



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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March 23, 2017

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

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's corrective action plan for the following audit findings in the fiscal year 2017 single audit report.

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2017-001	State of Washington	G-7	E-17
2017-002	Department of Social and Health Services	G-11	E-27
2017-003	Department of Health	G-13	E-32
2017-004	Department of Social and Health Services	G-14	E-37
2017-005	Employment Security Department	G-15	E-46
2017-006	Employment Security Department	G-16	E-52
2017-007	Department of Services for the Blind	G-18	E-58
2017-008	Department of Services for the Blind	G-20	E-65
2017-009	Department of Services for the Blind	G-21	E-69
2017-010	Department of Services for the Blind	G-22	E-74

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2017-011	Department of Services for the Blind	G-23	E-78
2017-012	Department of Social and Health Services	G-24	E-83
2017-013	Department of Social and Health Services	G-26	E-88
2017-014	Department of Social and Health Services	G-27	E-94
2017-015	Department of Social and Health Services	G-29	E-100
2017-016	Department of Social and Health Services	G-30	E-106
2017-017	Department of Social and Health Services	G-31	E-112
2017-018	Department of Social and Health Services	G-33	E-125
2017-019	Department of Social and Health Services	G-35	E-132
2017-020	Department of Social and Health Services	G-37	E-138
2017-021	Department of Social and Health Services	G-39	E-144
2017-022	Department of Social and Health Services	G-41	E-150
2017-023	Department of Social and Health Services	G-42	E-153
2017-024	Department of Early Learning	G-43	E-157
2017-025	Department of Early Learning	G-46	E-170
2017-026	Department of Social and Health Services	G-48	E-186
2017-027	Department of Social and Health Services	G-52	E-200
2017-028	Department of Social and Health Services	G-53	E-205
2017-029	Department of Social and Health Services	G-54	E-209
2017-030	Department of Social and Health Services	G-55	E-215
2017-031	State Health Care Authority	G-56	E-220

Finding Number	State Agency	Corrective Action Plan Page Number	Single Audit Page Number
2017-032	State Health Care Authority	G-58	E-227
2017-033	State Health Care Authority	G-59	E-232
2017-034	State Health Care Authority	G-60	E-241
2017-035	State Health Care Authority	G-61	E-249
2017-036	State Health Care Authority	G-63	E-260
2017-037	State Health Care Authority	G-64	E-267
2017-038	State Health Care Authority	G-65	E-272
2017-039	State Health Care Authority	G-66	E-281
2017-040	State Health Care Authority	G-67	E-288
2017-041	State Health Care Authority	G-68	E-298
2017-042	Department of Social and Health Services	G-69	E-304
2017-043	Department of Social and Health Services	G-71	E-311
2017-044	Department of Social and Health Services	G-72	E-317
2017-045	Department of Social and Health Services	G-75	E-336
2017-046	Department of Social and Health Services	G-77	E-348
2017-047	Department of Social and Health Services	G-79	E-360
2017-048	Department of Social and Health Services	G-81	E-369
2017-049	Department of Social and Health Services	G-83	E-384
2017-050	Department of Social and Health Services	G-84	E-397
2017-051	Department of Social and Health Services	G-86	E-408
2017-052	Military Department	G-87	E-412

The state's corrective action plan is a compilation of the corrective action plan information provided to us by the applicable state agencies. The corrective action plan document is prepared in conjunction with the 2017 single audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2017. If you have any questions regarding the corrective action plans, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
Assistant Director, Accounting

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	001	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The State should improve internal controls over specific areas of processing, recording, monitoring and reporting of financial activity included in the State’s financial statements.</p> <table border="0" data-bbox="665 546 1088 609"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>N/A</td> <td>\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state’s financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Response from each agency is listed below:</p> <p><i>Employment Security Department</i></p> <p>The Department partially agrees with the finding.</p> <p>In 2016, the Department established a Next Generation Tax System (NGTS) Interfaces and Data Quality Assurance project team comprised of representatives from the business and technology sectors to address concerns regarding the NGTS. The project team has been working on improving the system’s internal controls related to processing transactions, reporting, and reconciliations between systems. In addition, the Department contracted with Microsoft to remediate technical issues with the NGTS system.</p> <p><u>System Processing</u></p> <p>The finding incorrectly states adjustments can be entered and processed in NGTS without review and approval of a second person. The Department did have a process in place at the time of audit; however, the process was not documented. Prior to the end of the audit, management had begun documenting the process of reviewing and approving adjustments.</p> <p>The auditors took exception that the Detailed Benefit Charges within NGTS do not consistently match the Summary of Benefit Charges. It is normal business practice to expect varying discrepancies between assessed and paid premium amounts, especially for large employers. When audit testing of a selected sample found a percentage of employer receivable balances at yearend varied from the employer paid amounts recorded in NGTS, it should not be construed as a misstatement on the financial statements.</p> <p><u>System Report issues</u></p> <p>The Department agrees that some experienced-rated employers with delinquent accounts had at least one rate within the audit period that was incorrect, resulting in an immaterial misstatement. However, the</p>	<u>CFDA #</u>	<u>Amount</u>	N/A	\$0
<u>CFDA #</u>	<u>Amount</u>						
N/A	\$0						

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	001 (cont'd)	<p>Department does not agree with the other system report issues as described in the condition of the finding.</p> <p>As stated in prior audit finding responses, the Department does not rely on NGTS reports for financial reporting. The auditors have neither communicated to Department management what specific system reports they referred to, nor explained how the reports were used or their impact on financial reporting. Based on Generally Accepted Government Auditing Standards, the audit failed to identify any clear logical link of the effect to the system report issues that led to this misstatement.</p> <p><u>Reconciliations</u> The Department agrees that NGTS has not been reconciled to the bank. The Department will improve procedures over reconciliation between the bank and NGTS.</p> <p>The Department agrees that there are no reconciliations between systems to ensure information transmitted by interfaces is accurate and complete. The auditor did not communicate what constitutes adequate controls over interfaces between internal and external systems. Nonetheless, the Department will continue to identify and implement necessary controls over interfaces to ensure information transmitted is accurate and complete.</p> <p><i>Health Care Authority</i></p> <p>The Authority recognizes the significance and priority of internal controls over recording and reporting financial transactions. Currently, the ProviderOne vendor provides an independent service organization control audit every other calendar year. In 2015, the Authority requested funding from the Legislature to contract for a service organization control audit report on an annual basis so each state fiscal year will be covered. This request was not funded.</p> <p>The estimated additional cost to purchase an annual service organization control audit report is \$470,000. The Authority will re-submit a request for funding to obtain the annual audit report.</p> <p><i>State Board of Community and Technical Colleges</i></p> <p>The Board implemented the PeopleSoft system in 2015 to replace the existing legacy software, and Community Colleges of Spokane and Tacoma Community College were the first to go live with the new system. Since its implementation, there have been ongoing efforts to improve data accuracy and correct deficiencies. At the time of the 2017 audit, these two colleges were still in the process of identifying and correcting financial records for fiscal year 2016.</p> <p>It is the Board's priority to ensure accurate financial data is interfaced into the Agency Financial Reporting System (AFRS). To address the audit</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	001 (cont'd)	<p>recommendations, the Board has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • The Director of Accounting and Business Services is leading a support team consisting of approximately 10 accounting and project staff dedicated to assist these two colleges in closing fiscal years 2016 and 2017. Staff on the support team are stationed at the colleges to: <ul style="list-style-type: none"> ○ Review, reconcile and make adjustments in the general ledgers. ○ Reconcile cash with the new system. ○ Monitor and reconcile data in the Asset Management module of the new system prior to uploading to AFRS to ensure accurate tracking and recording of capital assets and depreciation. ○ Provide training to college accounting staff in using the new system and implementing internal controls. • Additional technical staff were also assigned to develop customized programs and enhance the Financial Module of the new system to facilitate more efficient account reconciliation and year-end closing process. <p>The Accounting and Reporting Associate Director will continue to monitor and assist the other 32 colleges in their accounting and reporting of financial data. The Board anticipates the data clean-up process of the new system will be completed by the close of fiscal year 2018.</p> <p><i>Department of Licensing</i></p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"> • Perform monthly monitoring and review, in addition to the monitoring by the Office of Financial Management (OFM). • Provide OFM with updates of material revenue increases and decreases of more than 10 percent as they occur. OFM will work with the Department to determine potential impact and appropriate actions. • Perform analytical review at yearend to identify and correct accounting errors, and follow up to ensure they are appropriately addressed. <p><i>Office of Financial Management and the Guaranteed Education Tuition Program</i></p> <p>The Office of Financial Management (OFM) prepares the state’s financial statements in accordance with generally accepted accounting principles and recognizes the importance of internal controls over recording and reporting financial transactions.</p> <p>OFM has procedures in place to monitor and identify significant agency activities that may affect the state’s financial reporting, as follows:</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	001 (cont'd)	<ul style="list-style-type: none"> • Perform quarterly and year-end analytical reviews on revenues. As of January 2018, an analytical review by fund is performed at mid fiscal year in addition to the review by line items being done at yearend. These analytical reviews are used to help detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Perform necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the state's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Perform monthly monitoring of agencies' financial data by running reports from AFRS to identify incorrect transactions and questionable balances. • Require agencies to complete year-end disclosure forms to collect vital information which have significant impact on the state's financial reporting. Agency chief financial officers are also required to certify the accuracy and completeness of their financial data. • Maintain ongoing communication with agencies to emphasize the need to contact OFM for guidance regarding reporting unique accounting activities. • Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Continue to provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. <p>In addition, OFM:</p> <ul style="list-style-type: none"> • Is in the process of procuring a financial reporting program for preparing the state's Comprehensive Annual Financial Statements. The new product will improve efficiency and accuracy, and allow OFM to dedicate more resources at yearend for review. • Will continue to work with Employment Security Department, Department of Licensing, Health Care Authority, State Board of Community and Technical Colleges, and the Washington Student Achievement Council to strengthen their internal controls over processing and reporting of financial activities. <p>Completion Date: Estimated November 2018</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2017	002	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services improperly charged about \$4.1 million to multiple federal grants.</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>10.551</td> <td>\$ 4,061,653</td> </tr> <tr> <td>10.561</td> <td></td> </tr> <tr> <td>93.558</td> <td></td> </tr> <tr> <td>93.566</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding.</p> <p>As of March 2017, the Department’s Economic Services Administration (ESA) implemented a procedure to add the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS). Accounting staff are required to include MOS in processing of all agency payments from the accounting system.</p> <p>The Department utilizes the MOS to perform monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. This process has helped ESA identify and ensure transactions not directly processed by the administration, such as payroll and benefits, are charged to the appropriate grant year.</p> <p>Prior to the start of the current audit period, the Department identified approximately \$22 million in expenditures charged to grants for activities that occurred before the start of the grant period. The Department had subsequently reversed \$17.6 million of the improper charges. This information was disclosed to the auditors during their audit planning work.</p> <p>As of November 2017, the Department moved the timing of updating the Cost Allocation System to coincide with the commencement of the federal fiscal year. This change enables automatic charging of costs to the appropriate grant year through cost allocation for the applicable federal fiscal year.</p> <p>By April 2018, the Department will correct the remaining \$4.1 million of expenditures to the proper grant year using the journal voucher process.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2016-002, 2015-003, and 2014-022.</p> <p>Estimated April 2018</p>	<u>CFDA #</u>	<u>Amount</u>	10.551	\$ 4,061,653	10.561		93.558		93.566	
<u>CFDA #</u>	<u>Amount</u>												
10.551	\$ 4,061,653												
10.561													
93.558													
93.566													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	002 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	003	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.</p> <table border="0"> <tr> <td data-bbox="672 579 764 611"><u>CFDA #</u></td> <td data-bbox="1003 579 1096 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 611 764 642">10.557</td> <td data-bbox="1003 611 1096 642">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department strives to ensure compliance with federal regulations and has the following procedure in place to evaluate the risk of subrecipients as part of the monitoring protocol:</p> <ul style="list-style-type: none"> • An initial written risk assessment is required for new subrecipients of a federal award. • For each subsequent subaward, an informal risk assessment is performed to determine if the subrecipient's risk level has changed and thus requires a new written risk assessment. Otherwise, the Department relies on the initial risk assessment. <p>Informal risk assessments are performed by staff, and Department procedure does not require documentation be maintained for those activities. The auditors determined that lack of documentation of the informal risk assessments did not meet federal requirements. The auditors also determined that the Department does not have adequate internal controls to ensure required assessments are performed.</p> <p>In response to the audit finding, the Department will update the risk assessment process to ensure all assessments are documented. In addition, the Department will seek guidance from the federal grantor and review current federal regulations to evaluate the sufficiency of the Department's process. The Department will also:</p> <ul style="list-style-type: none"> • Update internal policies and procedures. • Communicate changes to staff. • Provide staff training as needed. <p>Estimated June 2018</p> <p>Lydia Hoffman Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 Lydia.hoffman@doh.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	004	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>Numerous</td> <td>Undetermined</td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>During the previous audit, the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services, Region 10, Division of Cost Allocation (DCA) was in possession of the Department's fiscal year 2012, 2013, and 2014 cost allocation plans.</p> <p>While DCA was in possession of those three plans, they were working with the Department to ensure the 2012 plan was approved. The Department was provided verbal directions from DCA's negotiator to stop submitting plans until DCA finished approving the previous years' plans. Therefore, the Department stopped submitting new cost allocation plans.</p> <p>Subsequent to the prior year's finding, the Department received written directions from DCA to ensure cost allocation plans are submitted by June 30 of each year. The Department has since submitted the following three cost allocation plans to DCA:</p> <ul style="list-style-type: none"> • Fiscal Year 2016 plan on February 28, 2017. • Fiscal Year 2017 plan on April 28, 2017. • Fiscal Year 2018 plan on June 30, 2017. <p>The federal partners are actively working with the Department on approvals of the previously submitted plans.</p> <p>The conditions noted in this finding were previously reported in finding 2016-004.</p> <p>June 2017</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	Numerous	Undetermined
<u>CFDA #</u>	<u>Amount</u>						
Numerous	Undetermined						

