

2021 Audit Resolution Report

FOR CALENDAR YEAR 2021

State of Washington
Office of Financial Management
December 2021



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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2021

Audit Resolution Report

ACCOUNTING DIVISION
DECEMBER 2021

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**State of Washington - Office of Financial Management
Status of Audit Resolution
December 2021**

THIS REPORT SUMMARIZES the status of corrective actions taken by state agencies, in conjunction with the Office of Financial Management (OFM), to resolve exceptions to specific expenditures or financial transactions reported in audits performed under RCWs 43.09.310 and 43.09.340.

Washington State laws require post audits of every state agency. As part of the audit process, exceptions to specific expenditures or financial transactions become a matter of public record. OFM is required to ensure that agencies take corrective actions to address exceptions and to annually report on the status of these audit resolutions.

This annual report is required by RCW section 43.88.160 (6)(d) which states, “The director of financial management shall annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services.”

This report summarizes the status of resolution of audit exceptions reported in conjunction with individual agency post audits and the statewide single audit, as well as other special State Auditor’s Office (SAO) reports. These reports were issued between November 1, 2020, and October 31, 2021.

The audit reports issued during that period include:

- 63 federal compliance findings
- 7 non-federal findings
- 5 findings of fraud

Agencies are required to submit corrective action plans to OFM within 30 days of issuance of audit reports in which exceptions are taken. OFM participates in the corrective action process, which is subject to a follow-up review by SAO.

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State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status
1027566	2020-001	<p>Finding: The State’s internal controls were insufficient to prevent fraudulent unemployment benefit payments.</p> <p>Corrective Action: Due to the inherent risk in implementing an unemployment benefit program and the CARES Act requirements, the Pandemic Unemployment Assistance program presented a nationwide challenge of being high risk for fraud.</p> <p>Prior to the surge in fraudulent claims in May 2020, the Employment Security Department (ESD) already implemented controls required and recommended by the U.S. Department of Labor to prevent imposter fraud. Since then, ESD has instituted many additional controls and countermeasures to fraud that include the following:</p> <ul style="list-style-type: none"> • Set up a 100-person customer intake team to handle reports of fraud. • Established a secure business portal for receiving verification information from victims and businesses to more quickly identify fraudulent claims, suspend payments, and determine payments to recover. • With the help of a consulting company, implemented a two-day hold on payments to allow investigation of fraudulent claims prior to payment. • Enacted emergency rule WAC 192-140-096 to allow suspension of payments suspected to be fraudulent until an investigation can be completed. • Reallocated resources and increased staffing for fraud investigations, including utilization of hundreds of other agency staff and the National Guard. • Reassigned staff to data analytics work to detect fraud trends and to improve the fraud discovery process. <p>ESD is continuing its efforts to identify and investigate known and suspected claims, recover fraudulent amounts, and work with the U.S. Department of Justice to recover the remaining fraudulent payments.</p> <p>It should be noted that a related single audit finding (2020-010) was issued to ESD for inadequate internal controls and non-compliance with requirements to ensure only eligible recipients received unemployment insurance benefits. The State received a final determination from the US Department of Labor on December 1, 2021. Based on the ESD corrective action plan, the federal grantor considered the finding resolved with no questioned cost disallowed. The audit issues identified in this finding have been resolved.</p> <p>Completion Date: June 2020, subject to audit follow-up</p>

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State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status	
1027566	2020-001 (cont'd)	Agency Contact:	Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (564) 999-1781 brian.tinney@ofm.wa.gov

