

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	035	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payments to childcare providers for the Child Care and Development Fund program were allowable.</p> <p>Corrective Action: The Department partially concurs with the audit finding.</p> <p>The Department concurs that, out of the 22 exceptions identified in the finding, 20 payments were partially or fully unallowable due to incomplete records or billing hour errors. The Department will establish overpayments where appropriate and refer the overpayments to the Office of Financial Recovery for collection.</p> <p>In response to prior audit findings, the Department implemented an electronic attendance system that:</p> <ul style="list-style-type: none"> • Enables accurate, real-time recording of childcare attendance, tracking of daily attendance, and capturing data on childcare usage. • Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities. • Generates reports allowing the Department to conduct focused audits beginning in April 2019. New and enhanced reports will also be developed by October 2020. <p>The Department has also taken the following actions:</p> <ul style="list-style-type: none"> • As of December 2018, required all licensed providers who accept subsidy payments to use the Department’s electronic attendance system or an approved third party system to track attendance. • As of July 2019, implemented rules to address provider and family fraud and intentional program violations, including the following: <ul style="list-style-type: none"> ○ Provide technical assistance to providers with billing issues and recommend steps to eliminate billing errors. ○ Exclude providers with repeat violations from receiving childcare subsidy. ○ Disqualify providers convicted of fraud from receiving subsidy payments and subsidy benefits. • As of August 2019, required all new licensed and license-exempt providers to use the Department’s new electronic system within three full months after authorization to receive subsidy payments. • As of November 2019, updated and published new billing guides to assist providers with understanding the billing rules, authorization, and the billing process. • As of December 2019, required family, friend, and neighbor (FFN) providers to use an electronic attendance system; updated training curriculum and required all licensed homes and FFN providers to complete the training prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union.

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2019 F	035 (cont'd)	<p>The auditors reported overpayments due to providers billing for overtime. During the audit period, state law required a policy be in place to also charge overtime to private paying families. The Department updated rules to eliminate this requirement in April 2020, and expects no further associated payment errors will occur for this issue.</p> <p>To continue strengthening internal controls over payments to child care providers, the Department will:</p> <ul style="list-style-type: none"> • Continue to research options for simplifying authorization and billing rules. • Explore options for verifying provider rates and fees. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings and questioned costs. The audit resolution process includes conducting a case-by-case review and providing additional documentation.</p> <p>The conditions noted in this finding were previously reported in findings 2018-034, 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p> <p>Completion Date: Corrective action is expected to be complete by June 2021</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	036	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls and did not comply with requirements to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, semi-annual certifications were not completed timely because the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented a payroll certification policy effective August 2019. • Completed the semi-annual certifications for July 2018 through December 2018. • Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate. <p>By December 2020, the Department will complete the semi-annual certifications for January 2019 through December 2019.</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 2018-033.</p> <p>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	037	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with matching requirements for the Child Care and Development Fund.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department works closely with the Department of Social and Health Services (DSHS) and maintains that both agencies have adequate internal controls in place to ensure compliance with matching requirements of the Child Care and Development Fund grant. There has been no audit exception in this compliance area reported by the State Auditor’s Office (SAO) in previous audits.</p> <p>Due to miscommunication between DSHS and SAO on the request for information during audit testing, the Department did not have sufficient time to provide the level of details needed for clear and convincing evidence that the Department complied with the requirement and met the required state match.</p> <p>By April 2020, the Department will work with DSHS to obtain the appropriate documentation to submit to the U.S. Department of Health and Human Services (HHS) that supports the amount of state match reported by the Department.</p> <p>If HHS contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	038	<p>Finding: The Department of Children, Youth, and Families improperly charged \$4,212,863 to the Child Care and Development Fund program.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>During the audit period, grant reconciliations were not performed timely because the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees.</p> <p>Since then, the Department has prioritized reconciliations of the Child Care and Development Fund grants. Based on these reconciliations, the Department has identified and made corrections to expenditures to comply with the period of performance requirements. However, these corrections were made outside of the audit period and therefore were not taken into consideration when the auditors concluded audit work and issued this finding.