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	005	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible claimants of the Unemployment Insurance program received weekly benefits.</p> <table border="0"> <tr> <td data-bbox="673 583 764 611"><u>CFDA #</u></td> <td data-bbox="1003 583 1094 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="673 615 748 642">17.225</td> <td data-bbox="1003 615 1029 642">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The audit identified some design flaws in the Unemployment Tax and Benefit (UTAB) system causing cases selected for the job search verification process not being forwarded for verification.</p> <p>As of February 2018, the Department has:</p> <ul style="list-style-type: none"> • Corrected the design flaws in the system that were identified in the audit. • Established new monitoring procedures to help ensure all work search verifications are completed and staff reviews are adequately documented. <p>In May 2018, the Department's Office of Internal Audit will conduct an assurance engagement to help provide independent objective assurance to management that the Department has implemented corrective actions to address the audit recommendations.</p> <p>Estimated June 2018</p> <p>Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$0
<u>CFDA #</u>	<u>Amount</u>						
17.225	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	006	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Services for the Blind did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.</p> <table border="0" data-bbox="667 577 1096 640"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>84.126</td> <td>None</td> </tr> </table> <p>Corrective action in progress</p> <p>Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed individual plans of employment (IPEs). These reports were reviewed by Regional Area Managers to assist counselors in meeting the 90-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client’s case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed.</p> <p>The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed IPEs that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation.</p> <p>In response to the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of August 2017, completed the testing of an actions-due feature called a dashboard in the case management system, and determined that the data values provided by the dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. • As of September 2017, implemented a process to identify IPEs nearing the 90-day deadline for the upcoming week and to remind counselors of required client signatures and components for documenting a delay justification if an IPE is not expected to be developed within the 90-day timeframe. Managers also perform weekly monitoring of the use of the dashboard tool by the team. • Communicated to Regional Managers a target of less than ten percent overdue IPEs for the agency, by region and counselor. As of October 2017, performance data showed a decrease in agency-wide overdue IPEs compared to the previous fiscal year though not within the target range. Nonetheless, the average number of days taken to complete IPEs for all individuals has fallen to less than the required 90 days. 	<u>CFDA #</u>	<u>Amount</u>	84.126	None
<u>CFDA #</u>	<u>Amount</u>						
84.126	None						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	006 (cont'd)	<p>The Department may consider adding the performance expectations to the Regional Managers' 2018 performance evaluation process.</p> <ul style="list-style-type: none"> Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. As of October 2017, the policy revision has been sent out to external partners and stakeholders for initial feedback. As of February 2018, the proposed changes to the WAC were published for public comments before being adopted as final policy. <p>By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including IPE development and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the IPE development process.</p> <p>The conditions noted in this finding were previously reported in finding 2016-010.</p> <p>Complete Date: Estimated December 2018</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	007	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Services for the Blind did not establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.</p> <table border="0" data-bbox="665 577 1096 640"> <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;">84.126</td> <td style="text-align: right;">None</td> </tr> </table> <p>Corrective action in progress</p> <p>Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed eligibility determinations. These reports were reviewed by Regional Area Managers to assist counselors in meeting the 60-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client’s case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed.</p> <p>The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed eligibility determinations that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation.</p> <p>In response to the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of August 2017, completed the testing of an actions-due feature called a dashboard in the case management system, and determined that the data values provided by the dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. • As of September 2017, implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe. Managers also perform weekly monitoring of the use of the dashboard tool by the team. This process includes ensuring exceptional and unforeseen circumstances are documented and that extensions with specific period are supported with a client agreement. • Communicated to Regional Managers a target of less than ten percent overdue eligibilities for the agency, by region and counselor. As of October 2017, performance data showed that agency-wide delayed 	<u>CFDA #</u>	<u>Amount</u>	84.126	None
<u>CFDA #</u>	<u>Amount</u>						
84.126	None						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	007 (cont'd)	<p>eligibility determinations decreased to less than ten percent compared to the previous fiscal year. In addition, there were improvements in number of days taken to complete eligibility determination. The Department may consider adding the performance expectations to the Regional Managers' 2018 performance evaluation process.</p> <ul style="list-style-type: none"> Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. As of October 2017, the policy revision has been sent out to external partners and stakeholders for initial feedback. As of February 2018, the proposed changes to the WAC were published for public comments before being adopted as final policy. <p>By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including eligibility determination and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the eligibility determination process.</p> <p>The conditions noted in this finding were previously reported in finding 2016-009.</p> <p>Complete Date: Estimated December 2018</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	008	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	<p>The Department of Services for the Blind did not establish adequate internal controls to ensure cash draws were accurate and federal spending requirements were met for the Vocational Rehabilitation 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;">84.126</td> <td style="text-align: right;">None</td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reimbursement request process. To address the audit recommendations, the Department implemented the following corrective actions:</p> <ul style="list-style-type: none"> • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw process. • As of October 2017, developed an internal checklist for the federal draw process and incorporated in the existing procedures. • Implemented a secondary review by requiring the approval of the Deputy Financial Officer after the Accounting Manager prepares the federal draws. <p>October 2017</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	None
<u>CFDA #</u>	<u>Amount</u>						
84.126	None						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	009	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not establish adequate controls over, and was not compliant with, federal requirements for charging costs to the Vocational Rehabilitation program.</p> <table border="0" data-bbox="673 546 1120 619"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>84.126</td> <td>\$2,479,527</td> </tr> </table> <p>Corrective action in progress</p> <p>In August 2017, the Department submitted a request to the U.S. Department of Education to switch from an indirect cost rate to a Cost Allocation Plan (CAP) and requested the plan be approved retroactively to July 1, 2016. The Department charged reasonable and appropriate indirect costs to federal grants during fiscal year 2017 with the understanding that the federal granter would approve the CAP retroactively.</p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"> • Continue working with the U.S. Department of Education cost allocation group to obtain the approval of the 2017 and 2018 CAPs. Upon approval, the CAPs will be updated for any required changes for the two-year period. If approval to the CAPS is not obtained by June 2018, the Department will not charge indirect costs to the grants. • Implement a secondary review process for indirect costs charged to federal grants. After the Accounting Manager identifies the amount of indirect costs to charge against each grant, the Deputy Financial Officer will conduct a review of the charges and approve the amounts. • Work with the U.S. Department of Education through the audit resolution process regarding the questioned costs. <p>Estimated March 2018</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$2,479,527
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$2,479,527						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	011	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department did not establish adequate internal controls over, and was not compliant with federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.</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;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department was required to set aside at least 15 percent of each Vocational Rehabilitation (VR) award for pre-employment transition services to students eligible for the earmarked funds. For the 2016 award year, the Department had accurately identified and tracked the earmarked expenditures throughout the year.</p> <p>The Department charged \$869,402 of VR grant expenditures above the 85 percent of the 2016 grant allocated to basic support and employment services. This amount was reported on the 2017 federal report in March 2017 but the expenditures were not moved to the 2017 grant until May 2017.</p> <p>To address the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of May 2017, processed adjustments to move \$869,402 of basic support service expenditures charged to the 2016 grant to the 2017 grant. • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process. • As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period of March 2017. • Updated procedures to include a secondary review process. Two managers are required to review payments charged to earmarked funds to ensure only allowable services for eligible students are included. <p>November 2017</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.Christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	012	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the current year audit. Nonetheless, the Department already implemented the following corrective actions:</p> <p>As of May 2017, the Department:</p> <ul style="list-style-type: none"> • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for establishing timely individual plans of employment (IPEs) and meeting documentation requirements for IPE extensions. • Updated the customer service manual to reflect the requirements for extending IPE beyond the 90-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPEs development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. <p>As of July 2017, the case management system was updated to require both the counselor and client’s signatures upon completion of an IPE.</p> <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Review and enhance reports from the case management system to monitor critical deadlines. • Establish standard operating procedures for the IPE extension process and provide training to staff. <p>By May 2018, the Department will:</p> <ul style="list-style-type: none"> • Enhance the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of IPE establishment. • Develop training modules to include the review of management reports. <p>The conditions noted in this finding were previously reported in finding 2016-011.</p> <p>Estimated May 2018</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	012 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	013	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not establish adequate internal controls over, and was not compliant with, federal requirements to ensure client eligibility determinations were accurate and made within a reasonable period of time for the Vocational Rehabilitation 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;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the current year audit. Nonetheless, the Department already implemented the following corrective actions:</p> <p>As of May 2017, the Department:</p> <ul style="list-style-type: none"> • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for timely client eligibility determinations with accurate supporting documentation. • Updated the customer service manual to reflect the documentation requirement for extending eligibility determination beyond the 60-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPE development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Review and enhance reports from the case management system to monitor critical deadlines. • Establish standard operating procedures for requesting extension of eligibility extension including the supervisory review process. <p>By May 2018, the Department will:</p> <ul style="list-style-type: none"> • Enhance the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of eligibility determination. • Develop training modules to include the review of management reports. <p>The conditions noted in this finding were previously reported in finding 2016-012.</p> <p>Estimated May 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	014	<p>Finding: The Department of Social and Health Services did not establish adequate internal controls over, and was not compliant with, federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$87,357</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>Due to the timing of the prior audit, the Department did not have sufficient time to implement all corrective actions within the current audit period.</p> <p>As of May 2017, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • Issued an agency directive outlining the expectations for timely completion of Individual Plan for Employment (IPE) that are supported by proper required documentation. • Issued directive to field staff communicating the federal requirements that client employment services must be included on the IPE along with the counselor and client signatures. • Completed updates to the employee procedure manual to incorporate the new agency directives. • Conducted quarterly internal compliance reviews to ensure services were included in appropriately approved IPEs. Prior to processing payments, supervisors receive system reports that identify authorizations not on the client’s IPE. Supervisors are required to review the identified authorizations, respond, and document any actions taken. • Monitored compliance reviews on the SharePoint site by forwarding a summary spreadsheet to each office queue that has authorizations to address. All Regional Administrator and fiscal compliance managers have access to the site and receive electronic notifications to each review request and response. <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Enhance the Service Tracking and Reporting System to send alerts to staff when new services are initiated that are not on a client’s IPE. Services with costs exceeding the established threshold require client’s signature on the updated IPE. • Develop staff training to include system enhancements and required processes to assist staff in ensuring IPEs are complete and properly approved before services are paid for. • Contact the U.S. Department of Education to discuss the resolution of questioned costs. <p>The conditions noted in this finding were previously reported in finding 2016-013.</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	014 (cont'd)	Completion Date: Estimated April 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	015	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services and the Division of Vocational Rehabilitation did not establish adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.</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;">84.126</td> <td style="text-align: right;">\$10,512</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>As of September 2017, the Department developed standard operating procedures to provide guidance to staff on how to determine allowable use of earmarked funds.</p> <p>As of October 2017, the Department updated the programming in the case management system to ensure payments for pre-employment transition services from the earmarked funds are only made for eligible students. Two parameters were added before the system will allow the case worker to select payments under the earmarked category:</p> <ul style="list-style-type: none"> • The client’s date of birth must meet the criteria. • A specific field must be checked by the caseworker indicating client is a student. <p>By March 2018, the Department will:</p> <ul style="list-style-type: none"> • Develop standard operating procedures for identifying and correcting payment errors related to earmarked funds. • Contact the U.S. Department of Education to discuss the repayments of the questioned costs. <p>Estimated March 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$10,512
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$10,512						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2017	016	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.243</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.959</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>As of February 2018, the Department’s Office of Indian Policy has established procedures to document the following information in the Agency Contracts Database:</p> <ul style="list-style-type: none"> • The yearly federal expenditures of each tribal entity. • Dates of completion of each tribal entity’s single audits. <p>By March 2018, the Department’s Behavioral Health Administration (BHA) will maintain a master contract list for sending audit verification forms and ensure staff involved in the process of subrecipient monitoring work from the same master list.</p> <p>By May 2018, BHA will develop additional internal control procedures to supplement existing management bulletins and improve monitoring of subrecipients, This includes:.</p> <ul style="list-style-type: none"> • Verify subrecipients submit required audits. • Follow up on all audit findings and issue management decisions promptly. • Require subrecipients to develop corrective action plans for audit findings, which will be tracked by the Department. <p>BHA will access the Federal Audit Clearinghouse to review and determine if any of the tribal audits contain findings that involve Department funds. BHA will work with the tribal entity to develop a corrective action plan and, if necessary, contact the Office of Indian Policy for additional support.</p> <p>The conditions noted in this finding were previously reported in findings 2016-014, 2015-016, and 2014-019.</p> <p>Estimated May 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.243	\$0	93.959	
<u>CFDA #</u>	<u>Amount</u>								
93.243	\$0								
93.959									