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status
1027566	2020-002 (cont'd)	<p><i>Employment Security Department (ESD)</i></p> <p>The auditors determined that ESD did not report all receivables that resulted from fraudulent claim payments in the state's accounting system at June 30, 2020.</p> <p>While the monthly data transfer between the Unemployment Tax and Benefit system (UTAB) and AFRS is automated, ESD implemented additional controls over financial reporting to ensure all fiscal year-end and biennium-end entries are entered into AFRS correctly and completely.</p> <p>The Unemployment Insurance Treasury Unit added procedures to the electronic accounting desk manual, which include:</p> <ul style="list-style-type: none"> • Improving coordination with UTAB developers in processing of year-end entries. • Performing monthly reconciliation of internal journals from UTAB reports to AFRS. • Requiring review and approval of monthly reconciliations by the Treasury Manager. <p><i>Completion: January 2021, subject to audit follow-up</i></p> <p><i>Office of Financial Management (OFM)</i></p> <p>OFM strongly disagrees with this audit finding and maintains that the fraudulent unemployment benefit payments were properly reflected in the Annual Comprehensive Financial Report (ACFR) and in accordance with accounting standards.</p> <p>OFM reported the losses as normal claims expense for the period in which the claims were paid. It is part of the normal course of business for the Unemployment Insurance Program, as well as other benefit programs, to make payments that are later found to be fraudulent. Improper payments or overpayments are payments made by the government to the wrong person, in the wrong amount, or for the wrong reason when an individual has knowingly provided false information in order to receive benefits they are not entitled to.</p> <p>In May 2020, the U.S Department of Labor (DOL) published directive 23-20 that includes guidance on program integrity functions for the regular unemployment insurance programs and the CARES Act programs. The guidance does not include any requirement that states repay improper payments not recovered. In addition, the Code of Federal Regulations 20 CFR 609.11 only requires that states return <i>recovered</i> overpayments.</p>

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State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status
1027566	2020-002 (cont'd)	<p data-bbox="673 426 1455 604">During a December 2020 meeting of the National Association of State Auditors, Comptrollers and Treasurers, a Government Accounting Standards Board (GASB) official provided guidance in response to a question posed by a staff member of the Office of the Washington State Auditor. The fraudulent payments were reported by OFM consistent with this GASB guidance.</p> <p data-bbox="673 638 1463 762">It is also important to note that while the losses were reported as normal claims expense in the ACFR, the detailed fraud information was disclosed in the Management Discussion and Analysis section of the ACFR (page 27) as well as in Note 4 - Proprietary Fund Receivables.</p> <p data-bbox="673 798 1463 921">The federal Office of Inspector General has conducted several audits of the CARES Act and Pandemic Unemployment Assistance Program. None of the recommendations noted require the state to repay improper payments that have not been recovered.</p> <p data-bbox="673 957 1463 1241">In November 2020, OFM contacted DOL to confirm that the state will not be held liable for repayment of the fraudulent claim payments. As of this date, a formal response has not been received. However, DOL issued a final determination to single audit finding 2020-010 on December 1, 2021, which did not require the state to repay the questioned costs identified by the auditors. The satisfactory resolution of the single audit finding further supports OFM's position that the fraudulent unemployment benefit payments were properly reflected in the ACFR and in accordance with accounting standards.</p> <p data-bbox="673 1276 971 1308"><i>Completion: Not applicable</i></p> <p data-bbox="488 1341 1109 1520">Agency Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (564) 999-1781 brian.tinney@ofm.wa.gov</p>

Department of Commerce

Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	007	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.</p> <p>To strengthen internal controls over subrecipient monitoring, the Department established procedures to expand fiscal monitoring of subrecipients during reimbursements and to formalize documentation requirements for in-person site visits.</p> <p>As of February 2020, the Department:</p> <ul style="list-style-type: none"> • Created new procedures that require subrecipients to submit backup documentation for salaries, benefits, and contracted services that includes the exact costs, calculations, percentage charged to the grant, and allocation method if costs are allocated across multiple fund sources. The backup documentation is also required to link the actual expenditures to the amounts requested for reimbursement on the invoice. • Established procedures for documenting fiscal monitoring that occurs during in-person site visits, which includes: <ul style="list-style-type: none"> ○ The review of timesheets sample to verify and confirm that salary/benefit charges on a previously submitted invoice have appropriate backup documentation on file. ○ Documentation of fiscal policies and procedures reviewed and any other fiscal monitoring activities on the site visit report. • Updated the certification forms for Modified Total Direct Costs eligibility to inquire whether subrecipients have ever had a federally negotiated indirect rate. This information is used to verify subrecipients' eligibility for the de minimis indirect cost rate. <p>As of July 2020, the Department provided training to staff and subrecipients and formally implemented the new monitoring procedures.</p> <p>The conditions noted in this finding were previously reported in finding 2019-010.</p> <p>July 2020, subject to audit follow-up</p> <p>Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia WA 98504 (360) 725-2739 Jean.denslow@commerce.wa.gov</p>