</p> <p>It should also be noted that due to the late timing of the auditors' request for and review of financial records, the Department was not given sufficient time to complete verification of \$6,591 and determine if this amount was actually charged to the incorrect grant period.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Strengthened internal controls to ensure grant expenditures are obligated and liquidated within the grant period of performance. • Completed journal voucher corrections of the expenditures identified as charged to the incorrect grant 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>Completion Date: April 2020, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	039	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <p>Corrective Action: The Department concurs with the finding and is strongly committed to ensuring the health, safety, and well-being of all children in care.</p> <p><i>Provider Inspections</i></p> <p>The Department has taken corrective actions to ensure timely follow-up on health and safety violations identified on the Facility Licensing Compliance Agreement.</p> <p>As of August 2019, the Department:</p> <ul style="list-style-type: none"> • Established three different risk levels for corresponding violations, which require follow-up within specific timelines depending on the level of risk associated with the violations. • Updated policies and procedures to reflect the new risk-based methodology for ensuring health and safety violations follow-up are conducted timely and are adequately documented. <p>As of February 2020, the Department added an enhancement in the new electronic licensing system, WA Compass, to track when follow-up health and safety visits are due.</p> <p><i>Background Checks</i></p> <p>In October 2018, the Department implemented the new background check rules for license-exempt Family, Friends, & Neighbors (FFN) providers. Due to limited staffing resources and high volume of providers, the portable background check (PBC) process often did not commence timely, resulting in delay in processing provider applications. During this period of transition to bring the Department into compliance with changes in the new federal grant reauthorization rules, the Department’s license exempt team would request backdating FFN providers’ payment start date in some instances when their PBC results were returned as approved.</p> <p>As of March 2020, the Department has ceased the backdating practice for all new PBCs.</p> <p>The Department will consult with the grantor to discuss whether the estimated questioned costs identified in the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in findings 2018-035, 2017-025, 2016-022, and 2015-024.</p> <p>Completion Date: March 2020, subject to audit follow-up</p>

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2019 F	039 (cont'd)	Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	040	<p>Finding: The Department of Children, Youth, and Families improperly charged \$161,394 to the federal Foster Care grant.</p> <p>Corrective Action: The Department does not concur with the audit finding.</p> <p>As of July 1, 2018, the Department took over the responsibilities of managing the Foster Care program from the Department of Social and Health Services.</p> <p>The auditors determined that \$161,394 of federal expenditures were not supported because this amount could not be reconciled between the Department’s provider payment system (SSPS) and the State’s accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.</p> <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in finding 2018-038 and 2017-028.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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2019 F	041	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure direct payroll charges for the foster care grant were allowable and properly supported.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, semi-annual certifications were not completed timely.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented a payroll certification policy effective August 2019. • Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate. <p>The Department is currently working on completing fiscal year 2020 payroll certifications. By December 2020, the Department will complete the semi-annual certifications for July 2018 through June 2019.</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>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	042	<p>Finding: The Department of Children, Youth, and Families made improper payments to Foster Care providers.</p> <p>Corrective Action: The Department concurs with the audit finding.</p> <p>A new federal law became effective in October 2018 that required all providers to pass fingerprint-based background checks before providing services to clients. Due to stakeholders' concerns, the Department implemented a provisional hire policy and submitted a waiver request to the Administration for Children and Families (ACH) to seek additional time to comply with the new law. In April of 2019, the request was denied.</p> <p>In response to ACH's denial of the Department's waiver request, the Department took the following actions:</p> <ul style="list-style-type: none"> • As of July 2019, implemented new policies regarding fingerprint-based background check requirements in accordance with the new federal law requirements. • As of September 2019, calculated the amount of improper payments made between October 2018 and June 2019. • Submitted a budget request to the Legislature to repay the ineligible reimbursements. <p>In June 2020, the Department reviewed the spreadsheet provided to the auditors for the reconciliation of improper payments. During this review, it was identified that the improper payments included both the Title IV-E (Foster Care) and Title XIX (Medicaid) programs. The actual Foster Care portion of the improper payments was \$1,624,228.64, of which the federal share is \$812,114.32.