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2017	017	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.</p> <table border="0" data-bbox="667 577 1096 640"> <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;">\$1,230</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. Department of Early Learning (DEL) policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made. DEL is implementing an electronic attendance system and intends to require all providers to use it effective July 1, 2018.</p> <p>Due to timing of the prior audit, the Department did not have sufficient time to address all audit recommendations within the current audit period. Nonetheless, the Department continues to conduct post-payment reviews of cases where an improper payment appears likely to have occurred. For these cases, staff review the case specifics and perform verification to include requesting attendance records to determine if an overpayment has occurred. The review also determines if it is a provider or a client overpayment, the amount of the improper payment, and establishes an overpayment if appropriate.</p> <p>The Department has established a Process Review Panel (PRP) comprised of three experienced staff from the Department’s Economic Services Administration. The PRP was tasked with reviewing and evaluating audit findings, exploring options and recommending appropriate corrective actions.</p> <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Develop and implement internal controls including third-party reviews based on recommendations from the PRP. • Explore pre-authorization reviews on high-risk and/or high-cost cases based on trend analysis conducted by the PRP. <p>These controls will help improve accuracy in eligibility and authorization determinations, which will reduce the risk for improper billings from providers.</p> <p>To appropriately and effectively initiate and implement these substantial changes while minimizing impact to our clients, the Department will seek 25 additional full-time employees and necessary resources to staff the</p>		<u>CFDA #</u>	<u>Amount</u>		93.558	\$1,230
	<u>CFDA #</u>	<u>Amount</u>							
	93.558	\$1,230							