Department of Commerce

Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	009	<p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance or the Low-Income Home Energy Assistance programs received required audits and findings were followed up on timely.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As described in the finding, the Department has written policies and procedures for subrecipient monitoring including:</p> <ul style="list-style-type: none"> • Verifying whether the subrecipient requires a single audit. • Reviewing audit reports. • Following-up on subrecipient audit findings. • Ensuring management decisions are issued timely when required. <p>The Department’s Contract Management System (CMS) contains a field to indicate if a single audit is required for a subrecipient at the time a contract is entered into the system. Staff generate quarterly reports from CMS to identify subrecipients that:</p> <ul style="list-style-type: none"> • Have audit requirements to help ensure audit reports are submitted and any audit findings are identified and captured in the system. • Do not have audit requirements have submitted verification forms. <p>Due to the timing of the report reviews, information is not always collected timely to enable follow-up with subrecipients within the required time frame.</p> <p>In response to the prior year’s finding, the Department has taken the following actions to improve internal controls over monitoring subrecipients’ audit requirements:</p> <ul style="list-style-type: none"> • Updated procedures to run the CMS report prior to the end of the nine-month required time frame so reminders can be sent to subrecipients. • Worked with staff responsible for entering audits into CMS to ensure audit requirements are correctly indicated. • Strengthened process to ensure audit reports are properly reviewed to identify findings that require appropriate follow-up actions. • Improved communication to staff to ensure work processes follow established policies related to subrecipient audit monitoring. <p>The Department will continue to follow up on subrecipient audit findings identified during audits and will issue management decisions as required by federal regulations.</p> <p>The conditions noted in this finding were previously reported in findings 2019-011.</p>

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Department of Commerce

Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	009 (cont'd)	Completion Date: August 2020, subject to audit follow-up Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504 (360) 725-2739 jean.denslow@commerce.wa.gov

