provider overpayments identified during audits conducted by the Office of Payment Review and Audit (OPRA). These policies prescribe guidance for determining the date of discovery for Hospital and Medical audits.</p> <p>The Office of Financial Recovery (OFR) also established policy and procedures to ensure the Department refunds the federal share of overpayments within 60 days of the date of discovery (per DAIS policy) rather than 60 days of being established as a receivable within the Collections and Accounts Receivable System.</p> <p>OFR and OPRA staffs meet monthly to monitor the overpayment process for all overpayments submitted by OPRA to OFR. This process must operate smoothly if the federal recovery process is to be accurate.</p> <p>OFR and the Office of Accounting Services reviewed the specific accounts audited to determine how much federal portion has been refunded. All outstanding federal portions were refunded by June 30, 2006.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-12.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$476,599 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$476,599 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|---------------------|
| 05 | 25 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services' Office of Accounting Services does not have adequate internal controls to ensure the federal portion of uncashed and cancelled warrants is refunded at the appropriate rate to the federal Medicaid Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$7,569 overpayment</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's Office of Accounting Services (OAS) has implemented a process that ensures the correct federal/state allocation for Medicaid warrants is utilized, thus ensuring the warrant is cancelled at the correct federal percentage. The implementation of the process occurred in February 2006.</p> <p>The Financial Services Administration evaluated the effort required to review the 640 warrants with incorrect federal participation rates. These warrants were identified by the auditor as resulting in overpayments to the federal government in the amount of \$7,568.53. The Department determined that it is not cost effective for staff to review, identify, and adjust these 640 items in order to claim the \$7,568.53 in federal overpayments. Therefore, no additional work will be performed to claim the funds from Centers for Medicare and Medicaid Services.</p> <p>May 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$7,569 overpayment |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$7,569 overpayment | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|----------|
| 05 | 26 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services' Office of Accounting Services does not have sufficient controls to ensure that the federal portion of uncashed warrants is refunded to the Medicaid Program in a timely manner.</p> <table border="0" data-bbox="669 772 961 835"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$48,589</td> </tr> </table> <p>Corrective action complete</p> <p>As of April 2005, the Department's Office of Accounting Services (OAS) has appropriate staff to address the warrant cancellation and refunding function and has cross-trained a sufficient number of individuals to ensure adequate coverage for processing the Statute of Limitation (SOL) warrants.</p> <p>The refunding process has been corrected. It was current for the last three quarters of Federal Fiscal Year 2005 and remaining current to date.</p> <p>OAS has increased management oversight, and, since April 2005, has ensured staff is processing the transactions in a timely and accurate manner. OAS continues to develop effective monitoring procedures to identify and ensure SOL warrants are properly addressed so that refunds to federal programs will occur in a timely manner.</p> <p>The SOL warrants in question have been processed and the resultant Medicaid funds refunded to the federal government. This correction occurred on the Medicaid claim (CMS-64) for the quarter ending December 31, 2004 and quarter ending March 31, 2005.</p> <p>April 2005</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$48,589 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$48,589 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|---|--|---------------|---------------|--|--------|---------|
| 05 | 27 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration and Medical Assistance Administration, has not set up an effective system to ensure Medicaid payments are not being made to nursing homes that are not in compliance with federally mandated health and safety standards.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$6,138</td> </tr> </table> <p>Corrective action complete</p> <p>The Department has re-contacted the Centers for Medicare and Medicaid Services (CMS) regarding access to their Adaptive Spatial Peer-to-Peer Network (ASPEN) for view only security to be able to access information, a follow-up of the Department's November 2005 request. CMS has provided additional names for contact but does not feel that access to this system is beneficial to the Department. CMS agrees with Claims Processing that in Fiscal Year 2005 things improved significantly and that the majority of the time the Department receive appropriate notices in a timely manner. The Department has also eliminated confusion related to notices where action was taken prematurely (due to lack of understanding what the notices meant) which has helped with the overall improvement.</p> <p>The Department does not have the authority to control the accuracy or timeliness of letters sent by the federal government. The Department continues to work with the regional CMS office to ensure that business processes are seamless and accurate information is shared in a timely manner.</p> <p>The condition noted in this finding was previously reported in finding 04-09.</p> <p>March 2005</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.778 | \$6,138 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.778 | \$6,138 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|---|---------------|---------------|--------|-------------|
| 05 | 28 | <p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services to clients using Social Security numbers belonging to deceased persons.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$2,232,301</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The auditor recommended that the Department require staff to verify accuracy of Social Security numbers (SSN) for all clients. Washington Administrative Code (WAC) 388-476-0005 defines the Department’s current SSN requirements for medical eligibility, and can be found in the Department’s A-Z Manual. Section 3 states, “Assistance will not be delayed, denied or terminated pending the issuance of an SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance”. If a current and valid SSN is not available, the Department is responsible to assist a client in making an application for an SSN.</p> <p>Verification procedures are described under the section titled “Clarifying Information”. SSNs are automatically verified through a cross-match with the SSA Numident file, once the data is entered into the Automated Client Eligibility System (ACES). SSN discrepancies in Numident generate “alerts” to the workers, as do discrepancies in State Data Exchange (SDX) or Beneficiary Data Exchange (BENDEX).</p> <p>In many cases the SSN is correct in ACES, but may be incorrect in the payment system (SSPS). This may be because the claim number was used in SSPS, or it may be due to data entry errors. When the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in SSPS is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$2,232,301 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.778 | \$2,232,301 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 28 (Cont'd) | <p>The limitations with the SSPS system will be corrected in the new "Provider One" system, when all payments made in SSPS will become part of the new Medicaid Management Information System (MMIS). This is scheduled to occur in 2008 or later. At that time, all medical and social services payments will be made from the same system, and will use the same ACES SSN verification processes described above.</p> <p>On April 5, 2006, the Department issued a Management Bulletin (MB) reminding staff of the importance of using the client's correct SSN from ACES, and instructions on how to obtain the ACES SSN. When the new MMIS (Provider One) is implemented, using an incorrect SSN in Provider One will cause payments to suspend.</p> <p>The auditor also recommended the Department ensure staff understand state law regarding identify theft. Revised Code of Washington (RCW) 9.35.020 defines first-degree identity theft as the use of false identification to obtain anything of value. Staff members were informed of the RCW via MB in 2005, and the MB previously referenced reiterated the provisions of this state law.</p> <p>Finally, the auditor recommended that instances of apparent identity theft be referred to the appropriate authorities. The Department's Payment Review Program re-runs algorithms quarterly and findings are referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. No instances of identity theft were found as a result of the Fiscal Year 2005 audit.</p> <p>The conditions noted in this finding were previously reported in findings 04-03 and 04-04.</p> <p>Completion Date: The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-08.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|---------------|----------------|---|---------------|---------------|------|-----|
| 05 | 29 | <p>Finding: The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">None</td> <td style="text-align: right;">\$0</td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department’s Accounting Policy Management Board (APMB) developed and adopted Policy 20.01 – the Agency Financial Reporting System (AFRS) Input Security Options. The policy became effective February 1, 2006. In addition, the AFRS/DRS security request form and instructions were updated to correspond with the policy.</p> <p>APMB Policy 20.01 allows Department offices to select from two options that must be implemented to ensure there are adequate controls in place regarding AFRS Security. Option 1 requires a separation of input and release capability. Option 2 allows that a single individual may input and release, but an independent individual receives and reviews all warrants and turnaround documents. A Listserv message was sent out January 30, 2006 notifying Department fiscal staff of the new policy, the need to adopt one of the two options and that AFRS security needed to be updated for all users.</p> <p>In addition, the use of VOD1 (payments to vendors that do not require tax information to be obtained) is monitored closely. On a quarterly basis, the Office of Accounting Services (OAS) sends out a VOD1 report that lists all VOD1 payments made that quarter to each Fiscal Program Manager for review. The program is responsible to ensure the payments are accurate and for only prescribed VOD1 purposes. Additional analysis with the Office of Financial Management is necessary to determine if AFRS can limit VOD1 users and create exception reports. This initial analysis work is scheduled to begin in June 2007.</p> | <u>CFDA #</u> | <u>Amount</u> | None | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| None | \$0 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 29 (Cont'd) | <p>The Financial Services Administration/Information Technology Office (FSA/ITO) consulted with the Information Systems Services Division (ISSD) to better coordinate and streamline the process of notifications on requests for access, changes and deletions. Currently FSA/ITO coordinates the AFRS access while the ISSD coordinates the mainframe (RACF) access. AFRS access cannot be used without mainframe (RACF) access. FSA/ITO has obtained an electronic file of all AFRS user IDs as well as all mainframe (RACF) user IDs and matched the two files for comparison and research. These files were also matched against current employees in an effort to identify and resolve discrepancies. This process is performed semi-annually in April and October and ensures access between the two systems is consistent. By June of 2006, all AFRS users were to submitted a new AFRS Security form. If a new form was not submitted, access to AFRS was terminated. This update required supervisors and managers to ensure the level of access was appropriate for the duties and batch types.</p> <p>The condition noted in this finding was previously reported in finding 04-33.</p> <p>Completion Date: June 2006</p> |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|-----------|--------|--|--------|--|--------|--|
| 05 | 30 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments made to child care providers.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td>\$800,000</td> </tr> <tr> <td>93.596</td> <td></td> </tr> <tr> <td>93.558</td> <td></td> </tr> <tr> <td>93.667</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department’s Division of Child Care and Early Learning (DCCEL) was merged into a new agency, the Department of Early Learning (DEL), effective July 1, 2006.</p> <p>Prior to the transfer to DEL, DCCEL coordinated with the Quality Assurance Office in the Division of Management Resources and Services to conduct an audit of family child care homes by June 30, 2006. The audit included a review of provider attendance records.</p> <p>DEL mailed the non-mandatory Department attendance keeping form to all licensed child care providers in August 2006.. A cover memo reminded providers that they can use this form or a form of their own design as long as it contains the required elements. DEL is currently reviewing the option of requiring providers to use a specific attendance form.</p> <p>DEL reviewed the detailed case review information from the auditors and completed the following by August 31, 2006:</p> <ul style="list-style-type: none"> • Ensure visits were documented correctly. • Follow-up with an onsite visit when necessary. • Follow up as needed to resolve issues. • Document outcomes in the case records. | <u>CFDA #</u> | <u>Amount</u> | 93.575 | \$800,000 | 93.596 | | 93.558 | | 93.667 | |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | | | | | |
| 93.575 | \$800,000 | | | | | | | | | | | | |
| 93.596 | | | | | | | | | | | | | |
| 93.558 | | | | | | | | | | | | | |
| 93.667 | | | | | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 30 (Cont'd) | <p>DEL is pursuing the development of a new technology system which would automatically track attendance at each child care facility, and interface with the payment system for billing purposes. This is expected to greatly decrease errors in attendance-keeping and payment for child care services. DEL is updating the feasibility study for the new system and has requested funding for this project. The funding request has been incorporated in the Governor's 2007-2009 budget proposal.</p> <p>The condition noted in this finding was previously reported in finding 04-25.</p> <p>Completion Date: The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-25.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|--|---------------|---------------|-----|-----|
| 05 | 31 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Division of Child Care and Early Learning and Children's Administration, did not perform adequate background checks.</p> <table border="0" data-bbox="669 739 961 802"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>N/A</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department does not concur with this finding. The Department trains licensors in all aspects of conducting and monitoring background checks and cites providers and applicants when they are out of compliance. Agency regulatory actions include civil penalties, license suspension and license revocation.</p> <p>The Department reviewed the auditor's files for accuracy. When deficiencies were identified, providers were contacted and trained on Washington Administrative Code requirements for background checks.</p> <p>The Department conducts approximately 35,000 background checks for childcare and about 16,500 for foster care. Requiring licensors to perform a visual confirmation of the person and photo identification is not possible for such a large number of background checks. Currently the Department's licensors visually confirm the identification of all licensees and require the providers visually confirm the identity of all of their employees.</p> <p>There is no requirement that the Department document Washington state residency, and there is no uniform widely accepted documentation for proving residency. Photo identification and residency documents can also be falsified.</p> | <u>CFDA #</u> | <u>Amount</u> | N/A | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| N/A | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 31 (Cont'd) | <p>State law RCW 74.15.030(2) (b) only requires that nationwide fingerprint-based background checks be performed on persons who have not lived in the state for the prior three years or cannot verify their residency. Performing checks on a broader population would require a statutory change because the Federal Bureau of Investigations (FBI) will not accept fingerprint checks unless there is clear and specific state authority to perform them. Current Washington statute does not provide the clear and specific authority that the FBI requires.</p> <p>The Department understands that there are two legislators who are strongly considering introducing legislation during the 2007 legislative session to expand the Department of Early Learning's authority to do these checks. Additionally, the Joint Legislative Task Force on Background Checks intends to review the legislative, fiscal, stakeholder and information technology infrastructure changes needed to implement such fingerprint checks as a priority agenda item in 2007.</p> <p>The most recent data available (March 6, 2006 Government Management, Accountability and Performance presentation) shows the Department is at 99 percent timeliness for monitor visits. The Department has a goal of 95 percent or greater, and has met that goal in each month since October 2005.</p> <p>The Department's Division of Child Care and Early Learning was merged into a new agency, the Department of Early Learning (DEL), effective July 1, 2006. DEL continues to meet the goal and the monitoring visits are used to help ensure required background checks are completed.</p> <p>Completion Date: August 2006</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----------|
| 05 | 32 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Economic Services Administration, reimbursed contractors for services that were not adequately 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>10.561</td> <td style="text-align: right;">\$136,891</td> </tr> </table> <p>Corrective action complete</p> <p>The Department’s Basic Food Education and Outreach Program requires contractors to input the date Basic Food Education and Outreach was delivered into the Online Reporting System. Payments to contractors are only made for client intake and application assistance contacts and assistance that include the date of service or contact. The Basic Food Education and Outreach contracts were amended to add this requirement in May 2006.</p> <p>Contractors are required to maintain back up documentation of client intake and application assistance contacts and group presentations that contain a minimum of the following:</p> <ul style="list-style-type: none"> • Client name • Date of birth • Signature • Phone number or contact information • Date of service <p>For all application and intake contacts, prior to authorizing payment the Department:</p> <ul style="list-style-type: none"> • Compares invoiced billing information to information in the online reporting system. No payment is made for duplicate contacts and the contractor is informed in writing. • Pulls a monthly random sample (100 intake clients and 25 application assistance clients), and makes contact by phone to verify services were provided prior to payment. • Authorizes payment only for sampled claims when delivery of services is verified. If unable to verify services, the Department asks the contractor to provide documentation/verification, within 30 days, that services were indeed provided. | <u>CFDA #</u> | <u>Amount</u> | 10.561 | \$136,891 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 10.561 | \$136,891 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 32 (Cont'd) | <ul style="list-style-type: none"> • Requires contractors to develop a Corrective Action Plan if contact discrepancies exceed 5% of verified contacts for any given billing period. <p>The Department also conducts the following monitoring practices, after payment has been authorized, to verify services were received as described in the monitoring plan:</p> <ul style="list-style-type: none"> • Desk review of monthly billings, compare billings against the on-line reporting system • Desk review of quarterly billings, a randomly selected 5% sample • On-site monitoring visits, confirming client information is stored securely. <p>As of March 2006, the Department only pays for Basic Food Education and Outreach services on a reimbursement basis for services made available to potential food stamp recipients. Invoices are checked for duplicate names within the entire list of contractor and subcontractors to verify a contact is not seen by different subcontractors within the same month of service. No payment is made for duplicated contacts by the same subcontractor or primary contractor.</p> <p>The condition noted in this finding was previously reported in finding 04-28.</p> <p>Completion Date: The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-29.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | |
|-------------|----------------|---|--|--------|--------|--------|----------|--------|-------|--------|-------|
| 05 | 33 | <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 made unallowable duplicate payments through the Social Services Payment System.</p> <table border="1" data-bbox="669 709 966 835"> <thead> <tr> <th>CFDA #</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>93.778</td> <td>\$35,398</td> </tr> <tr> <td>93.658</td> <td>6,480</td> </tr> <tr> <td>93.659</td> <td>3,000</td> </tr> </tbody> </table> <p>Corrective action complete</p> <p>The Department continues to work closely with the Payment Review Program to run algorithms to detect duplicate payments. The costs determined to be duplicate payments for the Aging and Disability Services Administration (ADSA) (\$76,455) represent approximately .008 percent of the \$933,899,668 in Social Services Payment System (SSPS) payments made by ADSA in Fiscal Year 2005. Most of the payments initially identified as potential duplicate payments in the auditor's testing were found to be valid and justified. The Department didn't find it feasible to make programming changes to SSPS that would prevent this small amount of duplicate payments from being made. It is anticipated that edits in new ProviderOne will help to prevent duplicate payments in the future.</p> <p>In subsequent review, only one of the five clients identified for duplicate payments in the Children's Administration was actually a duplicate payment. An overpayment for this exception was established in October 2004.</p> <p>The ADSA established overpayments on the eight duplicate payments identified in the audit process in October 2005.</p> <p>Once overpayments are established, they are sent to the Office of Financial Recovery for collection. If fraud is not involved, funds are returned to the appropriate funding source within 60 days. All nine overpayments have been recovered and returned.</p> <p>April 2006</p> | CFDA # | Amount | 93.778 | \$35,398 | 93.658 | 6,480 | 93.659 | 3,000 |
| CFDA # | Amount | | | | | | | | | | |
| 93.778 | \$35,398 | | | | | | | | | | |
| 93.658 | 6,480 | | | | | | | | | | |
| 93.659 | 3,000 | | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|--|---|---------------|---------------|--------|-----|
| 05 | 34 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | <p>The Department of Social and Health Services does not ensure that all recovered overpayments are credited to the appropriate funding source.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.???</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's Financial Services Administration developed a new Social Services Payment System (SSPS) account code history table that cross matches SSPS program codes (service, source, reason) to Agency Financial Reporting System account codes for the period of time in which they were used for warrant processing. This new process modified the Client Receivable System accounting module to distribute payment recoveries according to the distribution of the SSPS program code lines ensuring overpayments are credited to the appropriate funding sources.</p> <p>These changes were implemented on October 1, 2005.</p> <p>The condition noted in this finding was previously reported in finding 04-27.</p> <p>October 2005</p> | <u>CFDA #</u> | <u>Amount</u> | 93.??? | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.??? | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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 For the Fiscal Year Ended
 June 30, 2006***