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	017 (cont'd)	<p>business-process redesign and support the information technology initiatives necessary to improve our internal controls.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in finding 2016-019.</p> <p>Complete Date: Estimated July 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	018	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not establish adequate internal controls over and did not comply with federal requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.</p> <table border="0" data-bbox="667 604 1096 667"> <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;">\$2,314</td> </tr> </table> <p>Corrective action complete</p> <p>The Department partially concurs with the audit finding.</p> <p>As of March 2017, the Department fully implemented new procedures to ensure Temporary Assistance for Needy Families (TANF) benefits are reduced or denied timely and accurately for participants who do not cooperate with child support requirements.</p> <p>The new procedures:</p> <ul style="list-style-type: none"> • Increased the priority of noncooperation cases referred to the Community Services Division (CSD) to ensure documents are examined timely. • Implemented an automated process to identify currently closed cases that involve noncooperation, in the event the case is reopened. • Established a monitoring process to ensure all notifications of noncooperation received from prosecuting attorneys are entered into the case management system. The Division of Child Support Program Integrity Team will conduct an additional spot check audit by August 2018 to ensure all notifications are properly generated to CSD. <p>The new procedures were implemented in March 2017 to address the prior year finding. The auditors did not identify any exceptions that occurred after March 2017 for the current audit period, validating the effectiveness of the new procedures. The Department will continue to follow the current process.</p> <p>The Department concurs that seven of the 11 clients identified in the finding received more benefits than they were eligible to receive. As of February 2018, the Department reviewed the exceptions identified and had established overpayments as appropriate.</p> <p>The Department does not concur with the questioned costs of \$623 associated with one client identified in the finding, which would reduce the known question costs to \$1,691. The Department found a procedural error occurred for this client, but the benefit amount received by the client during the audit period was found to be correct.</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$2,314
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$2,314						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	018 (cont'd)	<p>For the remaining three clients in question, the Department:</p> <ul style="list-style-type: none"> • Imposed sanctions on one client and the overpayment was already established appropriately for prior months. • Found procedural errors in the processing of two cases that did not result in any overpayments to the clients. • Found a procedural error for one client but the client received the correct benefit amount during the audit period. <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2016-015 and 2015-018.</p> <p>Completion Date: February 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	019	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.</p> <table border="0" data-bbox="667 541 1096 609"> <tr> <td data-bbox="667 541 771 573"><u>CFDA #</u></td> <td data-bbox="998 541 1096 573"><u>Amount</u></td> </tr> <tr> <td data-bbox="667 573 771 604">93.558</td> <td data-bbox="998 573 1096 604">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>In response to the prior year’s finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant.</p> <p>The Department created a work group comprised of staff from the Department’s Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis (RDA) Division.</p> <p>As of February 2017, the Department developed manuals that outline collaborative procedures among the three divisions in report preparation.</p> <p>However, due to timing of the audit, the corrective actions implemented by the Department were not included in the current audit period.</p> <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Explore the feasibility of developing Memorandums of Understanding (MOUs) with all partnering sources prior to the start of the federal fiscal year. These MOUs will give the Department an opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering sources. During presentation of the MOU, the Department will also review partners’ methodologies and record management protocols, and offer training and assistance if needed. • Implement a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and adequately supported. <p>The Department will continue to host weekly workgroup meetings to review and update existing policies and procedures as necessary. The workgroup will also focus on improving the Department’s ability to forecast and monitor the level of TANF MOE expenditures throughout the year.</p> <p>The Department’s RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. Refer to finding 2017-020 for details.</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	019 (cont'd)	<p>The conditions noted in this finding were previously reported in findings 2016-017 and 2015-020.</p> <p>Completion Date: Estimated April 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	020	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls in place for ensuring the accuracy of submitted quarterly reports for the Temporary Assistance for Needy Families Grant.</p> <table border="0" data-bbox="672 548 1094 611"> <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;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with this finding.</p> <p>The Department currently has the following processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF):</p> <ul style="list-style-type: none"> • Maintains extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and how custom software uses these data to comply with reporting requirements. • Runs a quality assurance (QA) process to review codes and results for each report to identify potential fatal and warning edits. Supervisors review results to determine if warning edits require correction and to monitor any changes in trend that may indicate an issue in the process. • Disseminates summary data to multiple partners for review prior to submission of quarterly reports to ensure they are accurate and complete. • As of January 2017, implemented a quarterly QA process, which selects a random sample from the case level 199 TANF Data Report and 209 SSP-MOE Data Report and checks the case data against the source data systems for accuracy. Supervisors review a summary of the QA results to confirm the validity of the sampling method and results, and determine any necessary follow-up actions. • Documentation on the new QA process was submitted to the auditor on September 5, 2017, for review as part of the 2017 Single Audit. <p>The Department is monitoring, reviewing, and testing coding changes. While no version control software is used, staff maintain systematic copies of all code versions using filename conventions, duplicating most of the functionality of version control software. Archived versions are used to identify potential problems. The Department is not aware of any audit standard that requires version control software to be used by entities audited under the federal single audit.</p> <p>To improve internal controls to ensure accurate and complete reporting, the Department's Research and Data Analysis Division will:</p> <ul style="list-style-type: none"> • Continue to perform quarterly quality assurance testing using statistical sampling and document supervisor review of the sampling results. 	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	020 (cont'd)	<ul style="list-style-type: none"> • Continue to update the written policies and procedures for this complex reporting process. • Document current source code archiving processes. • Continue to research version control software packages or alternative methods to determine if they will be used. <p>The conditions noted in this finding were previously reported in finding 2016-016.</p> <p>Completion Date: Estimated April 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	021	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.</p> <table border="0"> <tr> <td data-bbox="670 541 768 573"><u>CFDA #</u></td> <td data-bbox="1003 541 1094 573"><u>Amount</u></td> </tr> <tr> <td data-bbox="670 575 748 606">93.558</td> <td data-bbox="1003 575 1029 606">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>In response to the prior year’s finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant.</p> <p>The Department created a work group comprised of staff from the Department’s Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis Division.</p> <p>As of February 2017, the Department:</p> <ul style="list-style-type: none"> • Developed manuals that outline the collaborative procedures among the three divisions in report preparation. • Developed and adopted additional written procedures to strengthen internal controls to ensure federal reporting requirements are met. <p>However, due to timing of the audit, the corrective actions implemented by the Department were not included in the current audit period.</p> <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Develop a quarterly reporting schedule to review source documentation submitted by other state agencies’ activities and expenditures in addition to participating in weekly meetings. • Explore the feasibility of developing Memorandums of Understanding with other state agencies prior to the start of the federal fiscal year to outline allowable activities and expenditures. • Offer training and guidance to state agencies on expenditures and TANF maintenance of effort (MOE) report preparation. • Retain all supporting documentation electronically and in field offices for review. <p>The Department will continue to improve internal controls and ensure policies and procedures are sufficient.</p> <p>By September 2018, the Department will initiate discussions and seek appropriate guidance regarding establishing procedures and controls for verifying expenditures reported by other state agencies.</p> <p>The conditions noted in this finding were previously reported in findings 2016-018 and 2015-021.</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	021 (cont'd)	Completion Date: Estimated September 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	022	Fining: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors. <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;">93.558</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.575</td> <td></td> </tr> <tr> <td style="text-align: right;">93.596</td> <td></td> </tr> </table> Corrective action in progress The Department concurs with the finding. By March 2018, the Department will review guidance published by U.S. Department of Health and Human Services on the requirement for self-disclosing instances of fraud affecting federal awards. This information will be used in developing sufficient procedures to ensure the Department meets reporting requirements. By May 2018, the Department will report, in writing, the 43 confirmed instances of fraud to the respective federal grantors. By June 2018, the Department will develop and provide training to ensure staff are educated about the federal fraud reporting requirements. Estimated June 2018 Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0	93.575		93.596	
<u>CFDA #</u>	<u>Amount</u>										
93.558	\$0										
93.575											
93.596											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	023	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement 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;">93.563</td> <td style="text-align: right;">\$29,194</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>Department policy requires employees who do not spend 100 percent of their time on a specific grant to complete time sheets for allocating payroll and benefits cost proportionately to the proper funding sources.</p> <p>In state fiscal year 2017, the Department changed the cost allocation methodology inadvertently charging payroll and benefits to the Child Support Enforcement Grant. Upon discovery, the Department immediately took action to make correction to the allocation methodology.</p> <p>As of December 2017, the Department updated procedures to reflect the correct allocation methodology and communicated the changes to staff.</p> <p>By March 2018, journal vouchers will be processed to correct the accounting transactions and resulting cost allocation for state fiscal year 2017.</p> <p>The Department will work with the U.S. Department of Health and Human Services regarding resolution of the questioned costs.</p> <p>Estimated March 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.563	\$29,194
<u>CFDA #</u>	<u>Amount</u>						
93.563	\$29,194						

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2017	024	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.</p> <table border="0" data-bbox="673 577 1096 672"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td></td> <td style="text-align: right;">\$8,814</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments.</p> <p>To address the auditors' recommendations, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • Began auditing providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews. • Modified the Child Care and Development Fund (CCDF) Plan to align with federal and state regulations for fiscal year 2019 to 2021. • Improved internal controls and implemented preventative controls to assist in the detection of unallowable provider billings and reduce the risks of unallowable payments, including: <ul style="list-style-type: none"> ○ Recruited a Subsidy Policy Analyst tasked with monitoring program compliance with state and federal laws. The incumbent: <ul style="list-style-type: none"> ▪ Works with DSHS to implement internal controls on eligibility determination and provider payments. ▪ Assists with implementing system changes at DSHS to alert staff when household composition differs between systems. ▪ Acts as the lead for corrective action plan implementation to address audit findings. ○ Implemented policies to include the Department's definition of intentional program violations and fraud, as well as the consequences for providers. • Developed a risk-based approach to audit providers' billings and payments that includes selecting providers' billings in excess of licensed capacity and providers billing the limit of their authorizations. <p>The Department also continues to work with DSHS to:</p> <ul style="list-style-type: none"> • Improve frequency of communication between the departments. • Clarify subsidy program rules and policies and modify current processes to align with the fiscal year 2019-2021 CCDF plan. • Develop record keeping templates and improve training using provider feedback. 		<u>CFDA #</u>	<u>Amount</u>	93.575		\$8,814	93.596		
	<u>CFDA #</u>	<u>Amount</u>										
93.575		\$8,814										
93.596												

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	024 (cont'd)	<ul style="list-style-type: none"> • Coordinate the review of staff training, desk aids and communications, and jointly develop policies and procedures to ensure field staff understand and interpret eligibility policies correctly. • Address internal and external audit issues, and improve internal controls over client eligibility and directing payments to child care providers. • Collaborate through the Working Connection Childcare Reframe Workgroup and the Child Care Audit Committee on aligning and clarifying state rules and requirements with the reauthorization of the Child Care Development Fund grant. The Department reinstated a quarterly meeting of the Departments' Quality Assurance staff to discuss issues identified in the quality assurance process. <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Develop a standard consultation method to support providers in proper billing procedures when they bill incorrectly and incur an overpayment. • Use available data to identify high risk billing practices and follow the consultation and intentional program violation process. • Finalize the implementation of an electronic time and attendance reporting system by July 2018. This new system will electronically track daily attendance; enable accurate, real-time recording of child care attendance; and serve as data capture of subsidy child care usage. • Improve the reconciliation process by following Department policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. • Request additional funding from the Legislature to replace the 40-year-old mainframe-based authorization and payment processing system, Social Services Payment System. The new payment system will be capable of providing a robust provider interface and creating a rules engine solution that validates authorizations with attendance and billing data. Once these projects are complete, the combined systems will be able to generate accurate invoices and payments to providers. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in findings 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p> <p>Completion Date: Estimated October 2018</p>

