

**State of Washington
 Status of Audit Resolution
 December 2017**

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2016 F	021	<p>Finding: 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> <p>Corrective Action: 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"> • As of August 2016, began auditing providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews. • Finalized changes to all program guidance and documentation, including the Child Care and Development Fund (CCDF) Plan, to align with federal and state regulations. Provider billing guides were updated and training provided to staff on the updates. • Improved internal controls and implemented preventative controls to assist in the detection of unallowable provider billing and reduce the risks of unallowable payments, including: <ul style="list-style-type: none"> ○ Recruited a Subsidy Policy Analyst tasked with monitoring the CCDF program compliance with state and federal laws. The incumbent: <ul style="list-style-type: none"> ▪ Acts as the lead on system implementation and training. ▪ Provides input on risk-based categories of pre-authorization review at DSHS. ▪ 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. ○ Clarified subsidy program rules and policies. Obtained provider feedback to improve training and to develop standardized record-keeping templates. ○ Began the development of rules and implementing policies to include the Department's definition of other intentional program violations, in addition to fraud, as well as consequences for clients and providers. • Developed a risk-based approach to audit providers' billings and payments that include selecting providers' billings in excess of licensed capacity and providers billing the limit of their authorizations. • Implemented a process where Subsidy Quality Assurance staff review provider billings by verifying parents' work schedules in Barcode to determine if the authorization is appropriate, and that the amount billed does not exceed the total authorized amount.

**State of Washington
 Status of Audit Resolution
 December 2017**

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2016 F	021 (cont'd)	<ul style="list-style-type: none"> • Expanded auditor examinations when significant provider overpayments are found to determine if the issue is isolated or systemic. Thresholds by provider type have been determined for expanding review with training provided to staff. <p>The Department also continue to work with DSHS to:</p> <ul style="list-style-type: none"> • Review and process overpayments as required for questioned costs identified. • 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. • Ensure they are addressing known problems with the initial eligibility process for the CCDF program as a top priority. • Collaborate through the Working Connection Childcare reframe workgroup and the Child Care Audit Committee with focus on aligning and clarifying state rules and requirements with the reauthorization of the CCDF 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"> • Improve the reconciliation process by following Department policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. • Finalize the procurement and implementation of an electronic time and attendance reporting system that will maintain electronic copies of attendance records and potentially reduce provider errors. This system is scheduled to go live in July 2018 and will enable the Department to perform data analysis and audit of all payments to significantly increase fraud detection and referral. • 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 conditions noted in this finding were previously reported in finding 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 09-12, and 08-13.</p> <p>Completion Date: Corrective action is expected to be complete by July 2018</p>

**State of Washington
Status of Audit Resolution
December 2017**

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan	
2016 F	021 (cont'd)	Agency Contact:	Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

**State of Washington
 Status of Audit Resolution
 December 2017**

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2016 F	022	<p>Finding: 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> <p>Corrective Action: The Department concurs with this finding.</p> <p>To address the audit recommendations, the Department has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • Initiated emergency rulemaking and updated policies to clarify that licensors do not need to inspect inactive licensees. • Implemented new monitoring and compliance policies and procedures in July 2016, and provided training to licensing staff. • Created five new positions to address the workload increase created by the new federal regulations requiring the Department to monitor non-relative family, friend, and neighbor caregivers. • Restructured licensing regions in January 2017, to enable more efficient and effective management of licensing staffing and workload. • Launched an electronic caseload management system, WA Compass, in June 2017. The system allows licensing staff to make timely updates, improve data integrity, streamline staff work processes, and provide electronic reminders to licensing staff and supervisors. The new system also provides electronic tools for tracking the ten-day health and safety rechecks requirement. • Worked with the Department of Social and Health Services to review and process overpayments as required for questioned costs identified. <p>The Department is also taking the following actions:</p> <ul style="list-style-type: none"> • Rewriting all licensing policies and procedures to ensure that they align with current state and federal rules and regulations. Final implementation date is targeted for May 2018. • Requesting additional funding from the Legislature for additional employees needed to satisfy the licensor-to-childcare provider staffing ratio requirements of the Child Care and Development Fund Block Grant for fiscal year 2017. • Creating an objective enforcement system by weighing all licensing standards based on the level of risk to children. The system will connect licensing infractions with the level of risk to children and provide more information and clarity about the risk of each standard and the consequences for violations. This process is currently taking place and should be completed by end of October 2018. • Developing training for staff on the new system and new weighted licensing rules, and will create an on-going training plan for licensing staff. <p>The conditions noted in this finding were previously reported in finding 2015-024.</p>

**State of Washington
 Status of Audit Resolution
 December 2017**

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan	
2016 F	022 (cont'd)	Completion Date: Agency Contact:	Corrective action is expected to be completed by October 2018 Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

**State of Washington
 Status of Audit Resolution
 December 2017**

Department of Early Learning

Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan	
1019659	2016-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Early Learning did not establish adequate internal controls to ensure Needs-Based Grants recipients were eligible and used grant funds only for allowable purposes.</p> <p>The Department concurs with this finding.</p> <p>To address the auditors' recommendations, the Department has taken the following steps:</p> <ul style="list-style-type: none"> • Established written policies and procedures for staff to follow when determining grant eligibility. • Updated the grants application to strengthen language regarding allowable uses and the requirement of proper record retention by grant recipients. • Implemented a dual approval process to ensure that applicants are eligible, have not already received a grant, and that they are receiving the proper grant amount. • Strengthened the Department's reconciliation process by the fiscal team with information recorded in the financial system to help ensure accurate payments are made to providers and to avoid duplicate payments. • Strengthened the Department's reconciliation process between payments processed by the fiscal team and the grants database. • Reviewed documentation to process an overpayment for the funds that were improperly granted to the in-home provider identified in the audit. • Created and implemented a process and procedures for selecting a valid sample from the population of program recipients to perform post-payment audit. <p>October 2017, subject to audit follow up</p> <p>Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov</p>