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|--------------------|-----------------------|---|---|---------------|---------------|---------------|-----|
| 05 | 35 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.</p> <table border="0" data-bbox="669 709 961 772"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>Not Specified</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>Of the issues the itemized in the finding, most have been resolved, primarily by the replacement of the system front-end program with WebConnect Plus. Resolution is noted for issues identified by the auditor as follows:</p> <ul style="list-style-type: none"> • UNISYS was not capable of generating a list of operator identification and the associated user names. WebConnect now has a database that can generate a list of operator identifications and the associated user names and exact locations. • The Department used “generic” (shared) operator IDs and passwords to facilitate inquiry. These generic IDs have been eliminated. In order to do inquiry, users must use unique identifications and have a specific password. All access is recorded. • Four individuals had more than one operator ID. With WebConnect Plus security, each user has only one set of security access data and the operator IDs were totally eliminated. • The Department did not require the use of hardened passwords. All access to the Social Service Payment System (SSPS) and Fortress now require the use of a hardened password. • The Department did not using a lock-out mechanism to deter access. As of April 2006, the system has a lock-out mechanism in place that conforms to the Department of Information Services’ standard of allowing no more than five attempts. | <u>CFDA #</u> | <u>Amount</u> | Not Specified | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| Not Specified | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 35 (Cont'd) | <p>Corrective Action:</p> <ul style="list-style-type: none"> • UNISYS does not allow for the tracking of transactions within the system. The new front end WebConnect re-write, rolled out in April 2006, allows for the tracking of transactions within the system and stores data for each transaction that is linked to the user profile. • There was no read-only access to the Worker-ID screen. This function was added with the implementation of WebConnect Plus and has security limited access. <p>Other issues were mitigated as much as possible given the age and functioning limitations of the system and operations requirements. These include the following:</p> <ul style="list-style-type: none"> • SSPS expenditures were not reconciled to the state's Agency Financial Reporting System (AFRS). Payments are reconciled daily to AFRS. A Sequel database has been created which stores transactions that were completed outside the system for errors, adjustments, and returned payments. This information is compiled for processing with internal system information. The database allows the Office of Accounting Services (OAS) to reconcile the expenditures to AFRS monthly. <p>There were inadequate controls to limit users establishing providers and ten operators had provider file input and authorization rights. The Department has reduced the 32 individuals that have access to provider file input to 12 and those who have both input and authorization access to seven. These individuals work in high level positions in OAS or SSPS headquarters and require access to these program areas to complete integral functions on the SSPS system. As a compensating control, WebConnect Plus records a string of data relating directly to the user profile on the individuals system account when any change is made in the provider file. A monthly report that shows all activity by these individuals is reviewed by an SSPS employee separate from these work functions.</p> <ul style="list-style-type: none"> • The software that controls the system and changes did not have adequate controls and did not maintain an adequate record of changes. Specifically they found that personnel can re-point Executive Control Language (ECL). While the SSPS Unit continues to make a concerted effort to locate appropriate UNISYS software, no software for the UNYSIS mainframe is currently available to resolve the defined issues. |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|---|
| 05 | 35 (Cont'd) | Corrective Action: | <p>As of July 2006, SSPS has used Visual Studio and Source Safe to record changes to the system and who is responsible for enacting these changes. As compensating controls for the ECL re-pointing issue, the Department has required approval from ISSD to use ECL, a paper trail with checks and balances, and a monthly review of report tracking activity. Within the software limitations the risk has been limited as much as feasible until software becomes available.</p> <ul style="list-style-type: none"> • Payments could be made to providers designated as closed, deceased or restricted. Blocking payments to restricted (status codes 1, 2, and 4) providers would remove the ability to pay for services due providers or their estates. <p>The Department uses the following as compensating controls:</p> <ul style="list-style-type: none"> ○ Several of the divisional front-end systems to SSPS block field staff from opening or extending authorizations that attempt to pay providers that have a 1, 2 or 4 status codes in the SSPS Provider File. ○ Within WebConnect, a pop-up warning has been added in the authorization screen for providers that are status 1, 2, or 4 to prevent inappropriate new authorizations to these providers. ○ SSPS sends each office the Change of Service Authorization Error Report, to alert them to the use of these providers. ○ A monthly report that lists all providers in status 1, 2, or 4, who have had services authorized, is monitored for problem areas. ○ Most status 4 coded files do not contain addresses, thereby ensuring SSPS is contacted for approval before any payment would be made. <ul style="list-style-type: none"> • The System used screens not appropriate to meet Health Insurance Portability and Accountability Act (HIPAA) requirements. SSPS is able to accept and make electronic payments for HIPAA purposes. A new Medicaid Management Information System is in the implementation phase and will provide full HIPAA compliance in 2008. <p>The condition noted in this finding was previously reported in finding 04-34.</p> <p>Completion Date: June 2006</p> |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

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

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|-------------|----------------|---|---|--|---------------|---------------|--|--------|-----|
| 05 | 36 | <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, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program.</p> <table border="0" data-bbox="669 743 964 806"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.558</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Refer to finding 06-22</p> <p>The Department compared Social Security numbers (SSN) provided by applicants to those contained in records maintained by other state or federal agencies for the 68 adult cases and the 34 child cases noted by the auditor in the finding. When the cases were sent to the field for review and completion, , the Department found:</p> <ul style="list-style-type: none"> • 38 cases were closed cases, • 12 cases have been worked and require no further action, • 52 cases were referred to the Community Service Offices for review and correction. All corrections were made by March 31, 2006. <p>The Automated Client Eligibility System upgrade to the State On Line Query System (SOLQ) system was implemented on April 16, 2006. The upgrade helps ensure correct SSNs. Notification was sent to field staff on SOLQ changes. The Department continues to verify SSNS by following state regulations.</p> <p>The condition noted in this finding was previously reported in finding 04-23.</p> <p>The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-22.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.558 | \$0 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.558 | \$0 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|---------------|----------------|---|---------------|---------------|--------|-------------|
| 05 | 37 | <p>Finding: The Department of Social and Health Services, Economic Services Administration, does not adequately monitor other state agencies to which it provides funds from the federal Temporary Assistance to Needy Families Program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.558</td> <td style="text-align: right;">\$7,516,082</td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department partially concurs with the findings. The initial monitoring plan contained weaknesses that have been corrected and the following action steps have been taken:</p> <p>The Department amended the <u>Employment Security Department (ESD)</u> contract with language that clearly specifies quarterly reporting of:</p> <ol style="list-style-type: none"> a. Client names served by the partner agency; b. The size of the monitoring sample and the percentage of the sample that will require eligibility and service verification; c. Billing methodology; d. Verification that the methodology is being applied correctly. <p>The Department monitored a random selection of clients for eligibility and continues this practice quarterly. In addition, the Department has become involved in ESD's internal monitoring process by partnering with ESD staff on site visit to ensure that eligibility, services and billing methodology are being accurately and consistently applied. This was completed in June 2006.</p> <p>The Department amended the contract with language the <u>Community Trade and Economic Development</u> and the <u>State Board of Community and Technical Colleges (SBCTC)</u> that clearly specifies quarterly reporting of:</p> <ol style="list-style-type: none"> a. Client names served by the partner agency; b. The size of the monitoring sample and the percentage of the sample that requires eligibility and cost verification. <p>The Department also monitored a random selection of clients from these organizations for eligibility and continues this practice quarterly.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.558 | \$7,516,082 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.558 | \$7,516,082 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 37 (Cont'd) | <p>The Department's Division of Employment and Assistance Programs (DEAP) requested and received verification from SBCTC of the screening process used to identify low income students that are eligible for Temporary Assistance to Needy Families Program (TANF) funded services. Three colleges are selected for random sampling on a quarterly basis. DEAP requires SBCTC to provide further eligibility and billing verification for 5% of the students selected in the random sample. The Department conducted the first round of visits to Clark College, Renton Technical College and Spokane Valley Community College. These were completed May 14, 2006. DEAP continues to conduct monitoring visits to randomly selected colleges in conjunction with SBCTC. DEAP continues to ensure that the method used by the colleges to screen low income non-TANF recipients is accurate for TANF funded services.</p> <p>Beginning in April 2006, DEAP required that SBCTC provide a count of the numbers of students being served at every billing. The students were also separated between the number of TANF recipients and low income recipients eligible for the TANF funded employment and training program.</p> <p>DEAP also required the SBCTC to provide eligibility verification with billing information for 5% of the random sample of students each quarter beginning in April 2006. The amount billed from the 5% sample plus that of the remainder of the students should equal the total amount of the quarterly invoice.</p> <p>The Department disagreed with the auditor on the questioned \$7,516,082 cost. DEAP requested and received verification from the SBCTC on randomly selected colleges that provided proof of income and eligibility for the low income recipients for the TANF funded employment and training program in question. All clients meet the definition of low income and are eligible to be served by the colleges. Therefore the SBCTC is entitled to bill and receive payment for services rendered under the TANF contract.</p> <p>Completion Date: June 2006</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|----------------|-----|
| 05 | 38 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The Department of Social and Health Services, Economic Services Administration, did not comply with state and federal regulations requiring a monthly inventory of electronic benefit transfer cards used by the Food Stamp Program. <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>10.551, 10.651</td> <td>\$0</td> </tr> </table> Corrective action complete The Department's Economic Services Administration implemented the following changes by April 1, 2006: <ul style="list-style-type: none"> • The reconciliation and reporting process was detailed in a letter from the Community Service Division Director and sent to all Regional Administrators and the Community Service Offices (CSO). • All CSOs are required to send an electronic benefit transfer card inventory reconciliation report each month to their Region office. Region office staffs are required to send a monthly report to Headquarters reporting all offices in the region have reconciled. • Headquarters monitors and follows up on any Region not reporting as required. April 2006 | <u>CFDA #</u> | <u>Amount</u> | 10.551, 10.651 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 10.551, 10.651 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-------------|
| 05 | 39 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>96.001</td> <td>\$7,740,327</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department's Division of Disability Determination Services consulted with the Office of Financial Management (OFM) regarding the proper classification for consultative evaluation services. OFM determined that services provided to the Division's claimants by physicians, psychologists and psychiatrists are, in fact, personal services.</p> <p>The Division will develop a plan, to be phased in by October 2007, that will provide for the issuance of a personal service contract to any medical provider who agrees to see our claimants at the Department's fee schedule. The Division will utilize the competitive procurement process when additional providers are needed to perform evaluations. Until that time, contracts remain in place as client services contracts.</p> <p>The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-34.</p> | <u>CFDA #</u> | <u>Amount</u> | 96.001 | \$7,740,327 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 96.001 | \$7,740,327 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|
| 05 | 40 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Division of Disability Determination Services, reported incorrect expenditures for the Social Security Disability Insurance Program on several reports, including the Schedule of Expenditures of Federal Awards.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>96.001</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's Division of Disability Determination Services had a temporary breakdown of internal controls when two of the four administrative accounting staffs were out on maternity leave. Since then, the Division has reviewed internal controls to ensure that this type of error will not occur in the future.</p> <p>The Division reports disbursements from the state accounting system and reports obligations from an in-house legacy system. The Division is highly motivated to ensure that the amounts from both systems agree to the Department's official report to the federal grantor.</p> <p>The Division implemented a reconciliation method and other procedures to ensure that the disbursement amounts reported on the official report to the federal grantor agree to the state accounting system. This reconciliation was completed by June 30, 2006 and included reconciliation during the time period of the audit.</p> <p>June 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 96.001 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 96.001 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|--|--------|----------|--|
| 05 | 41 | <p>Finding: The Department of Social and Health Services, Division of Disability Determination Services, received reimbursement for unallowable costs for the Social Security Disability Insurance Program.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">96.001</td> <td style="text-align: center;">\$76,021</td> </tr> </table> <p>Status: Refer to finding 06-32</p> <p>Corrective Action: The auditor found the memorandum of understanding (MOU) between the Washington State Patrol (WSP) and the Division of Disability Determination Services (DDDS) did not include a provision for indirect costs and did not require backup documentation prior to payment. The MOU between WSP, DDDS and Social Security Administration (SSA) was valid until September 2006. The subsequent MOU was revised in October 2006 to reflect allowable indirect costs that WSP can charge to SSA.</p> <p>The Division's administrative Fiscal Unit reviewed all WSP billings since inception of the program and determined that all costs were allowable (with the exception of indirect costs). However, the Division now requires WSP to send payroll back-up documentation that matches their billings so that there is no confusion on what is being billed in the future.</p> <p>Completion Date: The conditions noted in this finding were repeated in the Fiscal Year 2006 Washington Single Audit. Refer to finding 06-32.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 96.001 | \$76,021 | |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 96.001 | \$76,021 | | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-------------|
| 05 | 42 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Recovery Services Administration, claimed costs for unallowable activities under the State Children's Health Insurance 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;">93.767</td> <td style="text-align: right;">\$1,573,409</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's Health and Recovery Services Administration has policies and procedures in place to identify allowable costs for transfer from Medicaid to the State Children's Health Program (SCHIP). The current process involves a quarterly matching of Department of Health (DOH) live births to claims data for the period of one day prior to birth and back 270 days. From this data, inpatient hospital claims for labor & delivery, abortion, and sterilization are excluded.</p> <p>Additionally, the Administration has been advised by the Centers for Medicare and Medicaid Services (CMS) in an e-mail from Elizabeth Trias dated December 12, 2005, that they "allow costs for such services as dental, vision care and physical therapy since Washington covers all services for women under the SCHIP unborn as they do under the pregnant women's program."</p> <p>The Administration received guidance from CMS on the allowability of costs, as noted above. As a result, the use of SCHIP funds for these costs is based on CMS guidance, and is allowable.</p> <p>The Administration obtained additional detail information of the questioned costs of \$1,573,409. Review of this information indicates that the questioned costs are allowed, since the expenditures are for services that CMS allowed in their audit of the SCHIP program.</p> <p>The condition noted in this finding was previously reported in finding 04-49.</p> <p>April 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.767 | \$1,573,409 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.767 | \$1,573,409 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|----------|
| 05 | 43 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Mental Health Division, did not comply with state laws or the Department's policies and procedures for recovering a Community Mental Health Services Block Grant overpayment reported in the previous audit.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$72,000</td> </tr> </table> <p>Corrective action complete</p> <p>Based on the state Assistant Attorney General's opinion, the Department's Mental Health Division (MHD) referred the case to the Office of Financial Recovery (OFR) for collection.</p> <p>The MHD developed and/or modified policies and procedures to define and prevent advance payments. The MHD also coordinated with OFR to develop necessary policies and procedures to identify and resolve questionable bills from, or payments to, contractors. The new procedures were communicated to financial staff. These steps were completed by May 31, 2006.</p> <p>The condition noted in this finding was previously reported in finding 04-32.</p> <p>August 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.958 | \$72,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | \$72,000 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|--|---------------|---------------|--------|-----|
| 05 | 44 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when contracting for services paid with federal Community Mental Health Services Block Grant funds.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>In October 2006, the Department's Mental Health Division (MHD) completed staffing a Contracts Unit that has been lacking for more than a year. The Contracts Unit is responsible for ensuring that there is proper tracking of start dates for Mental Health Block Grant funds in the future. Since February 2006 no federal block grant contracts or amendments have been executed with start dates prior to the signing date.</p> <p>Training was provided to all program managers on contract management in October 2006 and after-the-fact signing was addressed.</p> <p>MHD ensures it is following its own Policy 6.03 that requires that block grant contracts not be approved after work has started. Reviews of federal block grant contracts are completed each year to monitor this requirement.</p> <p>In addition, MHD follows the new draft Administrative Policy 13.10 which directly addresses after-the-fact contracts for the Department.</p> <p>The condition noted in this finding was previously reported in finding 04-30.</p> <p>October 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.958 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|
| 05 | 45 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Mental Health Division, did not comply with federal requirements for independent peer reviews of the Community Mental Health Services Block 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;">93.958</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>As of September 2006, the Department’s Mental Health Division (MHD) revised the Mental Health Block Grant (MHBG) Policy (6.03) to include the requirement and execution of peer reviews related to Title V of the Public Health Service Act [42 U.S.C. 300x-1 et seq.] section 1943. Policy 6.03 now clearly defines and address each of the following:</p> <ol style="list-style-type: none"> 1. For the fiscal year for which the grant involved is provided the State: <ul style="list-style-type: none"> • Provides for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved; and • Ensures that, in the conduct of such peer review, not fewer than 5 percent of the entities providing services in the State and are representative of the total population covered. 2. The State permits and cooperates with Federal investigations undertaken in accordance with section 1945 [Failure to Comply with Agreements]; and 3. The State provides to the Secretary of DSHS any data required pursuant to Section 505 and cooperates with others in the Department to develop uniform criteria for the collection of data pursuant to such section. <p>The MHBG state planner coordinated with federal and other state planners to implement the policy and completed the independent peer review as of October 2006.</p> <p>The condition noted in this finding was previously reported in finding 04-36.</p> <p>October 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.958 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 05 | 46 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Mental Health Division, is not complying with subrecipient monitoring requirements for the Community Mental Health Services Block Grant.</p> <table border="0" data-bbox="669 772 964 835"> <tr> <td data-bbox="669 772 764 800"><u>CFDA #</u></td> <td data-bbox="870 772 964 800"><u>Amount</u></td> </tr> <tr> <td data-bbox="669 800 764 827">93.958</td> <td data-bbox="870 800 964 827">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's Mental Health Division (MHD) completed its review of open issues identified through its various monitoring activities in July 2006 and ensured that corrective action plans were implemented for each subrecipient receiving block grant funds. In October 2006, the Division revised contract requirements to ensure that reimbursement methods in each contract are in compliance with federal requirements and that appropriate supporting documentation is required before payments are made.</p> <p>MHD modified current contract language in October 2006 with non-tribal subrecipients requiring contractors to formally report to the MHD who they subcontract with and for what amounts. Additionally, the MHD requires, through contract language, that the contractor and their non-tribal subrecipients submit copies of any A-133 audits (other than those done by the State Auditor's Office (SAO)) to the MHD within 30 days of the completed audit report.</p> <p>MHD explored its legal authority to require Tribes to submit audit reports pursuant to their block grant contracts. It was found that these reports can be obtained from a central online repository.</p> <p>Federal audits submitted to MHD were reviewed for corrective action issues related to community mental health block grant funds, and MHD provided follow-up as needed to verify action steps have been implemented. This was completed in October 2006. Staff are permanently assigned to monitoring block grant funds, including corrective action plans.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.958 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

*OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006*

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 05 | 46 (Cont'd) | <p>MHD developed internal policies for addressing timely corrective action items related to non-SAO conducted federal audits in October 2006.</p> <p>The condition noted in this finding was previously reported in finding 04-44.</p> <p>Completion Date: October 2006</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Community, Trade and Economic Development (CTED)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|----------|
| 05 | 47 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Community, Trade, and Economic Development did not comply with state and federal regulations when contracting for services paid with federal Low Income Home Energy Assistance Program funds.</p> <table border="0" data-bbox="669 772 964 835"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.568</td> <td style="text-align: right;">\$60,000</td> </tr> </table> <p>Corrective action complete</p> <p>While the Department agrees that it did not comply with state laws and regulations related to personal services contracts, it did receive all the deliverables called for in the contracts. To address concerns raised by this finding, the Department hired a contracts specialist to develop contracting policies and procedures. The Department's draft policies and procedures require a review of requests to issue a contract. The review includes a determination of contract type and classification so that applicable regulations are identified and followed.</p> <p>The U.S. Department of Health and Human Services (HHS) reviewed the state auditor's report and the Department's corrective action plan, as shown above. In correspondence to the State of Washington dated November 20, 2006, HHS reported that they found the corrective action satisfactory and they waived the collection of non-monetary questioned costs.</p> <p>June 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.568 | \$60,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.568 | \$60,000 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Community, Trade and Economic Development (CTED)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 05 | 48 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | <p>The Department of Community, Trade, and Economic Development, Energy Assistance Section, is not complying with subrecipient monitoring requirements for the Low Income Home Energy Assistance 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>93.568</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department has a comprehensive monitoring program that covers many programs including LIHEAP. The statewide network of subrecipients is assessed, reviewed and monitored, and the information is shared among all the Department's programs.</p> <p>In addition, the LIHEAP program has consolidated several policies, procedures and protocols into one comprehensive document. This will ensure better and more complete documentation of risk assessment and monitoring activities. Also, the risk assessment of all Community Action Agencies is being enhanced.</p> <p>June 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.568 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.568 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Community, Trade and Economic Development (CTED)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|--|---|---------------|---------------|--------|-----------|
| 05 | 49 | Finding: Questioned Costs: Status: | <p>The Department of Community, Trade, and Economic Development did not comply with earmarking requirements for the Low Income Home Energy Assistance Program.</p> <table border="0" data-bbox="669 745 974 808"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.568</td> <td style="text-align: right;">\$476,609</td> </tr> </table> <p>No action taken</p> <p>The Department disagrees with the finding. The U.S. Department of Health and Human Services (HHS), by national formula, allocates LIHEAP funds to each state which includes an allocation to the state and a tribal set-aside. For at least the past eighteen years, the Department has used the total amount allocated to all Washington recipients as the basis for computing the maximum amount to be spent on the Weatherization Program. The calculation has been a part of the Annual Plan submitted to and approved by HHS.</p> <p>No Indian tribe in the state provides weatherization activities because the start-up costs are too expensive. Tribes use their allotment of LIHEAP funds solely for heating assistance. Tribal members receive weatherization assistance from the funds distributed to the Department's subrecipients for that purpose.</p> <p>The U.S. Department of Health and Human Services (HHS) reviewed the state auditor's report and the Department's corrective action plan, as shown above. In correspondence to the State of Washington dated November 20, 2006, HHS reported that they had reviewed the Annual Plan and found that the Department is in compliance with the plan's earmarking requirements. Thus, they waived the collection of questioned costs.</p> <p>Completion Date: N/A</p> | <u>CFDA #</u> | <u>Amount</u> | 93.568 | \$476,609 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.568 | \$476,609 | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006***

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

University of Washington (UW)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | | | | | | | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|--------|--|--------|--|--------|--|--------|--|--------|--|--------|--|--------|--|
| 05 | 50 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>Certain University departments' controls are not working effectively to ensure Time And Effort Certification forms are completed in a timely manner and to ensure monthly certification of salaries and wages paid for federal programs are completed as required.</p> <table border="0"> <thead> <tr> <th data-bbox="669 764 764 793"><u>CFDA #</u></th> <th data-bbox="870 764 963 793"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="669 793 764 823">93.389</td> <td data-bbox="870 793 963 823">\$0</td> </tr> <tr> <td data-bbox="669 823 764 852">93.866</td> <td></td> </tr> <tr> <td data-bbox="669 852 764 882">93.846</td> <td></td> </tr> <tr> <td data-bbox="669 882 764 911">93.837</td> <td></td> </tr> <tr> <td data-bbox="669 911 764 940">93.864</td> <td></td> </tr> <tr> <td data-bbox="669 940 764 970">93.866</td> <td></td> </tr> <tr> <td data-bbox="669 970 764 999">93.856</td> <td></td> </tr> <tr> <td data-bbox="669 999 764 1029">93.859</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress.</p> <p><u>Faculty Effort Certifications (FECs):</u> The University is engaged in a variety of projects that will improve the timeliness of faculty effort certification. Those projects include mandatory training of all faculty receiving effort reports (concluded November 30, 2005).</p> <p>In addition, the University has enhanced its follow-up process to ensure FECs are certified in a timely manner. A formal process with escalating communication has been rolled out in an effort to ensure FECs are certified timely. Also, individual departments cited in this finding have strengthened their monitoring and follow-up processes.</p> <p>Finally, the University has begun a process that should replace the existing manual system with an electronic effort reporting and certification system. The University issued a formal Request for Information (RFI) and is currently preparing for vendor presentations as well as an assessment of cost and systems features for an internal build solution. A new system would include enhanced tracking and follow-up capabilities. A new system would include enhanced tracking and follow-up capabilities.</p> <p><u>Grant and Contract Certification Reports (GCCR):</u> The University has worked with departments on a campus wide basis and specifically with those cited in this finding to strengthen controls that ensure GCCRs are signed in a timely manner.</p> <p>System changes are expected to extend over a 2-4 year period.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.389 | \$0 | 93.866 | | 93.846 | | 93.837 | | 93.864 | | 93.866 | | 93.856 | | 93.859 | |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | | | | | | | | | | | | | |
| 93.389 | \$0 | | | | | | | | | | | | | | | | | | | | |
| 93.866 | | | | | | | | | | | | | | | | | | | | | |
| 93.846 | | | | | | | | | | | | | | | | | | | | | |
| 93.837 | | | | | | | | | | | | | | | | | | | | | |
| 93.864 | | | | | | | | | | | | | | | | | | | | | |
| 93.866 | | | | | | | | | | | | | | | | | | | | | |
| 93.856 | | | | | | | | | | | | | | | | | | | | | |
| 93.859 | | | | | | | | | | | | | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