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	024 (cont'd)	Agency Contact:	Stefanie Niemela Comptroller PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@del.wa.gov

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2017	025	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <table border="0" data-bbox="673 546 1104 640"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td></td> <td style="text-align: center;">\$1,855</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>In response to the prior audit finding, the Department:</p> <ul style="list-style-type: none"> • Implemented new monitoring and compliance policies and procedures to clarify: <ul style="list-style-type: none"> ○ Use of a full checklist every three years. ○ Criteria when a site visit is needed. ○ Allowable methods of compliance. • Provided training to licensing staff on the new policies and procedures. • Implemented a new electronic caseload management system, WA COMPASS, in June 2017. The new system: <ul style="list-style-type: none"> ○ Provides electronic reminders to licensing staff and supervisors. ○ Allows licensing staff to make timely updates, improve data integrity and streamline work processes. ○ Provides electronic tools for tracking the 10-day health and safety rechecks requirement due to its capability of automatically converting from an abbreviated checklist to a full checklist when specified criteria is met. • Provided training to licensing staff on the WA COMPASS system. • Established operational milestones, which are aligned with the IT functionality milestones, to provide support to staff in the transition process. Department expectations are communicated to staff in the weekly WA COMPASS updates. <p>To address the audit recommendations, the Department has implemented plans for transitioning to a system of statewide blended caseloads with the goals of maintaining equitable caseloads at the state, regional, and unit levels. The new process will enable the Department to ensure full compliance with federal and state requirements for monitoring licensing activities of child care providers and facilities. When fully implemented, the Department expects all licensors to have received the required training and be able to monitor and license all three child care settings: family homes, centers and school age programs.</p> <p>The Department is also creating an objective enforcement system by weighing all licensing standards that connect licensing infractions with the level of risk to children. The Department will provide more information</p>		<u>CFDA #</u>	<u>Amount</u>	93.575		\$1,855	93.596		
	<u>CFDA #</u>	<u>Amount</u>										
93.575		\$1,855										
93.596												

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	025 (cont'd)	<p>and clarity about the risk level of each standard and the consequences for violations, and ensure that enforcement of these rules is both timely and consistent.</p> <p>Currently, the Department of Social and Health Services (DSHS) requires a criminal background check to be completed as part of the provider approval process. DSHS requires this process to be completed before subsidy child care payment is authorized. With the implementation of the planned corrective actions, this process will be changing to ensure new providers are not approved to provide care until all required background checks have been completed.</p> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Continue working on revising all licensing policies, procedures, and tasks to align with current state and federal rules and regulations. • Strive to respond to the demands of the Legislature and the needs of the provider community in aligning existing policies and procedures with the new Family Home and Child Care Center licensing rules in the Washington Administrative Code. • Re-prioritize resources resulting from time savings achieved by the new WA COMPASS system to managing higher caseloads and meeting additional state and federal licensing requirements. • Continue to provide training to staff on both the WA COMPASS system and new weighted licensing rules. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in findings 2016-022 and 2015-024.</p> <p>Completion Date: Estimated October 2018</p> <p>Agency Contact: Stefanie Niemela Comptroller PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@del.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2017	026	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.</p> <table border="0" data-bbox="667 546 1096 640"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td></td> <td style="text-align: right;">\$7,386</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with this finding.</p> <p>The Department has been working on implementing major changes to improve internal controls over determining client eligibility for the Child Care Development Fund (CCDF) grant. Due to the timing of the prior audit, the Department did not have sufficient time to implement all corrective actions during the current audit.</p> <p>The Department thoroughly reviewed each of the current audit exceptions which were grouped into three categories, and has the following comments:</p> <p>(1) Improper eligibility determinations The Department did not fully comply with eligibility determination requirements in 17 cases selected for audit testing. However:</p> <ul style="list-style-type: none"> • Eight cases resulted from minor procedural errors that had no effect on the eligibility of the cases and the associated payments. • Seven cases resulted from benefit calculation errors that had no effect on eligibility determination. In those cases, a partial payment error occurred due to incorrect copayment or amount of care authorized. The Department will establish overpayments. • Two cases were the result of clients fraudulently reporting household composition at the time of application. The Department appropriately requested fraud investigators verify household composition, closed the cases, and established overpayments. <p>(2) Inadequate supervisory reviews The Department partially concurs with this condition as described in the finding. Child care program policy, as established and maintained by the Department of Early Learning (DEL), does not require secondary review or approval when determining eligibility and authorizing benefits and payment. Nonetheless, the Department continues to employ the following internal controls to ensure child care subsidy payment authorizations are made correctly:</p> <ul style="list-style-type: none"> • Supervisory review is required for payment requests that exceed certain parameters to determine eligibility and necessity. If approved, the payment with the authorization will be submitted to the Social Service Payment System. 		<u>CFDA #</u>	<u>Amount</u>	93.575		\$7,386	93.596		
	<u>CFDA #</u>	<u>Amount</u>										
93.575		\$7,386										
93.596												

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	026 (cont'd)	<ul style="list-style-type: none"> • As of July 2017, the Department added a monthly report which identifies authorizations that appear to be missing the required approvals. Administrative staff review the exceptions on this report to ensure payments are proper. This report has not only helped in quality management efforts, it has also confirmed that the majority of the cases have been processed appropriately. • For authorizations for high cost special needs rates, the request and supporting documentation are reviewed by a panel of staff from the Department and DEL before payments are made. • One percent of the child care caseloads are reviewed monthly. In addition, new staff have 100 percent of their work audited by lead workers, either pre or post-authorization, until they achieve proficiency. <p>(3) Verification of state median income level The Department does not concur with the condition as described in the finding.</p> <p>In September 2016, U.S. Department of Health and Human Services, Children and Families Administration adopted 81 FR 67438 regarding 45CFR 98.21 which states in part:</p> <p><i>“Some Lead Agencies currently use “look back” and recoupment policies as part of eligibility re-determinations. These review a family’s eligibility for the prior eligibility period to see if the family was ineligible during any portion of that time and recoup benefits for any period where the family had been ineligible. However, there is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud. We strongly discourage such policies as they may impose a financial burden on low income families that is counter to CCDF’s long-term goal of promoting family economic stability. The Act affirmatively states an eligible child will be considered to meet all eligibility requirements for a minimum of 12 months regardless of increases in income (as long as income remains at or below 85 percent of SMI) or temporary changes in parental employment or participation in education and training. Therefore, there are very limited circumstances in which a child would not be considered eligible after an initial eligibility determination. We encourage Lead Agencies instead to focus program integrity efforts on the largest areas of risk to the program, which tend to be intentional violations and fraud involving multiple parties.”</i></p> <p>To align with federal intent, DEL is planning to adopt rules regarding temporary income level increases.</p> <p>In response to the prior audit finding, the Department has implemented actions to ensure authorizations for child care are adequately supported with verified documentation based on DEL policy and procedures and the CCDF state plan. Specifically, the Department:</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	026 (cont'd)	<ul style="list-style-type: none"> • Finalized the verification desk aid and posted it to the Desk Aid SharePoint site. • Reviewed, updated, and delivered systems navigation training for child care staff on the use of the Automated Client Eligibility System (ACES), Support Enforcement Management System (SEMS), and Electronics Jobs Automated System (eJAS) to confirm household composition and other eligibility criteria. • Automated the process for school-aged children in licensed care to have their authorization increased for July and August. The authorization will automatically revert to prior authorization at the start of a school year. • Adjusted the level of authorized care to 115 hours year-round for school-aged children in license-exempt family, friend, and neighbor care when the parent(s) are working 110 or more hours per month. To pay for additional hours of care needed by the school-aged child during school breaks or holidays, the provider can claim contingency hours on their invoice including summer months, with a maximum total of 230 hours during summer months. <p>As of August 2016, DEL updated the State Plan to clarify verification requirements concerning work schedules and new employment to support more family-friendly approaches.</p> <p>In addition, the Department has been collaborating with DEL to update policies and procedures, and make system enhancements:</p> <ul style="list-style-type: none"> • As of December 2017, revised the applicable Washington Administrative Code (WAC) to allow more flexibility when calculating and verifying household income by removing the requirement that clients provide three months of wage information. • Revised applicable WAC to standardize authorization amounts for families across all provider types, including: <ul style="list-style-type: none"> ○ Parents participating in approved activities full-time and part-time, ○ Traditional, non-traditional, and variable working schedules, ○ School age and non-school age children. • Implemented system changes to minimize the risk of inaccurate reporting of household composition which can potentially lead to incorrect eligibility determinations and overpayments. Staff can now identify discrepancies in household composition reported by clients between the Child Care Subsidy Program and other programs within the Department. <p>By March 2018, the Department will:</p> <ul style="list-style-type: none"> • Confirm the exceptions identified by the auditors and establish necessary overpayments. • Require clients to attest single parent status under penalty of perjury. • Require clients to supply third party verification when household composition cannot be verified by reviewing Department records and systems.