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	034	<p>Finding:</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 federal requirements to ensure subrecipients of the State Opioid Response program, the Block Grants for Prevention and Treatment of Substance Abuse program, and the Substance Abuse and Mental Health Services Projects of Regional and National Significance program received required audits.</p> <p>Since the Authority assumed responsibilities over these grant programs in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients.</p> <p>The Authority has implemented processes and procedures to verify that subrecipients obtain federally required single audits when federal expenditures during the fiscal year are expected to meet or exceed the threshold set forth in federal rules.</p> <p>The conditions noted in this finding were previously reported in findings 2019-028 and 2019-065. These conditions were also previously under Department of Social and Health Services findings 2018-025, 2017-016, 2016-014, 2015-016 and 2014-019.</p> <p>November 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	046	<p>Finding:</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 federal requirements to ensure providers of the Medicaid and Children’s Health Insurance Programs were properly screened, licensed, and enrolled.</p> <p>In response to prior years’ audit findings, the Authority has made progress toward revalidation compliance.</p> <p>Due to the COVID-19 pandemic, the Centers for Medicare and Medicaid Services issued emergency declaration blanket waivers in March 2020 through the end of the emergency declaration. These waivers provided the Authority some flexibilities including fingerprint-based criminal background checks and site visits. It also allowed for the expedited processing of any pending and new provider applications, and the postponement of all revalidation actions.</p> <p>As noted in the audit, the Authority had complied with most of the provider revalidation requirements for the majority of the audit period. The Authority will continue to work on:</p> <ul style="list-style-type: none"> • Establishing adequate internal controls to ensure required database checks with the Excluded Parties List System are completed at least monthly. • Ensuring each provider’s screening risk level is properly adjusted. • Implementing a process to conduct fingerprint-based criminal background checks for high risk providers. <p>The conditions noted in this finding were previously reported in findings 2019-048, 2018-042, 2017-033, and 2016–035. The auditors considered 2016-035 to be resolved.</p> <p>Corrective action is expected to be complete by December 2022</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	047	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims or that reports of potential fraud obtained through the Medicaid service verification process were investigated.</p> <p>Corrective Action: In March 2021, the Authority implemented the required system enhancement to include nursing home claims in the service verification process. Systems staff subsequently verified that the claim sample selection for April 2021 did include nursing home claims.</p> <p>In addition, the Authority has developed and implemented policies and procedures for conducting preliminary investigations when allegations of Medicaid fraud or abuse are received.</p> <p>The conditions noted in this finding were previously reported in finding 2019-052. These conditions were also reported in fiscal years 2018 and 2017, which the auditors considered resolved during the 2019 audit.</p> <p>Completion Date: April 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	048	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority, Division of Program Integrity, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.</p> <p>The Authority developed and implemented the policies and procedures for the Audit and Investigations Unit.</p> <p>In addition, the Authority improved internal controls over identifying and referring suspected fraud cases for investigation, which include:</p> <ul style="list-style-type: none"> • Performing and documenting audits in accordance with division policies and procedures. • Ensuring secondary reviews are conducted for audits to ensure accuracy and completeness. • Ensuring staff conducting fraud reviews have required qualifications. <p>The conditions noted in this finding were previously reported in findings 2019-053 and 2018-047.</p> <p>April 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	049	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it performed periodic audits of cost report data for rate setting, hospital billings and other financial and statistical records for inpatient hospital services.</p> <p>Corrective Action: The Authority took the following actions to ensure compliance with federal requirements around periodic audits of financial and statistical records used in the rate-setting process for inpatient hospitals:</p> <ul style="list-style-type: none"> • Established and defined the audit activities that will be performed by the Authority. • Determined that changes to the Medicaid State Plan were needed to better reflect the required audit activities. • Submitted an update to the Medicaid State Plan which is currently under the 90-day review period <p>The Authority performs annual cost settlements using hospital cost reports which are subject to desk reviews and audits by the Center for Medicare and Medicaid Services and its Medicare administrative contractors. The Authority will consult with the grantor about audit expectations to prevent duplicate audit activities and inefficient use of resources.</p> <p>Completion Date: October 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	050	<p>Finding:</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 report Medicaid Fraud Control Division overpayment recoveries on the CMS-64 report.</p> <p>The Authority concurs with the finding.</p> <p>During the period when staff were transitioning to new positions and receiving training on their new responsibilities, the process of reporting the Medicaid Fraud Control Division (MFCD) overpayment recoveries on the CMS-64 report was inadvertently missed.</p> <p>Prior to the conclusion of the audit, the Authority processed a journal voucher to report the missed overpayment recoveries. The amount was included on the federal report in the quarter ending March 2021, so the questioned costs reported in the finding have been resolved.</p> <p>To improve internal controls over this process, the Authority has developed a staff checklist that includes the MFCD recovery reporting process. This checklist is completed by staff prior to certification of the claim to ensure all components of the claim have been considered and completed as appropriate.</p> <p>May 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	056	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority improperly charged \$20,000 for payments made to providers under the Opioid State Targeted Response program.</p> <p>The Authority has procedures in place to ensure provider payments are proper.</p> <p>The audit found a provider payment was made that exceeded the amount allowed under contract terms. Fiscal staff had originally identified the over-billing and requested a corrected invoice, but inadvertently processed the payment against the original invoice resulting in an overpayment.</p> <p>The Authority worked with the provider on the overpayment and repaid the grantor through the normal draw process to resolve the questioned costs.</p> <p>June 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5986 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	057	<p>Finding:</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 federal requirements to ensure subrecipients of the Opioid State Targeted Response program received required risk assessments.</p> <p>Since the Authority assumed responsibilities over the grant program in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients.</p> <p>Prior to conclusion of the audit, the workgroup had developed and approved an effective subrecipient risk assessment process. The Authority is currently conducting staff training to ensure a consistent process is followed across the agency.</p> <p>The conditions noted in this finding were previously reported in finding 2019-066.</p> <p>November 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	059	<p>Finding: The Health Care Authority did not have adequate internal controls to ensure payments made under the Block Grants for Prevention and Treatment of Substance Abuse program were allowable and met period-of-performance requirements.</p> <p>Corrective Action: The Authority transferred expenditures charged to the grant prior to the period of performance back to general state funds. Expenditures that were charged after the period of performance were moved to the appropriate grant period.</p> <p>The Authority also improved internal controls for payments made under the Block Grant programs to ensure:</p> <ul style="list-style-type: none"> • Account coding is correctly applied to payments for the correct grant period. • Payments are made only for allowable activities and within the appropriate period of performance. • Accounting adjustments are reviewed and approved, assuring program and period of performance requirements are met. <p>The Authority will work with the grantor on resolution of the questioned costs.</p> <p>Completion Date: Corrective action is expected to be complete by March 2022</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	060	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with cash management requirements for the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>Corrective Action: The Authority has established controls in place over cash management requirements. The auditors identified that some drawdowns not occurring as required were due to a vacant staff position and the priority to complete accounting adjustments for the grant.</p> <p>It should also be noted that in most cases, the decision not to do drawdowns was a result of monitoring the award and identifying pending adjustments that could have led to negative expenditures.</p> <p>To address the finding the Authority :</p> <ul style="list-style-type: none"> • Improved documentation around drawdown decisions to ensure compliance with federal requirements including the Cash Management Improvement Act. • Contacted the Office of Financial Management regarding the possibility of revising pertinent section on the 2022 State Treasury Agreement that would allow the Authority to address the unique situations when drawdowns are not necessary. <p>Completion Date: October 2021, subject to finding follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	061	<p>Finding:</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 federal level-of-effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.</p> <p>To help states manage the financial impact of the Coronavirus pandemic, the federal government enhanced the federal participation rates for some programs, including the block grant program. This resulted in reduced state matching requirements.</p> <p>The Authority is requesting a COVID waiver from the Substance Abuse and Mental Health Services Administration to reduce the level-of-effort requirements.</p> <p>In addition, the Authority will improve internal controls over the monitoring of level-of-effort requirements to include:</p> <ul style="list-style-type: none"> • Ensuring accurate report criteria are used to monitor spending levels. • Ensuring staff follow the policies and procedures for state-funded transfers to ensure state spending thresholds are met. <p>The conditions noted in this finding were previously reported in finding 2019-069.</p> <p>Corrective action is expected to be complete by January 2022</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	062	<p>Finding:</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 the reporting requirements for the Substance Abuse Prevention and Treatment Block Grant.</p> <p>The Authority does not concur with the finding.</p> <p>The expenditure amounts reported on the SF-425 federal financial reports for the Substance Abuse Prevention and Treatment Block Grant are allowable and supported by accounting records.</p> <p>The large and complex nature of block grants require diligent management to ensure accurate and appropriate spending and reporting. The period of performance often overlaps for consecutive grant years, and the two-year window for payments under the grant further complicates the grant closeout process. It is not unusual to take months to balance and reconcile expenditures at closeout.</p> <p>The Authority is aware of the need to comply with cost allowability and period of performance. It is for this reason that staff spend considerable time on review, research, and adjustments to ensure that expenditures are charged to the appropriate award based on month of service, and that reporting is accurate. Adjustments of expenditures after the report date and above the grant award amount were normal adjustments resulting from the review and research, and were not claimed for federal reimbursement under the grant.</p> <p>The December 2019 SF-425 report reflected the full 2018 grant expenditures that were allowable and within the grant performance period; therefore, no corrective action is needed.</p> <p>The Authority will consult with the grantor on the process for making adjustments after a grant award is closed when those adjustments do not affect the federal amount claimed.</p> <p>Not applicable</p> <p>Kari Summerour External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	063	<p>Finding:</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 federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse contained all required information.</p> <p>The Authority concurs with the finding.</p> <p>The Authority’s contracts department completed amendments to include all required subaward information on current contracts. The Authority continues to work on improving internal controls and establishing policies and procedures to ensure:</p> <ul style="list-style-type: none"> • Subrecipients are accurately classified during the contract review and approval process. • All required information is included when subawards are issued and communicated to the subrecipient. <p>The conditions noted in this finding were previously reported in finding 2019-070.</p> <p>November 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	064	<p>Finding:</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 federal requirements to ensure subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse program received required risk assessments.</p> <p>Since the Authority assumed responsibilities over the grant program in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients.</p> <p>Prior to conclusion of the audit, the workgroup had developed and approved an effective subrecipient risk assessment process. The Authority is currently conducting staff training to ensure a consistent process is followed across the agency.</p> <p>November 2021, subject to audit follow up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Kari.summerour@hca.wa.gov</p>