University of Washington (UW)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|---------------|-----|
| 05 | 51 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The University did not submit financial status reports in a timely manner. <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>Not Specified</td> <td>\$0</td> </tr> </table> Corrective action in progress Grant and Contract Accounting (GCA) experienced a 50% rate of turnover in the fiscal positions responsible for preparing Financial Status Reports (FSRs) in 2005. GCA is working aggressively to hire and train new staff so that FSRs can be submitted in a timely manner. GCA has been working diligently to staff vacant positions over the last several months. While it is hoped to have all relevant vacancies filled by December 31, 2006, training on preparation of FSRs will extend into 2007. Spring 2007 | <u>CFDA #</u> | <u>Amount</u> | Not Specified | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| Not Specified | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Community, Trade and Economic Development (CTED)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|--|--|---------------|---------------|--|--------|-----|
| 05 | 52 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Community, Trade and Economic Development did not comply with federal requirements for suspension and debarment for the Home Investment Partnership Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">14.239</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Housing Repairs and Rehabilitation Program (HRRP) now has signed certifications from all contractors acknowledging the suspension and debarment requirements, including the lower tier notifications.</p> <p>The Tenant Based Rental Assistance (TBRA) Program has included, in all existing contracts, the notification that sub-grantees also have responsibilities regarding suspension and debarment when they make further awards or vendor payments.</p> <p>The U.S. Department of Housing and Urban Development (HUD) reviewed the state auditor's report and the Department's corrective action plan, as shown above. In correspondence to the Department dated October 4, 2006, HUD reported that they found the corrective action satisfactory and consider the finding closed.</p> <p>The condition noted in this finding was previously reported in finding 04-37.</p> <p>February 2006</p> | | <u>CFDA #</u> | <u>Amount</u> | | 14.239 | \$0 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 14.239 | \$0 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|--|---|---------------|---------------|--------|----------|
| 05 | 53 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The Department of Employment Security has inadequate internal controls over payments to claimants for unemployment insurance benefits. <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>17.225</td> <td style="text-align: right;">\$54,523</td> </tr> </table> Corrective action complete Employment Security has implemented the following corrective actions to address this finding: <ul style="list-style-type: none"> • Performing a weekly cross match with the Department of Labor and Industries to identify and investigate claimants receiving unemployment insurance and industrial insurance benefits concurrently. • Reprogrammed the Department’s benefit system to eliminate improper payment of claimant’s waiting week. • Continuing to ensure that Department procedures are followed so that pension benefit reductions are accurately calculated and estimated pensions are properly monitored and resolved. • Establishing and actively collecting benefit overpayments identified as a result of this audit. <p style="text-align: center;">The conditions noted in this finding were previously reported in finding 04-24.</p> July 2005 | <u>CFDA #</u> | <u>Amount</u> | 17.225 | \$54,523 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 17.225 | \$54,523 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|--|---|---------------|---------------|-----------------|-----|--------|--|
| 05 | 54 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The Employment Security Department did not comply with federal requirements for suspension and debarment for the Workforce Investment Act and Unemployment Insurance programs. <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>17.258 – 17.260</td> <td>\$0</td> </tr> <tr> <td>17.225</td> <td></td> </tr> </table> Corrective action complete The Employment Security Department has implemented the following corrective actions to address this finding: <ul style="list-style-type: none"> • Revised the general terms and conditions used for each grant and contract to include the appropriate language on suspension and debarment. • Including a separate certification in each contract to be signed by each contractor that they are in compliance with suspension and debarment requirements. • Including the appropriate revised general terms and conditions in all new grants and contracts. March 2006 | <u>CFDA #</u> | <u>Amount</u> | 17.258 – 17.260 | \$0 | 17.225 | |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | |
| 17.258 – 17.260 | \$0 | | | | | | | | |
| 17.225 | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Military Department (MIL)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 05 | 55 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Military Department is not properly accounting for and safeguarding assets purchased by the National Guard Military Operations and Maintenance Projects Program.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>12.401</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The 2005 inventory of fixed assets is now completed and documented. An off year inventory was completed for state Fiscal Year 2006. All future inventories will be completed in accordance with state requirements.</p> <p>Ammunition is no longer shipped directly to, or stored at, a vendor's location.</p> <p>The inventory is counted by an individual with no direct responsibility for the assets subject to inventory.</p> <p>The Department's policy and procedures are in the process of being updated as necessary to ensure they meet the minimum requirements in the <i>State Administrative and Accounting Manual</i> for asset tracking.</p> <p>The Department has returned to using the Capital Asset Management System for tracking small and attractive items.</p> <p>March 2007</p> | <u>CFDA #</u> | <u>Amount</u> | 12.401 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 12.401 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Military Department (MIL)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-------------|--------|--|
| 05 | 56 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Military Department is not in compliance with subrecipient monitoring requirements for the State Domestic Preparedness Equipment Support Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>16.007</td> <td>\$1,486,473</td> </tr> <tr> <td>97.004</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>Additional requirements in the area of documenting subrecipient monitoring activities and recording audits were added to the Department's policy and procedures. Program specific policy and procedures are being developed and refined. Staff have received training on procedures and a division-wide monitoring schedule is being established.</p> <p>Starting September 30, 2006, program staff are reporting to management on a quarterly basis about the number of subrecipient monitoring visits/contacts made to date.</p> <p>Through subrecipient monitoring, the Department is incorporating equipment inventory tracking system reviews. As of July 1, 2006, additional language was incorporated into existing contracts via amendments and into new contracts to clearly explain equipment management protocols.</p> <p>The status of all 2004 federal single audits were determined and documented by September 30, 2006. The status of all 2005 federal single audits will be determined and documented by June 30, 2007.</p> <p>The action items related to this audit finding will be reviewed and reported on as a part of the Department's Government Management Accountability and Performance (GMAP) quarterly meetings.</p> <p>Estimated June 2007</p> | <u>CFDA #</u> | <u>Amount</u> | 16.007 | \$1,486,473 | 97.004 | |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | |
| 16.007 | \$1,486,473 | | | | | | | | |
| 97.004 | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Military Department (MIL)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|--|--|--|---------------|---------------|--|--------|----------|
| 05 | 57 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The Military Department was reimbursed for unallowable charges for the National Guard Military Operations and Maintenance Projects Program. <table border="0" data-bbox="669 716 964 772"> <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;">12.401</td> <td style="text-align: center;">\$24,939</td> </tr> </table> Corrective action complete The Department will not make another payment on an existing contract or execute another contract with a government entity for payment under the National Guard Military Operations and Maintenance Projects Program in the future that allows the ability to apply an indirect rate without first consulting with the National Guard Bureau (NGB). All missing receipts were located. Refunds for excessive travel reimbursements were received from employees and returned to NGB. Mandatory travel training was provided to all staff in the program area where the travel concerns originated. More diligence is being given to travel voucher review. The Department began using the Office of Financial Management's Travel Voucher System (TVS), which has built-in edits for the proper reimbursement of travel costs to the traveler. June 2006 | | <u>CFDA #</u> | <u>Amount</u> | | 12.401 | \$24,939 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 12.401 | \$24,939 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Ecology (ECY)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|--------|-----|
| 05 | 58 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | <p>The Department of Ecology is not complying with subrecipient monitoring requirements for the Clean Water State Revolving Loan Funds Program.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>66.458</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department of Ecology's deputy director, chief financial officer, fiscal manager and senior financial advisor met with Water Quality (WQ) Program management team members on April 5, 2006, to discuss the audit finding and the corrective action plan and to emphasize the need to implement improvements in the subrecipient monitoring process in the regional and headquarters offices. The active workload spreadsheet used by staff in the WQ Program has been updated to handle dates and time frames for projects identified for increased oversight.</p> <p>WQ Program staff have developed new project tracking forms for progress reports and payment requests that will be kept in each project file. The Payment Request Tracking Form includes the reason/determination for increased oversight, effective dates, payment request processing dates, check boxes for meeting requirements, and the method in which the WQ financial manager verified costs. The Progress Report Tracking Form provides detail on progress reports received or not received and site visit dates and documentation. These forms will continue to be updated as needed. All corrective action was completed by April 14, 2006.</p> <p>April 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 66.458 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 66.458 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|----------|--------|-----------|
| 05 | 59 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><u>Department of Social and Health Services</u></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>16.523</td> <td>\$24,849</td> </tr> <tr> <td>84.126</td> <td>\$101,618</td> </tr> </table> <ul style="list-style-type: none"> <i>Juvenile Accountability Block Grant</i> <p>Corrective action complete</p> <p>The Department's Juvenile Rehabilitation Administration (JRA) implemented the Federal Compliance with Time Allocation/Certification requirement of the Department's Fiscal Policy 50.01 in February 2005. Semiannual certifications were completed for salaried and part-time employees for both the current period and the audit review period.</p> <p>JRA employees who work on multiple activities keep daily timesheets on their activities. JRA staff that work on single activities but with multiple funding sources complete the semiannual certifications.</p> <p>Due to the lidded federal funds available, JRA believes that staff working on single federal grant activity 100 percent of the time, such as those meeting the purpose areas of the federal Juvenile Accountability Block Grant, should only need to complete the semiannual certifications even though there may be multiple funding sources. Accordingly, beginning in Fiscal Year 2006, JRA began charging such staff fully to the Juvenile Accountability Block grant and these staff complete the semiannual certifications.</p> <p>The condition noted in this finding was previously reported in finding 04-40.</p> <p>June 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 16.523 | \$24,849 | 84.126 | \$101,618 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | |
| 16.523 | \$24,849 | | | | | | | | |
| 84.126 | \$101,618 | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 05 | 59 (Cont'd) | <p data-bbox="669 699 1304 726">• <i>Rehabilitation Services Vocational Grants to the States</i></p> <p data-bbox="441 758 516 785">Status:</p> <p data-bbox="669 758 971 785">Corrective Action Complete</p> <p data-bbox="669 821 1458 1058">The auditor identified a number of positions charged to Division of Vocational Rehabilitation (DVR) during Fiscal Year 2005. These positions belonged to other divisions of the agency. By 2006, three of the individuals had left the agency, one was no longer charged to DVR, and the Office of Accounting Services (OAS) has received the required semiannual certifications for the five remaining staff for the period October 1st through March 31st, 2006. The Department continues to require semiannual certification.</p> <p data-bbox="669 1094 1466 1331">The Department has implemented a policy that addresses multi-coded positions. The policy establishes responsibility and requirements for verifying the allocation of funds to these positions. DVR has established additional steps to monitor positions partially coded to their program. In addition, OAS continually works with the Department's administrations to raise awareness of the policy requirements for split-coded positions. Additional training on this policy will continue to be provided in Fiscal Year 2007.</p> <p data-bbox="669 1367 1458 1423">The condition noted in this finding was previously reported in finding 04-39.</p> <p data-bbox="441 1459 570 1516">Completion Date:</p> <p data-bbox="669 1459 781 1486">June 2006</p> |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|----------|
| 05 | 59 (Cont'd) | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><u>Department of Community, Trade and Economic Development</u></p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.568</td> <td>\$16,843</td> </tr> </table> <p>Corrective action complete</p> <p>Immediately upon being notified of this issue, the Department:</p> <ol style="list-style-type: none"> 1) Re-focused resources to implement tighter controls over the review and approval of journal voucher entries, and 2) Identified procedures to ensure all corrections of salaries and benefits include the necessary corrections to employee timesheets. <p>The U.S. Department of Health and Human Services (HHS) reviewed the state auditor's report and the Department's corrective action plan, as shown above. In correspondence to the State of Washington dated November 20, 2006, HHS reported that they found the corrective action satisfactory and they waived the collection of non-monetary questioned costs.</p> <p>The condition noted in this finding was previously reported in finding 04-38.</p> <p>December 2005</p> | <u>CFDA #</u> | <u>Amount</u> | 93.568 | \$16,843 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.568 | \$16,843 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----------|----------------|-----------|
| 05 | 59 (Cont'd) | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><u>Military Department</u></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>12.401</td> <td>\$217,630</td> </tr> <tr> <td>16.007, 97.004</td> <td>\$353,000</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's time and effort policy and procedures were corrected and reissued August 2, 2006.</p> <p>Starting April 1, 2006, all employees who were incorrectly using certificates began submitting timesheets recording actual time.</p> <p>Certificates for employees who are only charged to a single federal grant will be requested and completed in a timely manner every quarter.</p> <p>The action items related to this audit finding will be reviewed and reported on as a part of the Department's Government Management Accountability and Performance (GMAP) quarterly meetings.</p> <p>The condition noted in this finding was previously reported in finding 04-41.</p> <p>August 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 12.401 | \$217,630 | 16.007, 97.004 | \$353,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | |
| 12.401 | \$217,630 | | | | | | | | |
| 16.007, 97.004 | \$353,000 | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Programs within the Departments of Social and Health Services (DSHS), Community, Trade and Economic Development (CTED), Military (MIL), Health (DOH), and Veterans' Affairs (DVA)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|--------|--|--------|--|
| 05 | 59 (Cont'd) | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The State of Washington is not complying with federal requirements for time and effort reporting for some of the programs it administers.</p> <p><u>Department of Health</u></p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>10.557</td> <td>\$0</td> </tr> <tr> <td>93.268</td> <td></td> </tr> <tr> <td>93.283</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department informed relevant program managers of the necessity of completing semiannual certifications for those employees whose salary expenditures are charged against federal grants.</p> <p>The most recent audit of the Department revealed that one program still had not completed its semiannual certifications for state Fiscal Year 2006.</p> <p>Subsequent to the Fiscal Year 2006 audit, the Department's internal auditor met with the relevant program manager and recommended changes to the certification process in order to enhance timely reporting. These changes have been adopted by the program.</p> <p>Estimated March 2007</p> | <u>CFDA #</u> | <u>Amount</u> | 10.557 | \$0 | 93.268 | | 93.283 | |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | | | | | |
| 10.557 | \$0 | | | | | | | | | | |
| 93.268 | | | | | | | | | | | |
| 93.283 | | | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

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

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|--|--|---|---------------|---------------|--------|--|
| 04 | 01 | Finding: Questioned Costs: Status: Corrective Action: | <p>The Department of Social and Health Services and the Health Care Authority did not provide the State Auditor’s Office with records and resources needed to audit the Medicaid Program in a timely manner as required by Government Auditing Standards and federal regulations.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>Not specified due to disclaimer of entire program.</td> </tr> </table> <p>Corrective action complete</p> <p><u>DSHS Comments</u> The Department of Social and Health Services (DSHS) has taken several steps to ensure a more productive working relationship with the State Auditor’s Office (SAO) in which requests for data are responded to in a timely manner and SAO auditors have required access to DSHS staff. Those steps include:</p> <ul style="list-style-type: none"> • Senior management from the DSHS, SAO and the Office of Financial Management (OFM), (acting grantee for the statewide single audit) now attend monthly update meetings to immediately resolve issues identified by either agency. • Entrance conferences have been scheduled to provide an overview of the SAO work, clarify points of contact, and establish working protocols for data collection and access to DSHS staff. • DSHS has established and identified administration liaisons through which SAO can communicate, on a day-to-day basis, requests for data, scheduling access to staff, and/or arranging on-site visits, as needed. A second tier contact in the DSHS Office of Operations Review exists for issue resolution by either party. DSHS liaisons and the Office of Operations Review staff’s role are to ensure open and transparent access to the organization. • Employees are instructed to respond with SAO staff requests for data in a timely manner; be available to explain Department records, documents, and reports to the auditors; and interact with SAO staff in a professional manner. | <u>CFDA #</u> | <u>Amount</u> | 93.778 | Not specified due to disclaimer of entire program. |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | Not specified due to disclaimer of entire program. | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

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

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 04 | 01 (Cont'd) | <p><u>HCA Comments</u> The HCA supplied the records the SAO requested. HCA had no way of knowing what HCA data the SAO had requested of DSHS for audit purposes and therefore was not in a position to determine if the records requested and provided would meet the auditor's needs</p> <p>The HCA has noted improved communications with the SAO and are hopeful the communications breakdown which occurred in Fiscal Year 2004, will not be repeated in the future.</p> <p>Completion Date: December 2006</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-------------|
| 04 | 02 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor’s Office sufficient, reliable and timely records for our audit to determine if payments through the <i>Medicaid Management Information System</i> are made only for services provided before a client’s date of death.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$2,335,216</td> </tr> </table> <p>Refer to finding 05-15</p> <p>The Department disagrees with the specific finding above and believes it made adequate efforts to provide timely access to accurate data/information, and to assist the auditor by performing Social Security Number (SSN) verifications as requested. However, the Department also recognizes that poor communication and misunderstandings were contributing factors to this finding.</p> <p>The Department has committed to improve its working relationship with the auditors throughout the coming audit year and to resolve any discrepancies or complaints as they occur. In the 2005 audit, the auditors have been given access to the Medicaid Management Information System (MMIS) system and the Department of Health (DOH) death database.</p> <p>The Department is also working to correct any weakness or inaccuracy in the process used to verify SSNs in the Automated Client Eligibility System (ACES). The Department convened a workgroup to review options to enhance established procedures related to verification of SSN in ACES. This group is ongoing.</p> <p>A review of the automated SSN verification of ACES entry was completed on February 4, 2005. In addition, the Department has enhanced procedures, including modifying the interface with the federal database to update nightly, and updating income and Medicare eligibility daily.</p> <p>The State Online Query (SOLQ) user interface is being modified to make it easier for staff to do multiple queries without exiting the system. This change was implementation in April 2006.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$2,335,216 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$2,335,216 | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 04 | 02 (Cont'd) | <p>Corrective Action:</p> <p>ACES will continue to be the system that maintains data on dates of death and SSNs. MMIS will accept ACES data; the focus of the Department's efforts will be to ensure that ACES data is correct. Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) and Economic Services Administration (ESA) have partnered on a data analysis initiative to verify how SSNs are utilized in ACES and MMIS and assure that Medicaid clients are identified with the appropriate SSN. This was initiated in July 2005.</p> <ul style="list-style-type: none"> • In September 2005, using DOH death data, HRSA began identifying any clients with an MMIS SSN appearing in the DOH death data file. HRSA researches clients in ACES and SOLQ to determine reasons why the SSN was utilized; • ESA develops and implements corrective action as appropriate. • The process is repeated with each quarterly DOH death data update to assure that the MMIS client file does not contain a SSN of a deceased individual. <p>Economic Services Administration will update the client application to notify potential enrollees of the new state statute related to false identification.</p> <p>In cases where the client is deceased, the Department:</p> <ol style="list-style-type: none"> 1. Continues post-pay review (PRP) utilizing quarterly DOH death data. Identifying and recouping appropriate claims, and enter accurate death dates into the MMIS; 2. Partners with DOH in their efforts to develop an on-line interface to DOH death data. DOH piloted the interface in Pierce and Spokane Counties. Once the county on-line interface is complete, DOH will implement a statewide interface for the Department. DOH has indicated that their online application may not be available for several years. The lag in DOH receipt of death data will require PRP to continue; and 3. Will partner with DOH for implementation of an automated DOH interface to the new MMIS. This is scheduled for implementation once the new MMIS is in place, in February 2008. Even with this automated interface, post payment review will continue. <p>The Department disagrees with stated questioned costs. As the Department identifies claims paid after a client's death, overpayment notices are sent to providers, the claim is returned to the Department and the federal portion is refunded.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|---------------|----------------|--|---------------|---------------|--------|------------|
| 04 | 03 | <p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services provided to clients using Social Security numbers belonging to deceased persons.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$815,953.</td> </tr> </table></p> <p>Status: Refer to finding 05-28</p> <p>Corrective Action: Social Security Number (SSN) verification for Medicaid clients occurs in the Medicaid eligibility system, the Automated Client Eligibility System (ACES); not in the Social Services Payment System (SSPS), which is a vendor payment system. The ACES eligibility system is an appropriate source from which to sample client/case identifiers to be matched to payment records in SSPS.</p> <p>Washington Administrative Code (WAC 388-476-0005) defines the Department’s current SSN requirements for medical eligibility, and can be found in the DSHS A-Z Manual at http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm. Section 3 states “Assistance will not be delayed, denied or terminated pending the issuance of a SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance”</p> <p>Verification procedures are described under the section titled “Clarifying Information.” SSN’s are automatically verified through a cross-match with the SSA Numident file, once the data is entered in ACES. Section 3 under “Clarifying Information” states “If a current and valid SSN is not available, the department is responsible to assist a client in making an application for a SSN.”</p> <p>SSN discrepancies identified in the cross-match process with the Numident file generate alerts to the workers as described in the ACES User Manual at http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm. Alert _253 describes alerts to workers when there is a SSN discrepancy in State Data Exchange (SDX), Beneficiary Data Exchange System (BENDEX) or Numident.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$815,953. |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.778 | \$815,953. | | | | | |