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	026 (cont'd)	<ul style="list-style-type: none"> • Implement a child care process review panel by the Division of Program Integrity child care quality team. This system will be based on the highly successful and established model currently in use by another federal program. The Department expects the review program will result in the same rigor and attention to eligibility determinations for child care subsidies. It will also identify cases with a high risk for errors, and enable the Department to make informed decisions regarding pre-authorization reviews. <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Ensure the language for the updated WAC is in place, and finalize the related handbook changes and staff training. • Communicate expectations to staff regarding the training requirements. • Seek 25 additional full-time employees and necessary resources to staff the business-process redesign and support the information technology initiatives necessary to improve internal controls. <p>By June 2018, the Department will implement a lead staff review of eligibility determinations that are not assigned through the automated workload assignment system.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2016-023, 2015-026, 2014-026, 2013-017, and 12-30.</p> <p>Completion Date: Estimated June 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan										
2017	027	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to identify and detect fraud in the Child Care and Development Fund 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>93.575</td> <td></td> <td style="text-align: center;">\$0</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the audit finding.</p> <p>The Department has had a long-standing practice of managers assigning cases based off the priority level, starting with the highest priority cases. The Department maintains a goal of completing as many of the cases with the highest risk of fraud as staffing and workload allows.</p> <p>The Department's Office of Fraud and Accountability (OFA) agrees the fraud priority system does not include the cost of child care benefits, and a written policy did not exist for the priority scoring system.</p> <p>During state fiscal year 2017, a few of the highest risk fraud cases involving child care were not reviewed due to lack of sufficient staffing.</p> <p>As of December 2017, the Department had completed the processing of the majority of the highest risk fraud cases.</p> <p>As of February 2018, the OFA Director communicated a policy directive to staff to re-establish the required practice of giving top priority to reviewing cases with the highest level of risks.</p> <p>By July 2018, the Department will develop and implement a process to include the child care benefit dollars at risk as a factor when determining the priority of fraud referral.</p> <p>The conditions noted in this finding were previously reported in findings 2016-020 and 2015-015.</p> <p>Estimated July 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>		<u>CFDA #</u>	<u>Amount</u>	93.575		\$0	93.596		
	<u>CFDA #</u>	<u>Amount</u>										
93.575		\$0										
93.596												

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	028	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Social and Health Services improperly charged \$1,544 to the federal foster care grant. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.658</td> <td style="text-align: right;">\$1,544</td> </tr> </table> Corrective action in progress The Department concurs with the finding. To address the audit recommendations, the Department will: <ul style="list-style-type: none"> • Strengthen the review process to ensure services are authorized prior to making payments. • Communicate with field staff to emphasize the importance of reviewing proper documentation when making invoice payments to vendors. • Work with the grantor to discuss any necessary repayment of the known questioned costs. Estimated May 2018 Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.658	\$1,544
<u>CFDA #</u>	<u>Amount</u>						
93.658	\$1,544						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	029	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with payment rate setting and application requirements for the Foster Care 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>93.658</td> <td style="text-align: right;">\$293</td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>During the current audit, the Department did not have a policy defining the frequency of a periodic review of foster care payment rates.</p> <p>As of February 2018, the Department updated its Operations Policy Manual specifying the methodology and review frequency of the basic maintenance payment rates. The reviews will occur every four years beginning in 2019. If an increase is necessary, the Department will submit a decision package for additional funding.</p> <p>The Department has also:</p> <ul style="list-style-type: none"> • Amended the Title IV-E Plan and submitted to the U.S. Department of Health and Human Services (HHS) Administration of Children and Families. • Clarified policy that when a child is placed with a family residing and licensed in another state, the current rate of the applicable state will be paid. <p>The Department will consult with HHS to discuss the resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2016-024, 2015-028, and 2014-027.</p> <p>February 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$293
<u>CFDA #</u>	<u>Amount</u>						
93.658	\$293						

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan													
2017	031	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.</p> <table border="0" data-bbox="673 531 1096 653"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.775</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">93.777</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td></td> </tr> </table> <p>Corrective action not taken</p> <p>The Authority does not concur with the finding.</p> <p>This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation, or will otherwise continue this audit finding in support of its opinion.</p> <p>The Authority does not intend to ask the Legislature for the legal authority to compel private insurance carriers to participate in the specific data exchange method. It is not within the Authority's scope of responsibilities to regulate insurance companies.</p> <p>The auditor also recommended the Authority perform data matches with private insurers. For many years, the Authority has had robust and effective processes for identifying and collecting data from third parties, much of which happens on an ongoing and in real-time basis. These activities include data exchanges with insurers; data matching using information obtained from other governmental agencies; cross-matching of insurance claims; and regularly exchanging data with the Medicaid Managed Care Organizations (MCOs). Acting on behalf of the Authority, MCOs perform data matches with insurance carriers in the state of Washington that includes the utilization of large national databases to identify third party coverage.</p> <p>The Authority found the cost recovery and cost avoidance activities from alternative data sharing methods to be very effective in the timely identification of third party insurers, resulting in significant savings of federal funds. However, these cost recovery activities and the resulting savings were not reviewed as part of the audit work.</p> <p>The Authority will continue its efforts in the current data sharing practices. Since these routine, ongoing activities meet the intent of the law, no corrective action is deemed necessary.</p> <p>The conditions noted in this finding were previously reported in findings 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.</p>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$0		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>													
	93.775	\$0													
	93.777														
	93.778														

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	031 (cont'd)	Completion Date: Not applicable Agency Contact: Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	032	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$3,909,517</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority submits an annual State Plan to the Centers for Medicare and Medicaid Services (CMS) for approval. The plan includes tribal health care facilities that deliver health care services to Medicaid-eligible clients. In August 2017, the Auditor’s Office published a whistleblower investigation (report number 1019566) that reported the Authority overpaid a tribe for chemical dependency treatments.</p> <p>Since the language in the State Plan is not conclusive and more than one tribe has challenged the conclusions in the whistleblower report, the Authority requested guidance from CMS in September 2017 on whether the payments identified in the audit report are overpayments.</p> <p>On January 29, 2018, CMS directed the Authority to Section 4320 of the State Medicaid Manual issued by the Health Care Financing Administration (predecessor agency to CMS). In particular, paragraph C of the Section states:</p> <p style="padding-left: 40px;">“If a State elects to cover clinic services, it may choose the type of clinics or clinic services that are covered, provided that the services constitute medical or remedial care.”</p> <p>In light of this CMS guidance, the Authority is conducting a policy review to determine how to proceed concerning appropriate reimbursement policy for tribal clinics.</p> <p>If the U.S. Department of Health and Human Services determines the payments identified in the audit are in fact overpayments, the Authority will follow the normal audit resolution process to resolve the questioned costs.</p> <p>Estimated July 2018</p> <p>Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$3,909,517	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$3,909,517										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	033	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports.</p> <p>Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers.</p> <p>By March 2018, the Department will notify providers who enrolled with the Authority prior to March 31, 2013, of the revalidation requirement.</p> <p>In addition, the Authority noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. Currently, there are approximately two dozen providers, out of 98,000, that meet the specific criteria and require to be re-categorized as high risk.</p> <p>By July 2018, the Authority will:</p> <ul style="list-style-type: none"> • Implement the process of re-categorizing high-risk providers when the new fingerprint based background check requirement becomes effective. The Department will formally adjust the risk level of this group of providers who will subsequently be subject to the fingerprint requirement. • Update procedures to include the new process. <p>The conditions noted in this finding were previously reported in finding 2016-035.</p> <p>Estimated March 2019</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-1228 lynda.karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	034	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>To address the audit recommendations, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims. • As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs. <p>The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.</p> <p>The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.</p> <p>The conditions noted in this finding were previously reported in finding 2016-029, 2015-032, 2014-039, 13-031, and 12-54.</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	035	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.</p> <table border="0"> <thead> <tr> <th data-bbox="670 548 771 575"><u>CFDA #</u></th> <th data-bbox="1003 548 1094 575"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="670 575 771 602">93.775</td> <td data-bbox="1003 575 1094 602">\$23,955,658</td> </tr> <tr> <td data-bbox="670 602 771 630">93.777</td> <td></td> </tr> <tr> <td data-bbox="670 630 771 657">93.778</td> <td></td> </tr> </tbody> </table> <p>Corrective action in progress</p> <p>The Authority disagrees, in most respect, with the Description of Condition, Cause of Condition, Effect of Condition and Questioned Costs, as stated in the finding. Details of the disagreements and concerns were outlined in the Authority’s response to the finding.</p> <p>The following are exceptions identified by the auditors with which the Authority concurs and will take corrective actions:</p> <ol style="list-style-type: none"> (1) Emergency medical eligibility This issue was limited to medical claims and affected 119 specific clients in the ProviderOne system. As of March 2018, the Authority started using a report that allows staff to preemptively identify these specific scenarios and make eligibility updates as appropriate. This review is performed on a weekly basis, which also allows the Authority to reprocess any affected claims prior to invoicing. (2) Procedure code configuration ProviderOne allows numerically sequential procedure codes with like requirements to be configured in ranges or ‘groups.’ However, unintended gaps were created in certain ranges during the process of uploading new and changed codes, which caused the National Drug Code (NDC) requirements on certain codes to be temporarily bypassed. By April 2018, the Authority will correct the drug rebate system errors by: <ul style="list-style-type: none"> • Removing the grouping configuration • Reviewing the current list of codes • Maintaining codes individually (3) Healthcare Common Procedure Coding System to NDC conversion errors This was a condition known to the Authority from prior audit findings. A ProviderOne change request has been initiated to add configurable fields to facilitate unit conversions on the more complex physician-administered drug claims. This change is currently in testing and is scheduled to be implemented by April 2018. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$23,955,658	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$23,955,658										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	035 (cont'd)	<p>In addition, the Authority will:</p> <ul style="list-style-type: none"> • Contact the Centers for Medicare and Medicaid Services to fully explain the audit results and determine if the questioned costs identified by the audit should be repaid. • Initiate work to invoice drug manufacturers for rebates that should be requested. <p>The conditions noted in this finding were previously reported in findings 2015-034 and 2014-031 for fee-for-service Medicaid claims, and 2016-032 for managed care Medicaid claims.</p> <p>Completion Date: Estimated April 2018</p> <p>Agency Contact: Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov</p>