State Health Care Authority

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Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	065	<p>Finding:</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 federal subrecipient monitoring requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.</p> <p>The Authority has already taken the following steps to address the audit recommendations:</p> <ul style="list-style-type: none"> • Established a multi-divisional subrecipient monitoring workgroup to develop internal controls and monitoring procedures for subrecipients. • Developed and is finalizing a consistent and uniform process across all units to track and monitor desk and site visits for subrecipients. <p>In addition, the Authority’s Office of Tribal Affairs undertook a formal consultation process with the Indian Nation representatives with the following results:</p> <ul style="list-style-type: none"> • Established protocols to complete monitoring activities with each Indian Nation on a biennial basis. • Obtained consent from each Indian Nation in March 2021 for the monitoring tools developed. • Sent formal monitoring requests to each Indian Nation in April 2021. • Began desk monitoring visits in May 2021. <p>November 2021, subject to audit follow-up</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
1027363	2019-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not comply with state rules to ensure Medicaid funds were spent properly for periodic oral evaluations.</p> <p>The Authority identified two system errors that had caused the improper payments:</p> <ul style="list-style-type: none"> • Existing provider was erroneously assigned a new identifying number, which by-passed system payment edits. • A system edit was missing for certain claim types. <p>The two systems errors were corrected in October 2019 and August 2020 respectively. The Authority will initiate return of the federal share of improper payments identified in the audit.</p> <p>Corrective action is expected to be complete by December 2022</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