**State of Washington
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 For Years Prior to Fiscal Year 2006**

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**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|--|
| 04 | 03 (Cont'd) | Corrective Action: | <p>When the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in SSPS is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.</p> <p>Existing field procedures described above are sufficient to identify the rare instances where someone is trying to receive a service intended for a deceased client.</p> <p>On June 2, 2005, the Aging and Disability Services Administration (ADSA) issued a management bulletin to all staff with a copy of RCW 9.35.02. The statute defines identity theft in the first degree, and the management bulletin instructed staff on reporting instances of apparent identity theft to the Division of Fraud Investigations.</p> <p>ADSA participates in the Payment Review Program process and the development and implementation of algorithms designed to capture payments made for services after death. These algorithms are re-run quarterly and findings referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery action.</p> <p>ADSA has reviewed all cases identified by the auditors and referred any identity theft cases to the Division of Fraud Investigations for eventual referral to appropriate legal authorities. As of June 2005, all reviews of cases were completed, discrepancies resolved, and no cases of identity theft were found.</p> <p>The eligibility and verification requirements and procedures identified above meet U.S Department of Health and Human Services (HHS) requirements for Medicaid eligibility.</p> <p>The Department will work with HHS if any unallowable costs are identified.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-28.</p> |

**State of Washington
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 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|---------------|----------------|---|---------------|---------------|--------|----------|
| 04 | 04 | <p>Finding: The Department of Social and Health Services paid providers with Medicaid funds through the <i>Social Services Payment System</i> for services performed after the date of death.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$36,827</td> </tr> </table></p> <p>Status: Refer to finding 05-28</p> <p>Corrective Action: Social Security Number (SSN) verification for Medicaid clients occurs in the Medicaid eligibility system, the Automated Client Eligibility System (ACES); not in the Social Services Payment System (SSPS), which is a vendor payment system. The ACES eligibility system is an appropriate source from which to sample client/case identifiers to be matched to payment records in SSPS.</p> <p>The Department receives notice of a client's death through its ACES nightly Social Security Administration interfaces with the State Data Exchange (SDX) and the Beneficiary Data Exchange (BENDEX). The BENDEX interface with ACES provides an alert to staff that shows they are deleting the client file due to death.</p> <p>The SDX interface with ACES provides an alert to staff that gives the date of death. The alert is described in the ACES User Manual at: http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_253.htm.</p> <p>The Aging and Disability Services Administration (ADSA) has access to Department of Health (DOH) online information on certificates of death. ADSA followed up with ACES to determine the feasibility of establishing a DOH interface. DOH data is available on compact disk, and is a minimum of four months old. DOH piloted an on-line interface in Pierce and Spokane Counties. Once the county on-line interface is complete, DOH will implement a statewide interface for the Department. DOH has indicated that their on-line application may not be available for several years. When the DOH interface is completed, the Health & Recovery Services Administration will write an ACES interface to have the update included in ACES.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$36,827 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.778 | \$36,827 | | | | | |

**State of Washington
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 For Years Prior to Fiscal Year 2006**

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***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|---|
| 04 | 04 (Cont'd) | Corrective Action: | <p>ADSA funds and actively participates in the department's Payment Review Program (PRP) process and the development and implementation of algorithms designed to capture payments made for services after death. This algorithm is re-run quarterly and findings referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. The PRP was provided with the entire list of cases identified by the auditor. The PRP staff completed their review in April 2005 with no additional refinements to the algorithm.</p> |
| | | Completion Date: | <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-28.</p> |

**State of Washington
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 For Years Prior to Fiscal Year 2006**

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

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|---|---------------|---------------|--------|-------------|
| 04 | 05 | <p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor's Office reliable, timely records for our audit of services provided to undocumented aliens.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$5,551,377</td> </tr> </table></p> <p>Status: Refer to finding 05-08</p> <p>Corrective Action: The Department disagrees with the finding believing that it delivered reliable, timely records for the audit. The Department also feels that system issues and the complexity of federal laws related to undocumented aliens were the primary sources of the problems encountered by the auditors.</p> <p>The Department is committed to repairing past misunderstandings and miscommunications by proactively making sure that complaints and disputes are resolved quickly and effectively when they occur during current and future audits. On December 15, 2004, the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) instituted a transitional policy to review federal rules governing services for undocumented aliens for clarity and to re-examine the Department's past interpretation of these rules. Earlier, in May 2004, HRSA had established workgroups to research policies in other states and to recommend changes in Washington procedures by the end of 2005.</p> <p>On May 17, 2005, a new policy regarding providing services under the Alien Emergency Program (AEM) was proposed to HRSA leadership. The policy limits coverage to certain diagnoses and services and requires that any service provided be causally related to the emergency condition allowing coverage. Prior authorization of services was proposed to ensure compliance with the policy. The policy was finalized in December 2005.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$5,551,377 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.778 | \$5,551,377 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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 For the Fiscal Year Ended
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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|---|---|--|---------------|---------------|--------|---|
| 04 | 07 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Health Care Authority and the Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor's Office with the records needed to audit the Basic Health Plus Program as part of Medicaid</p> <table border="0"> <tr> <td data-bbox="665 751 763 781"><u>CFDA #</u></td> <td data-bbox="868 751 966 781"><u>Amount</u></td> </tr> <tr> <td data-bbox="665 781 763 810">93.778</td> <td data-bbox="868 781 1466 810">Not specified, due to disclaimer of entire program.</td> </tr> </table> <p>Refer to finding 05-10</p> <p>The Department disagrees with this finding since these records are the responsibility of the State Health Care Authority (HCA) and the Department properly relayed the auditor's request to that agency.</p> <p>The Department has coordinated with the Health Care Authority (HCA) and believes this misunderstanding has now been resolved. DSHS also has worked cooperatively with the federal Centers for Medicare and Medicaid Services (CMS), which verified it would not pursue any overpayment of Medicaid dollars as a result of this finding.</p> <p>Medical Assistance Administration (MAA) has raised the standards for achieving quotas in eligibility reviews. The Department has implemented procedures to ensure that the required number of reviews is completed. This was completed February 2004</p> <p>The Department has investigated the auditor's suggestion that it use the monthly reports from HCA on which subscribers have been disenrolled from Basic Health due to non-compliance with the re-certification process. These records do not appear to serve any useful function for MAA, since the Basic Health subscriber is the parent in the Basic Health household, and their disenrollment would not affect the Basic Health Plus child's Medicaid eligibility.</p> <p>However, HCA does send the Department individual change notices that are acted upon in accordance with existing Medicaid policies. MAA will continue to monitor those notices and ensure changes that result in a child leaving the Medicaid caseload are acted upon immediately.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | Not specified, due to disclaimer of entire program. |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | Not specified, due to disclaimer of entire program. | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|--|--------|--------------|--|
| 04 | 08 | <p>Finding: The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor's Office reliable, timely records for our audit of Proshare services.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$38,206,440</td> </tr> </table> <p>Status: The original 2004 Corrective Action Plan reported no action to be taken. Subsequently in 2005, DSHS initiated corrective action described below. The corrective action is complete</p> <p>Corrective Action: The Department disagrees with this finding. The Department believes that it did provide all requested information, although it agrees that the program was not well documented in the Medicaid State Plan. It is important to note that the ProShare Inter-governmental Transfer program was phased out pursuant to an agreement between Washington State and the federal Department of Human and Health Services as of June 30, 2005. Authorization of the program phaseout was confirmed with the Centers for Medicare and Medicaid Services (CMS) staff during the audit.</p> <p>A new Upper Payment Limit program replaced the old Proshare program in 2005. The new program allows for payments to public hospitals with nursing homes, not to exceed to the facilities' costs, matched with certified public expenditures. The new program will be placed into the Medicaid State Plan. The Aging and Disability Services Administration submitted a State Plan Amendment to CMS on July 25, 2005, that includes the new Upper Payment Limit program for public nursing homes.</p> <p>Following review of the proposed amendment, CMS approved the Department's State Plan Amendment in October 2006.</p> <p>Status of questioned costs remains to be determined.</p> <p>Completion Date: This finding was repeated in the Fiscal year 2005 Washington Single Audit. Refer to finding 05-22.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.778 | \$38,206,440 | |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.778 | \$38,206,440 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|---|---|--|---------------|---------------|--------|---|
| 04 | 09 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration, did not provide the State Auditor’s Office with timely records we needed to determine if Medicaid payments are made only to nursing homes meeting federal health and safety standards.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>Not specified, due to disclaimer of entire program.</td> </tr> </table> <p>Corrective action complete</p> <p>The Department disagrees with this finding. The information needed to complete this audit comes directly from the Centers for Medicare and Medicaid Services (CMS). The information available through the Aging and Disabilities Services Administration (ADSA) cannot be used to determine a payment decision made by CMS. CMS makes payment decisions on nursing homes that are out of compliance with health and safety standards. The process begins when ADSA recommends to CMS that they impose the Denial of Payment for New Admissions remedy. CMS reviews the data supplied by ADSA. If CMS agrees the ADSA’s recommendations, CMS communicates the denial of payment decisions directly to the Medical Assistance Administration.</p> <p>ADSA has taken steps to improve working relations with the State Auditor’s Office (SAO) staff. ADSA provided training on February 24, 2005, to regional administrators, field managers, and key headquarter staff regarding the need to provide timely access to the information and resources SAO needs to complete its audits and ensure staff understand the role of independent audits.</p> <p>The condition noted in this finding was previously reported in finding 03-13.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-27.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | Not specified, due to disclaimer of entire program. |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | Not specified, due to disclaimer of entire program. | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|--|--|---------------|---------------|--|--------|--------------|
| 04 | 11 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal regulations that require people receiving Medicaid payments to have valid Social Security numbers.</p> <table border="0" data-bbox="675 772 1003 831"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$11,002,039</td> </tr> </table> <p>The original 2004 Corrective Action Plan reported no action to be taken. Subsequently in 2005, DSHS initiated corrective action described below. The latest corrective action remains in progress.</p> <p>The Department does not agree that Social Security numbers (SSN) are required for every record in the Medical Management Information System (MMIS). Washington Administrative Code 388-476-0005 outlines SSN requirements for cash, medical and food assistance benefits. It should be noted that there are exceptions to the SSN requirement, including alien emergency programs, refugee assistance and detoxification services.</p> <p>The Department is addressing previously identified deficiencies and is working to improve SSN accuracy within MMIS. In response to the 2003 finding, the Department convened a workgroup to review options for enhancing established procedures related to verification of SSN in the Automated Client Eligibility System (ACES). A modification was made to the ACES-Federal interface in April 2005 to use State Data Exchange/Wire Third Party Query (WTPY) for SSN verification on a nightly basis.</p> <p>A cross-agency workgroup was established in November 2004 to review and assess interface issues, provide recommendations, and work with the new vendor of the new MMIS to develop a new ACES/MMIS interface. The workgroup will continue to meet regularly until the new MMIS is implemented in February 2008.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.778 | \$11,002,039 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.778 | \$11,002,039 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 04 | 11 (Cont'd) | <p>The Department's Operations Review and Consultation (ORC) unit conducted a study on the use of SSNs at the request of the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration), the Economic Services Administration (ESA) and the Aging and Disability Services Administration (ADSA). ORC documented criteria for the use of SSNs in determining eligibility for the Department of Social & Health Services programs. In addition, ORC provided a narrative and flow chart describing how SSNs are used in these programs once eligibility has been determined. The report was completed in November 2005. This was the initial step toward developing a comprehensive agency approach to the SSN issue.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-20.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