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	036	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority overpaid Medicaid hospitals for outpatient services.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$118,679</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Authority agrees that some claims were missed during the original mass adjustment of claims affected by incorrect Enhanced Ambulatory Patient Group (EAPG) weight assignment in the ProviderOne system.</p> <p>As of November 2017, the Authority identified all the missed claims and processed the majority of the adjustments.</p> <p>As of January 2018, the Authority completed the processing of the remaining two percent of the claims that did not get adjusted in November 2017. All corrections had been completed at that time and there were no outstanding questioned costs.</p> <p>January 2018</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$118,679	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$118,679										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	037	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>As of December 2016, the Authority began conducting monthly checks on Medicaid providers with the List of Excluded Individuals/Entities database.</p> <p>The Authority is not currently conducting monthly checks with the Excluded Parties List System (EPLS). The System Award Management (SAM) system, which replaced the EPLS in November 2012, only has the ability to look up a single individual. There is also a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS checks on providers.</p> <p>However, the Authority was recently approved as a pilot state to utilize the U.S. Department of Treasury's Do Not Pay database system. Once this process starts, the Authority will be able to upload the volume of providers into SAM/EPLS and conduct the required checks on a monthly basis.</p> <p>Although the Authority is not currently conducting SAM/EPLS database checks at the frequency required, there were no improper payments identified.</p> <p>Estimated December 2018</p> <p>Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	038	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$1,945</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action not taken</p> <p>The Authority does not concur with the finding.</p> <p>The unallowable charges were the result of a system issue which was identified during the prior audit. The condition that led to the questioned costs identified in the current audit was corrected in July 2017.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2016-034, 2015-039, and 2014-037.</p> <p>July 2017</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,945	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$1,945										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	039	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$4,268,059</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>As of March 2016, the Authority developed an algorithm to identify duplicate Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare. The Authority is currently in the process of identifying any duplicate PMPM premium payments made to managed-care organizations that need to be recouped.</p> <p>By April 2018, the Authority will begin the process of making enhancements to ProviderOne to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare.</p> <p>Meanwhile, the Authority will continue to run the current algorithm to identify and recoup duplicate PMPM premium payments as appropriate.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>Estimated April 2018</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$4,268,059	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$4,268,059										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	040	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority made improper Medicaid pharmacy fee-for-service payments for clients enrolled in managed care.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$111,756</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action not taken</p> <p>The Authority does not concur with the finding.</p> <p>The pharmacy claims selected under this review were appropriately paid with the client being covered under the fee-for-service program at the time of claim submission and payment. The Authority does not recoup pharmacy payments for appropriately billed and paid services when the client's enrollment retroactively changes from fee-for-service to managed care.</p> <p>The Authority received informal guidance from Centers for Medicare and Medicaid Services (CMS) stating that this cost/benefit approach is appropriate. The Authority is requesting official guidance from CMS.</p> <p>Not applicable</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$111,756	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$111,756										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	041	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$29,518</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> Corrective action in progress The Authority will initiate the overpayment recoupment process and work with the grantor in the resolution of the questioned costs. The conditions noted in this finding were previously reported in findings 2016-030, 2015-033, 2014-036, and 2013-026. Estimated March 2019 Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-0937 Lynda.Karseboom@hca.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.775	\$29,518	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$29,518										
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	042	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.</p> <table border="0" data-bbox="667 577 1096 703"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department has an established internal mechanism to track the receipt of Plans of Correction (POCs). However, the tracking log indicated a 10-working day review period instead of five working days as specified in the Department’s policies and procedures.</p> <p>As of January 2018, the Department:</p> <ul style="list-style-type: none"> • Communicated to staff about the requirement of reviewing POCs within five working days after receipt. • Corrected the tracking log to specify a five-working day review requirement. <p>The Department agrees a facility was non-compliant with a condition of participation and did not submit a POC. Prior to the audit finding, the Department’s Intermediate Care Facilities for Individual with Intellectual Disabilities unit was operating with the understanding a POC was not required for condition level citations. Therefore, the Department’s initial correspondence to the facility requested a Letter of Credible Allegation of Compliance (LCAC) and made the POC optional.</p> <p>As of January 2018, the Department:</p> <ul style="list-style-type: none"> • Conducted a revisit survey and found the facility did not meet some of the standard level regulations but determined it complied with the conditions of participation. The Department has since requested a POC from the facility for the issues identified. The Department has kept the Center for Medicare and Medicaid Services informed and has not received any notification to revoke the certification of this facility. • Revised the correspondence to facilities to clearly state the requirement of a POC when deficiencies are identified in surveys. • Communicated the updated requirement to all staff. <p>By June 2018, the Department will:</p> <ul style="list-style-type: none"> • Develop standard operating procedures for the review and approval process of POCs, including the requirement of a POC for all condition level non-compliances. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	042 (cont'd)	<ul style="list-style-type: none"> • Ensure facilities that are non-compliant with conditions of participation submit POCs in addition to the LCAC. This requirement will be included in the correspondence sent with the Statement of Deficiencies. • Send official communication to facilities by the Policy Manager to inform them of the change in requirement. <p>The conditions noted in this finding were previously reported in findings 2016-037, 2015-045, and 2014-046.</p> <p>Completion Date: Estimated June 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	043	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>As of April 2017, the Department implemented the federal electronic tracking application, called the Electronic Plan of Correction (ePOC), which enables the Department to monitor compliance more effectively. The system can electronically track and date-stamp the following:</p> <ul style="list-style-type: none"> • Completion of Survey • Distribution of Statements of Deficiency (SOD) • Receipt of Plans of Corrections (POCs) from providers • Review of POCs by the Department • Approval of POCs by the Department <p>By eliminating the mailing process through certified mail, the new system ensures nursing homes receive their SODs within 10 working days. The ePOC sends emails to provider staff regarding tracking updates.</p> <p>As of February 2018, the regional administrators and field managers conduct weekly meetings to identify SODs nearing the 10-day distribution requirement and POCs nearing their 5-day review requirement. The weekly communication also allows field managers to assess workload and inform regional administrators if any additional support is needed to meet requirements for distributions and reviews.</p> <p>The conditions noted in this finding were previous reported in findings 2016-036, 2015-044, and 2014-046.</p> <p>February 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2017	044	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="487 556 1120 682"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$2,922,088</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs.</p> <p>SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year.</p> <p><u>Cost Reports</u></p> <p>The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client.</p> <p>The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping. The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided.</p> <p>During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$2,922,088	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$2,922,088									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	044 (cont'd)	<p>The Department will take the following actions:</p> <ul style="list-style-type: none"> • By January 2019, provide training to providers to reinforce the requirement of maintaining adequate documentation to support ISS hours. • The Rate Unit will continue to: <ul style="list-style-type: none"> ○ Review a targeted sample of provider records to evaluate whether supporting documentation is adequate. ○ Complete desk audits throughout the year and work with providers when discrepancies are identified on payment rates or amounts. • Continue to perform review of provider payments using sampling procedures to verify accuracy of information submitted by providers and request additional supporting documents as needed. • Continue to improve monitoring protocol by establishing consistent activities for monitoring providers to ensure they comply with cost report instructions. <p><u>Settlements</u></p> <p>The Department has the authority to reimburse the service provider for services delivered. Sometimes, overtime costs are necessary to adequately support clients, such as when:</p> <ul style="list-style-type: none"> • The ISS cost exceeds the reimbursed rate. • A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage. • High staff turnover and vacancy rate in the supported living industry necessitates the use of overtime. <p>All ISS hours are documented initially in the cost report as delivered at the benchmark. During the cost settlement process, the Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased.</p> <p>It is the Department's priority to ensure individual client assessed support needs are met, and the Department will continue to use its authority to consider provider circumstances, as necessary, when calculating appropriate settlement amounts. Current policy and monitoring activities will remain in place to ensure individual client assessed support needs are met.</p> <p><u>Cost of Care Adjustments</u></p> <p>By December 2018, the Department will provide training to reviewers of Cost of Care Adjustment requests to ensure they follow Department policies and procedures.</p> <p><u>Duplicate Payments</u></p> <p>By December 2018, the Department will work with the Health Care Authority to review the duplicate payments identified in this audit. If duplicate payments are confirmed, overpayments will be processed.</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	044 (cont'd)	<p>By June 2019, the Department will consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in finding 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39. Inadequate internal controls over cost reports was not reported as a condition in any of the previously stated findings.</p> <p>Completion Date: Estimated July 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	045	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long- Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.</p> <table border="0"> <tr> <td data-bbox="672 583 764 611"><u>CFDA #</u></td> <td data-bbox="1003 583 1096 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 615 748 642">93.775</td> <td data-bbox="1003 615 1105 642">\$186,549</td> </tr> <tr> <td data-bbox="672 646 748 674">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 678 748 705">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with this finding.</p> <p>Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual.</p> <p>However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington's state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also notes that federal regulations provide latitude in obtaining consent in an alternate manner for those clients who are not able to provide a signature.</p> <p>The Department also disagrees with the auditors' conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. The Department has performed a thorough analysis of the audit results and found that, in 18 out of 26 exceptions, documentation was maintained in client files indicating staff received a signed service plan from the client and sent it to the Aging and Long-Term Support Administration's imaging hub.</p> <p>As of January 2018, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.</p> <p>By April 2018, the Department will:</p> <ul style="list-style-type: none"> • Issue a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$186,549	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$186,549										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	045 (cont'd)	<ul style="list-style-type: none"> • Provide staff training on procedures when the participant is not able to provide a signature. <p>The Department will work with the federal grantor to determine if any questioned costs are required to be repaid.</p> <p>Completion Date: Estimated September 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan								
2017	046	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1104 703"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$215,082</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department does not concur with this finding.</p> <p>Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual.</p> <p>However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington's state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements.</p> <p>The Department also disagrees with the auditors' conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries.</p> <p>As of March 2017, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.</p> <p>By October 2018, the Department will:</p> <ul style="list-style-type: none"> • Provide staff training on procedures to document their efforts in obtaining signed service plans when a client is unable to sign. • Initiate a monthly monitoring process to ensure procedures are followed to track and monitor efforts to obtain signed service plans. Supervisors and the Department's Quality Compliance Coordinators will monitor to ensure compliance with federal and state requirements. <p>The Department will work with the federal grantor to determine if any questioned costs are required to be repaid.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$215,082	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$215,082									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	046 (cont'd)	The conditions noted in this finding were previously reported in finding 2016-043. Completion Date: Estimated October 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	047	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$6,991</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with this finding.</p> <p>The Department concurs that the two facilities reported in the finding either did not submit the required denial letter from the managed care organization (MCO) with their invoice or the submitted letters did not clearly convey a claim denial. However, the Department does not concur with the auditors' determination that these services would have been paid by the MCO or the Medicaid program has incurred duplicate payments. Therefore, the Department will not recover these payments identified by the auditor as unallowable.</p> <p>At times, patients need to be admitted to nursing facilities who do not meet skilled or rehabilitative level of care, or patients' stays exceed their eligibility period. These stays are not eligible for managed care coverage and the Department is responsible for payment of these claims.</p> <p>In support of the Department's mission and mandates, there are times when exceptions to the contract language must be made in order to maintain a patient's necessary care at a facility. When these exceptions are made, the Department communicates with both the MCO and the facility regarding the claims in question.</p> <p>The Department and the Health Care Authority have been engaging in a continuous process improvement, which includes:</p> <ul style="list-style-type: none"> • Initiating multiple updates to contract language with MCOs to clarify the roles and responsibilities of the MCOs. • Continuing to update the nursing facility billing guide to provide further clarification of the Department's policy. • Issuing guidance via listserv messages to facilities, providing direct training, and coordinating with provider associations. <p>By September 2018, the Department will develop a policy to document when payment exceptions need to be made for clients to maintain residency at a facility and who will have the authority to make this decision.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$6,991	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$6,991										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	047 (cont'd)	Completion Date: Estimated September 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	048	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Adult Family Home providers had proper background checks.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$98,399</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with this finding.</p> <p>The Department agrees that one background check was not renewed timely. As of November 2017, the Department implemented an internal reporting tool which alerts staff to send a reminder notice to a provider when the current background check of an employee is expiring in 60 days. If the provider does not complete the background check by the required due date, a complaint investigation will be initiated.</p> <p>The Department does not concur with the two exceptions regarding the missing national fingerprint background check for the two providers. The providers in question had both applied in 2011, which was prior to WAC 388-76-10165 becoming effective and requiring a fingerprint check.</p> <p>The Department also does not agree the findings should be tied to questioned costs. The auditors did not identify any providers who had a disqualifying crime or negative action. While the one Adult Family Home in question was out of compliance with the licensing requirements of WAC 388-76 by not having current background check results on file, and is therefore subject to corrective action and sanctions by the Department, the provider was not unqualified to provide Medicaid paid services. Thus, the payments to the provider were proper.</p> <p>The Department is unable to comment on the noncompliance with background check issues related to the Adult Family Home employees. Due to the timing of the audit work, the Department was not afforded sufficient time to validate or review the exceptions identified by the auditors.</p> <p>By September 2018, the Department will consult with the U.S. Department of Health and Human Services regarding disagreement with the questioned costs.</p> <p>The conditions noted in this finding were previous reported in findings 2016-044, 2015-051, 2014-048, and 2013-037.</p> <p>Estimated September 2018</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$98,399	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$98,399										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2017	048 (cont'd)	Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	049	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint background checks.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td style="text-align: right;">\$2,383</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding.</p> <p>For the one individual provider that did not complete a fingerprint background check as state law requires, the Department terminated the provider effective March 2018.</p> <p>The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have proper background checks.</p> <p>By September 2018, the Department will work with the U.S. Department of Health and Human Services to repay the identified questioned costs.</p> <p>The conditions noted in this finding were previous reported in findings 2016-040 and 2015-049.</p> <p>Estimated September 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$2,383	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$2,383										
93.777											
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2017	050	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid individual providers.</p> <table border="0"> <tr> <td data-bbox="672 548 764 575"><u>CFDA #</u></td> <td data-bbox="1003 548 1096 575"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 579 748 606">93.775</td> <td data-bbox="1003 579 1079 606">\$9,778</td> </tr> <tr> <td data-bbox="672 611 748 638">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 642 748 669">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with the finding.</p> <p>The Department uses the Comprehensive Assessment Reporting Evaluation (CARE) tool, approved by the Centers for Medicare and Medicaid Services (CMS), to assess client needs and to allocate the number of hours of personal care and respite the client is eligible to receive.</p> <p>Payments were made to qualified providers for services the client was authorized to receive. All hours paid to the individual providers were allowable as no payments were made in excess of the CARE generated allowable hours.</p> <p>The Department's process complies with CMS's directive outlined in the information bulletin published by the U.S. Department of Health and Human Services in July 2014. The directive required that any processes developed by States must comply with the Fair Labor Standards Act (FLSA). The Department protects clients' access to eligible services and supports from a provider of their choice through their person-centered service plan. In addition, overtime costs paid under FLSA can be reimbursed as a reasonable cost related to the delivery of Medicaid services.</p> <p>The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. However, the Department does follow the post-payment procedure outlined in WAC 388-114-0120 to address claims that exceed a provider's work week limit.</p> <p>With the passage of Engrossed Second Substitute House Bill 1725 (ESSHB 1725), the Legislature imposed work week limits on individual providers. The statute also directed the Department not to impose work week limits on individual providers until the Department conducted a review of the plan of care for the clients served by the individual provider. These reviews were not completed until July 2016, and five of the payments found by the auditors to be unallowable were made prior to this time.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$9,778	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$9,778										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	050 (cont'd)	<p>The rules adopted as a result of ESSHB 1725 have a mechanism for terminating individual providers if they repeatedly exceed their work week limit. Regardless of whether the individual provider exceeds their work week limit, payment for all hours worked is required. The Department adheres to specific actions before stopping a payment to an individual provider who works more than the work week limit. The restrictions imposed on the individual provider by these statutory limits and associated rules have no relation to the client's benefit, which is reflected as authorized hours.</p> <p>The Department also notes that the calculation of the questioned costs was incorrect. The provision of the hours themselves are not in question, only the payment of overtime for these hours. The cost of overtime is the difference between the individual provider's base rate of pay and one and a half times of the base rate. Therefore, questioned costs should be calculated only on the overtime cost.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Follow procedures to identify providers who have excess claims over the work week limit. • Issue necessary contract actions according to Department policy. <p>The Department will work with the federal grantor to determine if any questioned costs need to be repaid.</p> <p>Completion Date: Estimated September 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2017	051	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services charged payroll costs to the Disability Insurance/SSI Cluster that were not adequately supported.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>96.001</td> <td>\$557,743</td> </tr> <tr> <td>96.006</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>The Department acknowledges that payroll certifications for the period from October 2016 to March 2017 were not submitted in a timely manner as required by Department administrative policy.</p> <p>As of October 2017, the Department:</p> <ul style="list-style-type: none"> • Obtained the required certifications for the employees identified in the audit exceptions. • Reviewed the certifications and reconciled to the actual costs incurred to ensure that all the positions were charged accurately to the applicable federal programs. <p>The Department also enhanced the monitoring process to ensure compliance. As of November 2017, the fiscal manager created recurring calendar reminders of the semi-annual certification due dates for the fiscal unit and supervisor.</p> <p>The review conducted by the Department showed that the \$557,743 questioned costs were indeed allowable, and therefore no adjusting entries were required. The Department will work with the U.S. Social Security Administration if they contact the Department regarding the repayment of questioned costs.</p> <p>November 2017</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	96.001	\$557,743	96.006	
<u>CFDA #</u>	<u>Amount</u>								
96.001	\$557,743								
96.006									