</p> <p>The Department has returned the overpayment amount for the Foster Care program as a reduction to the expenditures reported on the federal financial report for the period ending June 2020.</p> <p>Completion Date: September 2020, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	043	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department is responsible for managing the state’s Foster Care program since July 2018. As of October 2019, the Department implemented the following corrective actions in response to the prior year’s finding:</p> <ul style="list-style-type: none"> • Assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes track payments made for the demonstration project. • Revised the reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and the demonstration project. <p>The Department will work with the grantor if revisions to prior reports are determined to be necessary.</p> <p>The conditions noted in this finding were previously reported in finding 2018-037.</p> <p>Completion Date: October 2019, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	044	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan Requirements.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department has process and procedures in place for the monthly employee reconciliation of the Random Moment Time Study (RMTS) sampling universe.</p> <p>The audit found the headquarter cost allocation team was following procedures to create and communicate monthly employee reports to the RMTS Coordinators. However, not all RMTS coordinators sent updates to the Program Manager regarding employee changes.</p> <p>In response to the finding, the Department will strengthen internal controls, including monitoring, over the monthly update process to ensure the RMTS sampling populations are complete.</p> <p>By December 2020, the Department will provide training to RMTS coordinators to update understanding of the requirement and emphasize the importance of following procedures regarding the monthly data validation process.</p> <p>Completion Date: Corrective action is expected to be complete by December 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	045	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, documentation for allocating administrative expenditures to federal grants was not properly completed.</p> <p>In response to the audit recommendations, the Department has strengthened internal controls over processing changes to the cost allocation bases in the state accounting system. These included:</p> <ul style="list-style-type: none"> • Ensuring segregation of duties for inputting and reviewing of changes. • Maintaining adequate and proper documentation to show what updates are made. • Providing training to employees on following Department’s policies and procedures to properly allocate costs to the federal government. <p>Completion Date: August 2019, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	067	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll costs charged to the Maternal, Infant, and Early Childhood Home Visiting grant were allowable and properly supported.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, semi-annual certifications were not completed timely.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented a payroll certification policy effective August 2019. • Completed the semi-annual certifications for July 2018 through June 2019. • Began working on completing fiscal year 2020 payroll certifications. • Provided training to program and cost allocation employees on the proper completion of timesheets and journal vouchers. • Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate. <p>In November 2020, the Department returned the unallowed costs of \$71,798 to the grantor.</p> <p>Completion Date: November 2020, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

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1027095	2019-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls to ensure licensed in-home providers complied with child care capacity requirements.</p> <p>The Department partially concurs with the finding.</p> <p>The Department does not concur with the cause of condition that internal controls were not implemented to detect if providers exceed their licensed capacity. In addition to the annual reviews conducted by the licensors, other programs within the Department also monitor licensed capacity, including:</p> <ul style="list-style-type: none"> • Random audits conducted by the subsidy team and referrals to licensing unit for providers that appear to be over capacity. • Investigations initiated by the Public Health and Safety Complaints Unit. • Referrals for investigation initiated by other divisions, including Child Protective Services and Child Care Subsidy. <p>As of December 2019, the Department implemented an electronic time and attendance reporting system that maintains electronic copies of attendance records. The Department continues to develop reports that allow increased data analysis to detect noncompliance issues, including child care capacity requirements. This data is used to conduct provider payment audits and to notify licensors when providers are identified as exceeding capacity requirements.</p> <p>The Department reviewed the exceptions identified by the auditors and agreed that 19 providers had instances of either not providing records for the audit (nine providers) or operating at over licensed capacity during the audit period based on records provided (10 providers). The Department disagreed with the remaining six exceptions and determined the providers were not overcapacity during the audit period.</p> <p>To address the audit recommendation, the Department will:</p> <ul style="list-style-type: none"> • Investigate and provide technical assistance to providers who did not provide attendance records. • Establish overpayments for any subsidy payments as necessary. <p>Corrective action is expected to be complete by March 2021</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-40970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>