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

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|-------------|----------------|---|
| 04 | 12 | <p>Finding: The Department of Health and the Department of Social and Health Services, Medical Assistance Administration, are not complying with state law or the provisions of the Medicaid State Plan that help to ensure compliance with health and safety standards for hospitals.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 93.778 N/A</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <u>DSHS Comments</u> The DSHS disagrees with the timing of this finding. The DSHS filed an amendment to the state plan with the Center for Medicare and Medicaid Services, which was approved November 1, 2004, and made effective retroactive to July 2004. The amendment was effective prior to the completion of the fieldwork for the FY04 Federal Single Audit.</p> <p>The DSHS worked with the Department of Health to update the current Memorandum of Understanding (MOU) to include all provisions required by law. The MOU was completed December 1, 2005.</p> <p><u>DOH Comments</u> The DOH successfully sought new state legislation regarding hospital inspections. HB 1533 passed the Legislature April 18, 2005 and was signed by Governor Gregoire on May 13, 2005. The bill became effective July 24, 2005. The bill states "The department shall make or cause to be made an inspection of hospitals on average at least every eighteen months." This change will enable the DOH to complete hospital inspections within the required time frames.</p> <p>The DOH collaborated with the DSHS to update and clarify the current memorandum of understanding (MOU) to include all provisions required by law. In conjunction with this effort, the DOH updated its survey documentation to ensure that it meets federal requirements. This process was completed in December 2005.</p> <p>The condition noted in this finding was previously reported in finding 02-11.</p> <p>Completion Date: December 2005</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|--|---------------|---------------|--------|----------|
| 04 | 13 | <p>Finding: The Department of Social and Health Services, Medical Assistance Administration does not ensure that providers of motorized wheelchairs have the documentation required to substantiate claims for payment.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">\$57,641</td> </tr> </table></p> <p>Status: Refer to finding 05-23</p> <p>Corrective Action: The Department disagrees with this finding</p> <p>Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) currently reviews Medicaid-only requests for wheelchairs through a prior authorization process, and files are kept at HRSA headquarters. Since these claims were paid as a Medicare crossover, the Department feels that the suppliers met their documentation and billing requirements as defined by Medicare as a primary payer and Medicaid as a secondary payer. There is no length-of-need requirement in federal guidelines. The eligibility requirements cited by the auditor, with regard to length-of-need, are self-imposed rules of the Washington Administrative Code, not federal rules.</p> <p>The auditor appears to be recommending a prior authorization or post-pay process be developed for dual-eligible clients as well as Medicaid-only clients. Given limited post pay review resources, the Department has assessed whether the cost of this prior authorization activity would be offset by the benefit. Due to the low total reimbursement and low per claim reimbursement for automatic wheelchair crossover claims, the Department has determined that post pay review is not cost beneficial.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$57,641 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.778 | \$57,641 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|---|
| 04 | 13 (Cont'd) | Corrective Action: | The Department amended the rule governing payment of claims for wheelchairs for enrollees who are also eligible for Medicare to reflect the dependence on Medicare claims review, effective December 1, 2005. |
| | | Completion Date: | The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-23. |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|--|---------------|---------------|--------|-----|
| 04 | 14 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Medical Assistance Administration does not perform adequate reviews of providers of durable medical equipment to ensure the providers exist, are properly licensed, and have submitted accurate information.</p> <table border="0" data-bbox="680 772 966 829"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">N/A</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department believes exit policies and procedures in its reviews of providers are sufficient to ensure adequate provider verification. Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) currently verifies business licenses and tax identification numbers and runs the names of these providers against a national provider fraud database. To strengthen the review of ongoing provider validity, the Department is working with investigative staff in the agency to leverage existing resources for site visits and on-site reviews of providers. (See below)</p> <p>The Department is procuring a new Medicaid Management Information System (MMIS) that will have the ability to verify both business and professional licenses and identify expired business licenses. Implementation of the new MMIS is scheduled in February 2008.</p> <p>The Department partnered with the Department of Health to develop a verification system that can check providers' site locations and phone numbers through a reverse directory search. This research, including cost estimates and justification for the new system, was completed in June 2005. The Department found it not cost effective to develop the verification system. Instead, the Attorney General's Medicaid Fraud Control Unit and the Department's Division of Fraud Investigations conduct site reviews when in the field.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | N/A | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|--|
| 04 | 14 (Cont'd) | Corrective Action: | The Department also explored a system for ongoing review and confirmation of provider licenses with the Department of Revenue. The system development was determined to be ineffective when cost of development was compared to cost reductions. |
| | | Completion Date: | The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-14. |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 04 | 18 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Rehabilitative Services Administration is not in compliance with the federal Medicaid requirements for reporting on adult victims of residential abuse.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Refer to finding 05-13</p> <p>The Health and Rehabilitative Services Administration (HRSAs) is composed of three major divisions. Two of the divisions, the Division of Alcohol and Substance Abuse (DASA) and the Mental Health Division (MHD) were involved in this finding.</p> <p>The DASA revised its own internal policies on reporting of information received by DASA regarding the abuse, neglect, or financial exploitation of a Medicaid client (to appropriate organizations including the Medicaid Fraud Control Unit (MFCU) within the Attorney General's Office). DASA's revision expanded and clarified issues in the area of patient confidentiality to meet federal requirements (June 2005)</p> <p>The MHD revised policy and initiated and implemented policies and procedures supporting the DSHS agency wide policy. Western State Hospital and Eastern State Hospital included a statement in their patient abuse policies that the MFCU will be notified of any patient abuse, neglect, and/or financial exploitation. (October 2005). Employees of both institutions were provided training on the implementation of the revised policies.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-13.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | N/A | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

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

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|--|---------------|---------------|--------|-----|
| 04 | 20 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Medical Assistance Administration has not established sufficient internal controls to ensure that rates paid to its Healthy Options managed care providers are based on accurate data.</p> <table border="0" data-bbox="680 772 966 829"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td style="text-align: right;">N/A</td> </tr> </table> <p>Refer to finding 05-21</p> <p><u>The auditor found that the Department does not monitor fee-for-service data to ensure that the data is correct, that up-coding is not present, and that the fee-for-service costs compare to managed care costs.</u> The Department disagrees with this finding, since fee-for-service data is not used to calculate managed care rates and fee-for-service expenditures cannot be compared to managed care costs due to the differences in the managed care versus fee-for-service populations.</p> <p>The auditor recommended that the Department provide regular reports to the federal funding agency documenting improvements to the rate setting process. The Department considered itself in compliance with the Centers for Medicare and Medicaid Services (CMS) regulations requiring progress reports. The Department is monitoring managed care plans to ensure that procedures are in place to monitor provider encounter reporting.</p> <p><u>The auditor found that the Department did not submit progress reports to the federal funding agency documenting its efforts to improve data quality.</u> In August 2004, the Department submitted the proposed Healthy Options rate setting process to CMS for approval. On April 4, 2005, CMS responded to the proposed rate setting process indicating that the rate setting process was acceptable for actuarial soundness requirements, but failed to comply with federal regulations regarding encounter data reporting. CMS asked DSHS to submit an encounter data improvement plan by May 15.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | N/A | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|-------------|----------------|---|--|--|---------------|---------------|--|--------|-----|
| 04 | 21 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal requirements to report Medicaid expenditures properly.</p> <table border="0" data-bbox="673 735 974 798"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">N/A</td> </tr> </table> <p>Corrective action complete</p> <p>The Department disagrees with this finding as applied to 2004. As a result of an audit finding from SFY 2003, the Health and Recovery Services Administration (HRSA) (formerly the Medical Assistance Administration) reported expenditures for undocumented aliens on the Center for Medicare and Medicaid Services (CMS) 64 report, effective April 1, 2004. The State Fiscal Year 2004 audit should reflect all activities from July 1, 2003, through June 30, 2004. On at least two separate occasions, HRSA advised the auditor that it had established appropriate coding to report this line item effective April 2004.</p> <p>The Department has set up, effective June 18, 2004, specific account coding in the Agency Financial Reporting System (H1188) to be used for AEM expenditures and currently uses this coding to report these expenditures on line 27 of the CMS-64 Form, which is filed quarterly.</p> <p>Currently HRSA runs a query on a quarterly basis of the Automated Client Eligibility System to identify all clients with a medical eligibility code of "2" and sends the Office of Accounting Services an adjustment to move the expenditures associated with these clients to the coding that has been set up to identify them as AEM.</p> <p>August 2005</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.778 | N/A |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.778 | N/A | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----|
| 04 | 22 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Aging and Disability Services Administration, does not have sufficient internal controls to ensure it is complying with both subrecipient monitoring and matching requirements for the Medicaid Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Corrective action complete</p> <p>The Department initiated scheduling of on-site monitoring visits with all Area Agencies on Aging, starting in April 2005. Risk assessments were completed prior to each on-site visit to determine the degree of monitoring performed. The monitoring visits included review of all Skilled Professional Medical Personnel charges, verification that staffs were working for the agency, and verification of required match for federal funds. Supporting documentation for reimbursement requests was reviewed during the on-site monitoring visits.</p> <p>As of March 2006, all 13 AAAs received monitoring visits. Reports regarding the monitoring visits were submitted to management.</p> <p>March 2006</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | N/A | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|-------------|----------------|---|---|--|---------------|---------------|--|--------|----------|
| 04 | 23 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance for Needy Families Program (TANF).</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.558</td> <td style="text-align: center;">\$40,840</td> </tr> </table> <p>Refer to finding 05-36</p> <p>Social Security numbers (SSNs) are, and will continue to be, matched and verified by searching Social Security Administration's (SSA) databases. Changes were made to the electronic interface between the Department and SSA to provide a broader search of SSA's databases. Field staffs were trained on the improved capabilities to identify, investigate and resolve invalid numbers.</p> <p>As of February 2005, staffs were trained to ensure TANF recipients do not receive benefits from more than one assistance unit.</p> <p>The Community Services Division continues to process overpayment recovery actions on those cases found to be in error.</p> <p>The Division of Management Resources and Services has initiated a change to the Automated Client Eligibility System that will allow staff to query the State Online Query System (SOLQ) easily at the time of determining eligibility. The programming changes were implemented in April 2006. Staffs were trained on use of the SOLQ upgrades at that time.</p> <p>The condition noted in this finding was previously reported in finding 03-19.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-36.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.558 | \$40,840 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 93.558 | \$40,840 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|---------------|----------------|---|---------------|---------------|--------|-----|
| 04 | 24 | <p>Finding: The Department of Employment Security paid at least \$142,847 in unemployment insurance benefits to claimants who were not eligible. The Department also overpaid and underpaid eligible claimants by \$18,873 and \$5,150, respectively. In addition, we estimated that payments totaling more than \$185,000 were made to claimants during their first week of unemployment, which is prohibited by state law.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="618 821 915 877"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">17.225</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Employment Security Department continues to perform extensive cross matches, data mining and other fraud prevention and detection efforts for the Unemployment Insurance (UI) program. This includes a cross match with the Social Security Administration. These processes should reduce or eliminate payments to individuals using invalid social security numbers or numbers belonging to the deceased.</p> <p>Agency staff have developed a weekly Unemployment Insurance/Labor and Industries (L&I) cross match designed to immediately identify those claimants who have filed for and are receiving both UI and workers compensation benefits simultaneously. Agency staff will continue to work the system-generated report and establish procedures to eliminate overpayment and fraud activity. The agency is also working with the Department of Labor and Industries to improve coordination and communication when back pay awards of workers compensation benefits occur.</p> <p>To address issues related to proper payment of benefits to claimants receiving pensions, the agency has updated pension deduction charts with percentages to be used by each pension type. Also, additional training has been provided to staff to ensure accuracy of pension deductions.</p> <p>Agency staff has implemented programming changes to prevent the payment for a claimant's waiting week. System implementation took place April 1, 2005.</p> <p>The condition noted in this finding was previously reported in finding 03-04.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to Finding 05-53.</p> | <u>CFDA #</u> | <u>Amount</u> | 17.225 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 17.225 | \$0 | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | | |
|--------------------|-----------------------|---|--|--|---------------|---------------|--|--------|-------------|--|--------|--|
| 04 | 25 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Division of Child Care and Early Learning, does not have adequate internal controls over support for payments made to child care providers.</p> <table border="0" data-bbox="673 735 998 829"> <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;">\$1,100,000</td> </tr> <tr> <td></td> <td style="text-align: center;">93.596</td> <td></td> </tr> </table> <p>Refer to finding 05-30</p> <p>The Department partly concurs with this finding. The Department has addressed the attendance deficiencies by making a change in Washington Administrative Code (WAC). In October 2004, the WAC was changed to require that providers have the parent or custodian sign their children in and out of care. Attendance records must include the date, child's name, time in, time out, and a certifying signature of either a parent or custodian.</p> <p>The Division of Child Care and Early Learning (DCCEL) developed a nonmandatory attendance form for providers on October 1, 2004. The form is not mandatory because the type of care and attendance needs can vary greatly from one facility to the next, a fact made very clear by the providers at the WAC amendment hearings. A single form to meet all providers' needs was determined to be unrealistic.</p> <p>The Division of Fraud Investigations reviewed ten percent of the in-home providers, in all six regions, to ensure in-home childcare is occurring in the child's home. (March 2005) Operations Review and Consultation monitored subsidy payments to six targeted childcare centers in June 2006.</p> <p>DCCEL coordinated with the Payment Review Program to identify and collect duplicate payments through the use of algorithms. Three duplicate payment algorithms were run and overpayments notices sent to providers. (August 2005)</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-30.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.575 | \$1,100,000 | | 93.596 | |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | | | | |
| | 93.575 | \$1,100,000 | | | | | | | | | | |
| | 93.596 | | | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

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

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|---|--|---------------|---------------|----------------|--|-----|
| 04 | 27 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Division of Child Care and Early Learning, does not ensure that all recovered overpayments are credited to the appropriate funding source.</p> <table border="0" data-bbox="617 735 917 829"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>Not Determined</td> <td></td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department's Client Receivable System and cash receipting process were modified to include service, reason, source, organization index, and month of service codes for the Division of Child Care and Early Learning DCCEL client overpayments. Recoveries are posted to agency accounting records with the detail needed to extract collection reports which identify how much was initially paid with federal and state funds and the funding source the funds were returned to.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-34.</p> | | <u>CFDA #</u> | <u>Amount</u> | Not Determined | | \$0 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| Not Determined | | \$0 | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

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

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 04 | 28 (Cont'd) | <p>Corrective Action:</p> <ul style="list-style-type: none"> • As of October 1, 2005, all Basic Food Education and Outreach contracts were being monitored to assure actual client contacts are made by requiring contractors to: <ol style="list-style-type: none"> a. Keep 100 percent back-up documentation of applications to include client identifying information and contact information. Of that documentation, a 10 percent random sample of application assistance contacts are monitored on a monthly basis. b. Keep 100 percent back-up documentation of intake assistance. Of that documentation, a 10 percent random sample of intake assistance contacts are monitored on a monthly basis. c. Not claim an application assistance contact and an intake contact in any single month for the same client. <p>On February 1, 2005 the fraud was referred to the county prosecuting attorney. The case remains pending.</p> <p>The Department is in the process of negotiating the amount of overpayment with the federal grantor. When complete, a request for repayment will be issued to the non-profit.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-32.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|-----------|
| 04 | 30 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when contracting for services paid with federal Community Mental Health Services Block Grant funds.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$810,862</td> </tr> </table> <p>Corrective action complete</p> <p>The Mental Health Division (MHD) has taken steps to address the specifics of this finding regarding improper classification of contracts between personal service and client service and executing contracts after their start dates. Contracts were misclassified due to lack of understanding on the part of contracting staff and lack of required verification by the MHD accounting section.</p> <p>All staff has been informed of the requirements for correct classification. Additionally, the Accounting Section now reviews contracts to ensure correct classification. Contracts Managers also review classification prior to approving contracts.</p> <p>The Division issued verbal and written instructions to improve procedures for ensuring contracts are signed prior to commencing services. This included a revision to the MHD Contract Policy 6.02, in March 2005.</p> <p>Contracts Managers inform program staff that contracts are executed prior to the services being commenced.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-44.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.958 | \$810,862 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | \$810,862 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Office of Superintendent of Public Instruction (OSPI)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|-------------|----------------|--|--------|--------|--------|-----|
| 04 | 31 | <p>Finding: The Office of Superintendent of Public Instruction did not comply with state and federal requirements when contracting for services paid with federal Title I funds.</p> <p>Questioned Costs:</p> <table border="1" data-bbox="618 722 915 793"> <thead> <tr> <th>CFDA #</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>84.010</td> <td>N/A</td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Director of Agency Financial Services has instructed staff to carefully review all contracted services to ensure agency contracts are correctly classified and procured.</p> <p>The Contracts Administrator, who has the centralized responsibility for the contracting process, issued to all staff involved in contracts management both verbal directions and written instruction that included:</p> <ul style="list-style-type: none"> • For the purpose of contracting, OSPI has only two clients - K-12 students and their families/parents. • All new contracts and any renewal of existing contracts will be classified as personal services unless they provide direct services to K-12 students and/or families/parents. • All contracts classified as personal service contracts will be subject to all rules and regulations of the Revised Code of Washington (RCW) 39.29 including, but not limited to, provisions for planning, open competition, filing and filing period. <p>In addition, the agency immediately established a clear definition on how many hours constitutes a day. All existing affected contracts were amended to reflect this clarified definition and the involved contractors were notified of the change. For the new contracts for FY06, OSPI included the revised definition.</p> <p>All monthly payment requests for work performed, as received from the contractors, are supported by a timekeeping and accountability application as an additional control. This will ensure OSPI has received appropriate services prior to payment and prior to requests for federal reimbursement. This documentation is being collected in addition to the quarterly performance reports submitted by each contractor indicating the work completed to date.</p> <p>Completion Date: July 2005</p> | CFDA # | Amount | 84.010 | N/A |
| CFDA # | Amount | | | | | |
| 84.010 | N/A | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|----------|
| 04 | 32 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The Department of Social and Health Services, Mental Health Division, did not comply with state and federal regulations when it inappropriately paid fixed administrative expenditures in advance of services for the Community Mental Health Services Block Grant. <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>\$72,000</td> </tr> </table> Corrective action complete The Mental Health Division developed and implemented policies and procedures, along with a mechanism for oversight, complying with state and federal regulations and precluding advance payment of administrative expenditures. The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-43. | <u>CFDA #</u> | <u>Amount</u> | 93.958 | \$72,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | \$72,000 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|---------------|-----|
| 04 | 33 | Finding: Questioned Costs: | <p>The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>Not Specified</td> <td>\$0</td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department did not concur with the finding. Given the size and the decentralization of the Department, reliance must be placed on management throughout the agency for notification as well as implementation and employment of established controls. The Department has compensating controls in place.</p> <ul style="list-style-type: none"> • The use of VOD1 (one time payments to vendors that do not require tax information) is monitored closely. On a quarterly basis, the Office of Accounting Services (OAS) sends to each Fiscal Program Manager for review a VOD1 report that lists all payments made that quarter. The program is responsible to ensure that payments are accurate and for only prescribed VOD1 purposes. • The Department consolidated the filing of forms submitted relating to access requests, changes, and deletions to facilitate more effective management of access to the system. (October 2005) • The Financial Service Administration (FSA) Information Technology Office (ITO) has obtained an electronic file of all Agency Financial Reporting System (AFRS) User IDs as well as all mainframe Resource Access Control Facility (RACF) User IDs and matched the two files for comparison and research. This file was also matched against current employees in an effort to identify and resolve discrepancies. This helped to eliminate specific existing problems prior to moving forward with stronger controls and more agency-wide awareness of the process. As the list changes daily, a baseline was established and the discrepancy resolution was redone in October 2004. | <u>CFDA #</u> | <u>Amount</u> | Not Specified | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| Not Specified | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