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2017	052	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Washington Military Department did not have adequate internal controls in place and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.</p> <table border="0" data-bbox="673 577 1096 640"> <tr> <td data-bbox="673 577 771 609"><u>CFDA #</u></td> <td data-bbox="998 577 1096 609"><u>Amount</u></td> </tr> <tr> <td data-bbox="673 609 771 640">97.036</td> <td data-bbox="998 609 1096 640">None</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding,</p> <p>Although the Department has a decentralized system for subrecipient monitoring, the Finance Division maintains the Department’s Audit Tracker system to monitor subrecipient audits across the Department and alert program managers of audit exceptions and non-compliance with federal requirements.</p> <p>The Disaster Grants-Public Assistance (DGPA) Program performs program monitoring activities. Upon receipt of an audit finding notification, the DGPA Program performs an extensive review of the finding and all subrecipients who received federal funding during the audit period to determine if any management decision letters are needed.</p> <p>However, due to extensive staff turnover in the Finance Division beginning in July 2016, the WMD Audit Tracker has not been monitored and updated. Department management was not made aware of the situation.</p> <p>As identified by the auditors, there were 163 subrecipients that received funding during fiscal years 2015 and 2016. During this period, there was a significant amount of activity due to five new disasters spanning from October 2015 to April 2017. Program monitoring continued during this time period. Despite not being formally documented in the Audit Tracker system, many elements of the monitoring process have in fact been accomplished and documented.</p> <p>The Department has initiated the following actions to address the internal control weaknesses identified in the audit:</p> <ul style="list-style-type: none"> • Review and update the existing subrecipient monitoring policy to clearly outline roles and responsibilities for departments and grant programs. • Implement a quarterly internal control audit process performed by the Finance division to review and document subrecipient monitoring activities. • Ensure all subrecipients submit completed and signed audit certification forms as required by the Department’s Contracts Office. 	<u>CFDA #</u>	<u>Amount</u>	97.036	None
<u>CFDA #</u>	<u>Amount</u>						
97.036	None						

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2017	052 (cont'd)	<ul style="list-style-type: none"> • Review and keep informed of current regulations related to federal grant administration to ensure compliance with federal requirements. <p>By May 2018, the Department will complete the policy update and proceed to update all pertinent information in the WMD Audit Tracker system from January 2015 to re-establish a cohesive subrecipient monitoring process.</p> <p>Completion Date: Estimated March 2019</p> <p>Agency Contact: Mark McElroy Financial Manager Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-8268 Mark.mcelroy@mil.wa.gov</p>