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

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 04 | 33 (Cont'd) | <p>Corrective Action:</p> <ul style="list-style-type: none"> • FSA/OAS has worked closely with the Office of Financial Management representatives to explore alternative system controls that may mitigate the risk of not using the current system segregation controls. <p>The Office of Financial Management received a Letter of Determination, dated September 26, 2005 from David Walter, Acting Director, Office of Audit Resolution and Cost Policy (OARCP), Health and Human Services. The letter stated that the original audit corrective actions and additional comments provided in letters of January 12, 2005, and September 2, 2005, satisfy the audit recommendations contained in the Single Audit Reports for FY 03 and FY 04 (Finding 04-33).</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-29.</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|---------------|-----|
| 04 | 34 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services does not have adequate internal controls over the Social Service Payment System.</p> <table border="0" data-bbox="680 709 966 772"> <tr> <td data-bbox="680 709 779 741"><u>CFDA #</u></td> <td data-bbox="873 709 966 741"><u>Amount</u></td> </tr> <tr> <td data-bbox="680 741 779 772">Not Specified</td> <td data-bbox="873 741 966 772">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>No software for the UNYSIS mainframe is currently available. The Department continues to seek new security software. Current front-end systems utilize technology that records who has logged into the front-end system at the time of use.</p> <ul style="list-style-type: none"> • The Social Service Payment System (SSPS) front-end rewrite “Web Connect” limits access (by incorporating hardened passwords, changed every 90 days) into the authorization process that correctly identifies the authorizer. A permission screen and “lock-out” mechanism are part of the new SSPS front-end design. The system also identifies and flags ineligible providers and notes them on a daily report to the field. The rewrite was implemented in April 2006 and completed on May 31, 2006. • A systematic operator ID purge includes: <ol style="list-style-type: none"> 1. Elimination of unused and excess operator IDs. (February 2005) 2. Update of operator ID authorization files using Department of Personnel’s (DOP) employment termination/change lists. (Completed monthly) 3. Tracking of programs to identify and eliminate non-essential operator IDs. The Aging & Disability Services Administration non-essential operators IDs were purged. (October 2005) 4. In April 2006, all operator IDs were eliminated and user system unique identifiers were required. The feasibility of doing away with operator IDs through the use of the Windows “Active Directory” was reviewed in June 2005. Preliminary design work began in July 2005 with coding of pages and testing started in September 2005. This process was tied to the “Web Connect” rollout completed in May 2006. | <u>CFDA #</u> | <u>Amount</u> | Not Specified | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| Not Specified | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 04 | 34 (Cont'd) | <p>Corrective Action:</p> <ul style="list-style-type: none"> • “Generic” IDs and passwords allowing access to controlled subroutines in the Information System Services Division (ISSD) database were searched for IDs with non-conforming routines. They were either removed or corrected along with a list provided by the auditor in March 2005. Most “Generic Operator IDs” have been supplanted by the front end access as each of the divisions completed their own case management systems. (December 2005) • Since January 2005, the SSPS office and ISSD review monthly DOP information to ensure that employees who leave or move to a new job function within state service are removed from the ISSD database and the SSPS Worker ID file. • The SSPS office continued to work with ISSD staff to remove non-related subroutine access. ISSD formulated specific authorization access coding and subroutines to limit authorization access in January 2005. The last subroutine was removed in May 2005. • The SSPS office reduced access to the Provider File to only those whose job functions require Provider File access. Provider File access rights have been transferred to the Provider File Supervisor. (January 2005) • SSPS has a new combination Structured Query Language and Access database system to prepare documents, record payments, and store payment history. This information is downloaded to the system and files are shared with the Office of Accounting Services (OAS). The database system is also used for automatic entry and storage of A-19 invoice data to be shared in electronic files with the SSPS, OAS, and the Agency Financial Reporting System (AFRS). (October 2005) • OAS and the SSPS office developed a tax accounting database to allow reconciliation. The database has the ability to electronically reconcile expenditures through AFRS. An interim Sequel Database was completed, initiated, and tested for the 2005 taxes. (October 2005) In 2007, all manual corrections of SSPS payments will be electronically incorporated into this system and payments reconciled electronically on a daily basis. |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|---|
| 04 | 34 (Cont'd) | <p>Corrective Action:</p> <ul style="list-style-type: none"> • Specific reconciliation information is on the SSPS web page. All SSPS training includes instruction in the reconciliation process. The SSPS office prepared a Best Practices reconciliation memo that was distribution to all SSPS users on the importance of the reconciliation process. (August 2005) • ISSD assessed if a program could be devised that electronically controls or locks the system. Their goal was to manage real time access by tracking what changed and who made the change. The feasibility study determined that this was not possible. SSPS continues to use a cross-check paper system to document changes and incorporates the Safe Source program whenever possible. • The number of individuals with access to the computer input screen used to add, delete, and view worker IDs has been reduced. A read-only screen was implemented in the new SSPS front-end system access beginning March 2006. • The UNYSIS does not have the capability to maintain a record of changes. SSPS will continue to use its current manual process for risk reduction and the Source Safe program wherever possible. • While staff can re-point Executive Control Language, ISSD tracks access in a temporary production environment. Only authorized on-call staffs have access rights. All staff must document such changes and which requires monitoring and approval by ISSD staff. Additionally, full paper documentation with multi-layer signoff is required. • Information that comes under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy rule is limited to screens available to staff of the authorized division. • A new Provider File Unit centralized all data input from field staff late in 2003. Social Security Administration's (SSA) free employee verification service was being used at the time of the audit. The Provider File Unit confirms all IRS tax ID numbers, and has added several new checks to continue to bring down the error rate, which will be determined by December 2006. These checks include: |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Department of Social and Health Services (DSHS)

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

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Community, Trade and Economic Development (CTED)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 04 | 37 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Community, Trade and Economic Development did not comply with federal requirements for suspension and debarment.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>14.239</td> <td>N/A</td> </tr> </table> <p>Corrective action complete</p> <p>CTED disagrees with the finding. The Housing Repairs and Rehabilitation Program refers in its contracts to Executive Order 12546, <u>Debarment and Suspension</u>, as well as requiring contractors to certify that neither the organization nor its principals are suspended or debarred. The contract also prohibits the contractor from entering into contracts with parties that are suspended or debarred. The contractors for the Tenant Based Rental Assistance program are responsible for the determination of low-income family eligibility to receive rental assistance and pay for the family's rent with vouchers directly to landlords. They do not do business with lower tier contractors.</p> <p>CTED received a management decision letter from the U.S. Department of Housing and Urban Development dated July 26, 2005, which stated that no further corrective action was required and that they considered this finding closed.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-52.</p> | <u>CFDA #</u> | <u>Amount</u> | 14.239 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 14.239 | N/A | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Community, Trade and Economic Development (CTED)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|----------------|----------|
| 04 | 38 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting. <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.568, 93.569</td> <td>\$56,500</td> </tr> </table> Corrective Action: Employees that work on more than one program have been charging their time based on actual time spent on various projects since December 31, 2004. Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-59. | <u>CFDA #</u> | <u>Amount</u> | 93.568, 93.569 | \$56,500 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.568, 93.569 | \$56,500 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|----------|
| 04 | 39 | Finding: Questioned Costs: Status: Corrective Action: | <p>The Department of Social and Health Services, Division of Vocational Rehabilitation, did not comply with federal time and effort reporting requirements for its Rehabilitation Services 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;">\$89,750</td> </tr> </table> <p>Refer to finding 05-59</p> <p>DSHS issues departmental policy.</p> <p>The Department Accounting Policy Management Board issued Fiscal Policy 50.01, <i>Federal Compliance With Time Allocation/Certification</i>, on July 1, 2004. The Policy mandates federal Office of Management and Budget (OMB) Circular A-87 standards for time and effort reporting effective the issuance date.</p> <p>The Division of Vocational Rehabilitation (DVR), which administers the Rehabilitation Services Grant, has implemented the requirements of that policy.</p> <p><u>Time and effort reporting for employees working full-time on the Rehabilitation Services Grant</u></p> <p>This is a repeat finding (03-18) from the Single Audit for the fiscal year ending June 30, 2003. In response to the fiscal year 2003 finding, a corrective action plan was immediately developed and implemented. Semi-annual certifications have been completed for all salaried and part-time employees beginning with the six-month period October 1, 2004, to March 31, 2005.</p> <p>DSHS received a program determination letter from Region X of the Rehabilitation Services Administration (RSA) that recognized the new DSHS policy and re-emphasized the need for meeting the A-87 standards for individuals working 100% on the RSA grant. The letter asked for any additional information on implementation of the six-month certification requirement. On February 25, 2005, DVR advised Region X of RSA that Fiscal Policy 50.01 had been amended to clarify supervisory positions eligible to complete certification of the time and effort reporting forms. For DVR that meant the Director of DVR would have to formally designate supervisors to perform the required certification. The new designation policy went into effect April 1, 2005.</p> | <u>CFDA #</u> | <u>Amount</u> | 84.126 | \$89,750 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 84.126 | \$89,750 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|--------------------|-----------------------|---|---|
| 04 | 39 (Cont'd) | Corrective Action: | <p><u>Time and effort reporting for employees charging part of their time to the Rehabilitation Services Grant</u></p> <p>DSHS Fiscal Policy 50.01, adopted and implemented effective July 1, 2004, states that those individuals working in multiple activities or cost objectives, not covered by random moment surveys or a cost basis in the federally approved cost allocation system, are to have a distribution of salaries and wages based on personnel activity reports or equivalent documentation. Personnel activity reports must:</p> <ul style="list-style-type: none"> • Meet the standards within OMB Circular A-87 • Reflect after the fact distribution of actual activity time • Account for the total activity for which the employee is compensated • Be signed by both the employee and their immediate supervisor <p>The personnel activity reports are used to allocate the employee's salaries and wages on the P4 payroll document or, when necessary, provide the basis for adjusting allocated to actual salaries and wages by journal voucher.</p> <p>The conditions noted in this finding were previously reported in finding 03-18.</p> |
| | | Completion Date: | The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-59. |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | |
|--------------------|-----------------------|---|--|--|---------------|---------------|--|--------|-----------|
| 04 | 40 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Juvenile Rehabilitation Administration did not comply with federal requirements for time and effort reporting for the Juvenile Accountability Incentive Block Grant Program.</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">16.523</td> <td style="text-align: center;">\$565,000</td> </tr> </table> <p>Corrective action complete</p> <p>The Juvenile Rehabilitation Administration (JRA) implemented the requirements of the Department's Fiscal Policy 50.01, <i>Federal Compliance with Time Allocation/Certification</i> in February 2005. Semi-annual certifications have been completed for salaried and part-time employees for both the current period and the audit review period. JRA employees who work on multiple activities now keep daily timesheets on their activities.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-59.</p> | | <u>CFDA #</u> | <u>Amount</u> | | 16.523 | \$565,000 |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | |
| | 16.523 | \$565,000 | | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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

Military Department

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|----------------|----------|
| 04 | 41 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Military Department did not comply with federal requirements for time and effort reporting in the State Domestic Preparedness Equipment Support Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>16.007, 97.004</td> <td>\$75,000</td> </tr> </table> <p>Corrective action complete</p> <p>During the audit year ending June 30, 2004, the Washington Military Department placed in operation a time and effort policy and related procedures. The policy and procedures state clearly that actual time will be reported. (March 2004)</p> <p>To strengthen the implementation of the time and effort policy and procedure, an additional process was instituted that required the Payroll Section to forward any timesheets suspected of being constructed on budgeted time to the Accounting Manager. In turn, the Accounting Manager is obligated to bring the suspect timesheets to the attention of the Emergency Management Division (EMD) Chief of Staff. (January 3, 2005)</p> <p>The EMD Chief of Staff is also directly monitoring timesheets. The monitoring of timesheets by the EMD Chief of Staff has already resulted in timesheets being returned to supervisors and staff to be corrected to report actual time.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-59.</p> | <u>CFDA #</u> | <u>Amount</u> | 16.007, 97.004 | \$75,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 16.007, 97.004 | \$75,000 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 04 | 44 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Department of Social and Health Services, Health and Rehabilitative Services Administration, does not adequately monitor its subrecipients for the Community Mental Health Services Block Grant.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.958</td> <td>N/A</td> </tr> </table> <p>Corrective action complete</p> <p>The Mental Health Division (MHD) began implementing Department Administrative Policy 13.14 on identifying and managing federal Subrecipient contracts and agreements in April 2005.</p> <p>MHD developed a contract monitoring process in accordance with federal regulations for all contracts, including, but not limited to, the Mental Health Block Grant contracts on October 15, 2006. This process includes on-site reviews when the risk matrix identifies that monitoring is appropriate. A workgroup was appointed to facilitate this process. Federal block grant monitoring for all regional service networks was completed July 15, 2006.</p> <p>MHD re-established itself on the distribution list for State, County and Independent audits. These reports are reviewed for findings and corrective action items related to subrecipients of federal funds. (June 2005)</p> <p>MHD has obtained independent audits where they are required. The county audit communication has been researched, as counties have various means of distributing audit results. Language has been added to contracts to address this requirement. (November 2005)</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-46.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.958 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.958 | N/A | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Military Department

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|--|---------------|---------------|----------------|-----|
| 04 | 45 | <p>Finding: The Military Department does not have adequate internal controls to ensure compliance with regulations regarding purchases for, contracting with, and monitoring of its subrecipients in the State Domestic Preparedness Equipment Support Program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <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;">16.007, 97.004</td> <td style="text-align: right;">N/A</td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: <u>Purchases for subrecipients</u> All purchases are now processed on the Military Department's automated Purchase Order System (POS), which requires an electronic approval from a manager or authorized official. In addition, the Chief of Staff for EMD provides electronic authorization for all Homeland Security equipment purchases. (July 1, 2004)</p> <p><u>Contracting with and monitoring of subrecipients</u> An oversight management group was established to direct the development and implementation of a subrecipient monitoring policy and related procedures. The comprehensive written agency policy and procedures were completed in April 2005. Training is being provided to program staff in cooperation with the State Auditor's Office. A grants management program is now available to start recording single audits on subgrantees. The progress of implementing the policy and procedures is being reported to the director on an intermittent basis until fully operational.</p> <p>Completion Date: Estimated June 2007</p> | <u>CFDA #</u> | <u>Amount</u> | 16.007, 97.004 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 16.007, 97.004 | N/A | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

University of Washington (UW)

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

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|---|---------------|---------------|--------|-----|
| 04 | 47 | <p>Finding: The Employment Security Department does not have adequate internal controls over the reporting of grant expenditures on the Schedule of Expenditures of Federal Awards.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="617 735 917 798"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">17.245</td> <td style="text-align: right;">N/A</td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: Effective July 1, 2004, all Trade Act benefit transactions have been recorded properly in the department's accounting system under Catalog of Federal Domestic Assistance (CFDA) 17.245.</p> <p>Additional account codes were created to allow for more detailed tracking of benefit expenditures. This change will remove any confusion over the CFDA codes to use for reporting and will give the Department the ability to accurately report Federal benefits issued at the needed detail level. It will also allow the Department to accurately report Trade Act activities on the Schedule of Expenditures of Federal Awards (SEFA). In addition, a monthly reconciliation of Trade Act benefit expenditures is being performed to ensure all entries are correct.</p> <p>The Department's fiscal year 2004 SEFA was corrected to reflect the actual revenue and expenditure amounts for the Trade Act program. The corrected expenditure amount appeared in the SEFA for the Fiscal Year 2004 State of Washington Federal Single Audit published in May 2005.</p> <p>Completion Date: July 2005</p> | <u>CFDA #</u> | <u>Amount</u> | 17.245 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 17.245 | N/A | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

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

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|---|---------------|---------------|--------|-----------|
| 04 | 48 | <p>Finding: The Employment Security Department did not comply with federal requirements for time and effort reporting.</p> <p>Questioned Costs:</p> <table border="1" data-bbox="618 709 927 772"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>17.245</td> <td>\$130,515</td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: Time charges questioned by the auditors in this finding pertained to two components of the same program - Trade Act - TAA and NAFTA. Funding for NAFTA was discontinued in the affected offices as of June 30, 2004. As such, time reporting between these components is no longer an issue.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>Statewide, the staff identified through this review are now aware that their time is to be charged on a daily basis and is distributed by project codes that reflect actual activities performed. They will fill out their time sheets and use proper charge codes according to the duties performed each day.</p> <p>The agency is awaiting contact with the federal grantor to resolve the questioned costs. The agency did not have a time and effort reporting finding in the FY2005 audit report.</p> <p>The condition noted in this finding was previously reported in findings 03-03 and 03-05.</p> <p>Completion Date: Estimated June 2007</p> | <u>CFDA #</u> | <u>Amount</u> | 17.245 | \$130,515 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 17.245 | \$130,515 | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|--------------------|-----------------------|---|---------------|---------------|--------|--------------|
| 04 | 49 | <p>Finding: The Department of Social and Health Services' Medical Assistance Administration (MAA) did not comply with allowability and reporting requirements for the State Children's Health Insurance Program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="617 735 958 798"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.767</td> <td>\$13,150,000</td> </tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: Health & Recovery Services Administration (HRSA) (formerly known as Medical Assistance Administration) bases requests for federal program reimbursements on actual rather than estimated payments for Medicaid-eligible children whose family incomes fall within certain limits. Actual payments were calculated as of April 25, 2005. The total of \$1.0 million was returned to the Centers for Medicare and Medicaid Services (CMS) on the July 31, 2005 quarterly report.</p> <p>HRSA ensured payments made for prenatal services are provided only after the effective date of the State Plan amendment, November 12, 2002. Payments made before the State Plan amendment approval were returned to CMS on the quarterly report due July 31, 2005.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2005 Washington Single Audit. Refer to finding 05-42.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.767 | \$13,150,000 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 93.767 | \$13,150,000 | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

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**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|---|---------------|---------------|--------|----------|
| 03 | 3 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | <p>The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Unemployment Insurance program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>17.225</td> <td>\$58,600</td> </tr> </table> <p>Corrective action in progress</p> <p>The six employees whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices. The agency has continued to emphasize the importance of federal time reporting requirements to all staff.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>The agency resolved these questioned costs with the U.S. Department of Labor (USDOL) in July 2005; however, USDOL did not consider the underlying time reporting weaknesses resolved at that time.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2004 Washington Single Audit. Refer to finding 04-48.</p> | <u>CFDA #</u> | <u>Amount</u> | 17.225 | \$58,600 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 17.225 | \$58,600 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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

Employment Security Department (ESD)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | |
|---------------|----------------|---|---------------|---------------|-----------|----------|
| 03 | 5 | <p>Finding: ***The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Workforce Investment Act program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="613 743 922 814"> <tr> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td style="text-align: center;">17.255***</td> <td style="text-align: center;">\$27,517</td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The two agency staff whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices as a result of an audit finding in state fiscal year 2002. Time charges for both employees were included in testing of this program by the State Auditor's Office for state fiscal year 2003. No exceptions were found.</p> <p>In response to this finding, the WorkSource Operations Division worked extensively with local offices to reinforce the agency message to all staff of the importance of accurate time and effort reporting among all federal programs. The division also conducted training for all managers and supervisors statewide to ensure understanding of proper time reporting procedures. In addition, the division has implemented daily time reporting for staff in its local offices. Staff timesheets are available on-line for supervisors to review and monitor to ensure they are being completed in a timely manner.</p> <p>The agency resolved the questioned costs with the U.S. Department of Labor (USDOL) in July 2005; however, USDOL did not consider the underlying time reporting weaknesses resolved at that time.</p> <p>Completion Date: The condition noted in this finding was repeated in the Fiscal Year 2004 Washington Single Audit. Refer to finding 04-48.</p> | <u>CFDA #</u> | <u>Amount</u> | 17.255*** | \$27,517 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | |
| 17.255*** | \$27,517 | | | | | |

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

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|---|---|---------------|---------------|--------|-----|
| 03 | 11 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, (DSHS), Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure financial reports submitted to the federal government comply with Medicaid provisions.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="padding-right: 20px;"><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>N/A</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding and has structured its corrective action by the conditions noted by the auditor:</p> <p>Condition 1: <u>DSHS is not reporting disbursements for alien emergency medical (AEM) services.</u></p> <ul style="list-style-type: none"> • The Department agrees that undocumented AEM services should be categorized separate from documented AEM services on the claim; however, the Department is unable to take corrective action at this time. The Automated Client Eligibility System (ACES) and Medical Management Information System (MMIS) do not currently have the capability of capturing undocumented aliens separately from documented aliens and U.S. citizens. • Additionally, the MMIS does not currently have the capability of determining which services were performed as part of an emergent situation and/or any follow-up as required under the decision from Gutierrez v. DSHS, Yakima Superior No. 032017662 (2003). • The Department has established a unique account coding to report AEM expenditures on Line 27 of the CMS 64 report. <p>Condition 2: <u>DSHS is underreporting disbursements in some categories.</u> The Department partially concurs with this condition of the finding. However, the Department is not underreporting expenditures in aggregate. Because of a current situation with the Medical Management Information System (MMIS), there are expenditures included on Line 29, "Other Care Services," that should be reported in other categories on the claim. All reported expenditures are eligible for Title XIX clients. There are also instances where MMIS may not recognize the service code of a disbursement. These disbursements presently are assigned a misleading title of "suspense." These are not suspense items, but are legitimate Title XIX disbursements and are reported as such on the CMS 64 report.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | N/A |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | N/A | | | | | | |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

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**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | |
|-------------|----------------|------------------------------------|---|
| 03 | 11 (Cont'd) | Corrective Action: | <p>This condition was identified by MAA prior to the audit and the Department has changed the title to "Other Care Services." MAA has implemented quarterly JVs to move the charges to appropriate sub/sub/objects. (February 2004)</p> <p>Condition 3: <u>The Department does not have sufficient internal controls over preparation of the CMS-64.</u></p> <ul style="list-style-type: none"> The Department does not agree with the statement "...provides for no monitoring..." nor does it concur with this condition of the finding. The Centers for Medicare and Medicaid Services has a full time fiscal auditor assigned to the State of Washington who is on-site for several weeks during the preparation of the claim, requesting justification and explanation for specific expenditures. The auditor approves the claim for submission prior to the Department certifying the claim. Additionally, the entire claim preparation is in itself a reconciliation of Title XIX expenditures. A one-page summary of the reconciliation activity is prepared prior to the claim certification, previously, the summary was prepared after certification. <p>Condition 4: <u>The Department must establish timely and consistent communications between the Medical Assistance Administration (MAA) and the Office of Accounting Services (OAS).</u> There is now better coordination between staffs in the OAS and MAA.</p> <p>Additionally, MAA staffs have implemented better tracking and monitoring mechanisms to ensure timely correction of errors. (January 2004)</p> <p>Condition 5: <u>The Department must ensure that the coding in the MMIS is accurate.</u></p> <ul style="list-style-type: none"> MAA hired a full time fiscal analyst who identifies issues with the MMIS coding and develops appropriate corrections. (September 2003) MAA has also initiated a process for selection of a new MMIS system that will better meet the challenges of adequate monitoring of expenditures, identification of problematic areas and upkeep of coding. Estimated replacement is February 2008. <p>Completion Date: Estimated February 2008</p> |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|---------------|----------------|--|---|---------------|---------------|--------|-----|
| 03 | 13 | Finding: Questioned Costs: Status: Corrective Action: Completion Date: | <p>The Department of Social and Health Services, Aging and Disability Services Administration (ADSA) and Medical Assistance Administration (MAA), have not set up an effective system of communication that would ensure that Medicaid payments are not being made to nursing homes that are not in compliance with the federally mandated health and safety standards.</p> <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>93.778</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Refer to finding 04-09</p> <p>The Department concurs it needed to strengthen controls over this process, but disagrees with the auditor's recommendations. The recently installed notification process involving the federal Centers for Medicare and Medicaid Services (CMS) has solved the problem. The current process is as follows:</p> <ul style="list-style-type: none"> • ADSA recommends the need for an enforcement action to CMS. • CMS takes the enforcement action. • CMS communicates directly with MAA regarding dates of denial of payment. <p>Any further notification by ADSA to MAA would be duplicative and only add confusion.</p> <p>Last year only 14 of 114 facilities did not come into compliance prior to CMS implementing a denial of payment remedy. If ADSA were to have followed the auditor's recommendation, it would have communicated 100 unnecessary notices to MAA.</p> <p>The condition noted in this finding was repeated in the Fiscal Year 2004 Washington Single Audit. Refer to finding 04-09.</p> | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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

Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | |
|--------------------|-----------------------|---|--|---------------|---------------|--------|-----|
| 03 | 14 | <p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> | <p>The Department of Social and Health Services, Medical Assistance Administration (MAA), is not complying with subrecipient monitoring requirements for the Medicaid Program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.778</td> <td>\$0</td> </tr> </table> <p>Corrective action complete</p> <p>Currently, MAA ensures compliance with the subrecipient monitoring requirements by:</p> <ul style="list-style-type: none"> • Including appropriate compliance requirements in the language of the subagreement award. • Providing subrecipients with program information (including federally required information) in the subagreement award. • Providing consultation services to officials of the subrecipient. • Reviewing monthly billings that have supporting documentation attached and reviewing program/progress reports that provide Department of Social & Health Services (DSHS) with status of the program along with current measurements. • Reviewing the subrecipient's annual audit report and following up with corrective action plan. | <u>CFDA #</u> | <u>Amount</u> | 93.778 | \$0 |
| <u>CFDA #</u> | <u>Amount</u> | | | | | | |
| 93.778 | \$0 | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan |
|--------------------|-----------------------|--|
| 03 | 14 (Cont'd) | <p>The Department's Accounting Policy Management Board and Central Contracts published Administrative Policy No. 13.14, <i>Identifying and Managing Federal Subrecipient Contracts and Agreements</i>. The policy established organizational responsibility for activities necessary to identify and manage subrecipient awards and agreements (including subrecipient monitoring). MAA, like other organizational units of the Department, monitor for compliance with requirements of Office of Management and Budget (OMB) Circular A-133. In addition, the units ensure that federal funded awards made by the Department are used for authorized purposes in compliance with laws, regulations and the provisions of contracts and grant agreements. The policy became effective April 15, 2005.</p> <p>The Accounting Policy Management Board developed a fiscal subrecipient monitoring policy 50.30. It was approved by the board members on December 5, 2006. The policy progressed through the second phase of the initial review prior to the final phase for signoff and implementation. It was signed and became effective on February 26, 2007.</p> <p>The condition noted in this finding was previously reported in finding 01-17.</p> <p>Completion Date: February 2007</p> |

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2006**

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2006**

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|--|--------|-----|--|--------|-----|---|
| 01 | 17 | <p>Finding:</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 709 974 798"> <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;">93.563</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.563 | \$0 | | 93.778 | \$0 | <p>The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.</p> <p>Corrective action complete</p> <p>The Department of Social and Health Services (DSHS) established an accounting policy board that reviewed this issue. DSHS's Central Contract Services has taken the following actions to address this finding:</p> <ul style="list-style-type: none"> • Published a new agency policy for identifying and managing subrecipient awards and agreements, effective as of April 15, 2005. • Published revisions to agency-wide policy for monitoring the performance of contractors, including mandatory use of the Agency Contracts Database to record monitoring activities. Effective January 1, 2005. • Revised its existing agency-wide training on monitoring the performance of contractors. • Placed a list of best practices for monitoring on its intranet website, which include forms (templates). <p>The accounting policy board developed a fiscal subrecipient monitoring policy 50.30. It was approved by the board members on December 5, 2006. The policy progressed through the second phase of the initial review prior to the final phase for signoff and implementation. It was signed and became effective on February 26, 2007.</p> <p>The condition noted in this finding was previously reported in finding 00-12.</p> <p>This finding was repeated in the Fiscal Year 2003 Washington Single Audit. Refer to finding 03-14.</p> |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | | | | |
| | 93.563 | \$0 | | | | | | | | | | |
| | 93.778 | \$0 | | | | | | | | | | |

**State of Washington
 Summary Schedule of Prior Audit Findings
 For Years Prior to Fiscal Year 2006**

***OMB Circular A-133 Audit
 For the Fiscal Year Ended
 June 30, 2006***

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Department of Social and Health Services (DSHS)

| Fiscal Year | Finding Number | Finding and Corrective Action Plan | | | | | | | | | | |
|--------------------|-----------------------|--|--|---------------|---------------|--|--------|-----|--|--------|-----|---|
| 00 | 12 | <p>Finding:</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 709 966 800"> <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;">93.563</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td style="text-align: center;">\$0</td> </tr> </table> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> | | <u>CFDA #</u> | <u>Amount</u> | | 93.563 | \$0 | | 93.778 | \$0 | <p>The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.</p> <p>Corrective action complete</p> <p>The Department of Social and Health Services (DSHS) established an accounting policy board that reviewed this issue. DSHS's Central Contract Services has published a new agency policy for identifying and managing subrecipient awards and agreements, effective as of April 15, 2005.</p> <p>The accounting policy board developed a fiscal subrecipient monitoring policy 50.30. It was approved by the board members on December 5, 2006. The policy progressed through the second phase of the initial review prior to the final phase for signoff and implementation. It was signed and became effective on February 26, 2007.</p> <p>This finding was repeated in the Fiscal Year 2001 Washington Single Audit. Refer to finding 01-17.</p> |
| | <u>CFDA #</u> | <u>Amount</u> | | | | | | | | | | |
| | 93.563 | \$0 | | | | | | | | | | |
| | 93.778 | \$0 | | | | | | | | | | |