Department of Social and Health Services

Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	006	<p data-bbox="483 422 662 449">Finding:</p> <p data-bbox="673 422 1429 512">The Department of Social and Health Services did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan requirements.</p> <p data-bbox="483 554 602 611">Corrective Action:</p> <p data-bbox="673 554 1118 581">The Department concurs with the finding.</p> <p data-bbox="673 623 1466 873">Due to the timing and frequency of audits, the Department is not made aware of a finding until six months after the state fiscal year concludes. It is not always feasible to correct audit issues within the next six months before a new audit cycle begins. This also means the previous year's audit issues will still be outstanding during at least the first six months of the current audit period. For this reason, we acknowledged in the prior year's finding response that it is unlikely the audit issues would be completely resolved in the fiscal year 2020 audit or beyond.</p> <p data-bbox="673 915 1398 978">As part of the Department's corrective action plan for the prior year finding, the Department:</p> <ul data-bbox="701 989 1445 1121" style="list-style-type: none"> • Implemented processes to ensure monthly staff reconciliations are performed. • Developed standard guidelines and procedures for updating the eligible staff list in Barcode. <p data-bbox="673 1163 1463 1318">In December 2020, upon discovery of the errors related to incorrect entry of Random Moments Time Samples (RMTS) results into the base edit workbooks, the Department immediately updated the process for completing the workbooks to ensure RMTS results are uploaded correctly into the Cost Allocation System.</p> <p data-bbox="673 1360 1427 1486">As of January 2021, the Department supervisor for the RMTS auditors reviewed the Public Assistance Cost Allocation Plan with the team to ensure understanding of the criteria for modifying an RMTS sample during an audit.</p> <p data-bbox="673 1528 1032 1556">As of June 2021, the Department:</p> <ul data-bbox="701 1566 1463 1869" style="list-style-type: none"> • Developed and implemented a process to conduct a monthly review on a subset of the staff on the reconciliation report to ensure the RMTS coordinators are properly updating the eligible staff list in Barcode. • Updated current guidance to provide additional examples to staff on types of activities that are appropriate for each selection. • Completed a one-time review of a subset of RMTS samples to conduct root cause analysis and determine whether additional training, procedure changes, or system changes are needed. <p data-bbox="673 1911 1440 1971">The conditions noted in this finding were previously reported in finding 2019-008.</p>

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2020 F	006 (cont'd)	Completion Date: June 2021, subject to audit follow-up 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

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	008	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>Due to the timing and frequency of audits, the Department was not made aware of a finding until six months after the state fiscal year concluded. It should be noted that it is not always feasible to correct audit issues within the next six months before a new audit cycle begins. As a result, the Department anticipates that the audit issues identified in the current audit will still be outstanding at least in the first part of the subsequent audit period.</p> <p>As of June 2020, the Department completed the following corrective actions in response to the prior year's finding:</p> <ul style="list-style-type: none"> • Implemented a secondary review process for issuing sub-awards. • Modified the funding application form to require subrecipients to indicate whether they have ever negotiated an indirect rate with the federal government. • Modified the federal contract templates for the Crime Victim Assistance program to include the indirect cost rate. <p>These process changes and additional requirements for subrecipients will be effective for contracts awarded beginning in state fiscal year 2021. Therefore, full resolution of the audit issues will not be evident until the fiscal year 2021 audit.</p> <p>It is worth noting that the Office of Management and Budget amended 2 CFR 200.414(f) on August 13, 2020, which no longer requires subrecipients to submit documentation to justify the 10 percent de minimis indirect cost rate. The Department's updated funding application form, effective in fiscal year 2021, would be sufficient to justify allowing a subrecipient to request reimbursements using the 10 percent de minimis rate.</p> <p>The conditions noted in this finding were previously reported in finding 2019-009.</p> <p>Completion Date: June 2020, subject to audit follow-up</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

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	020	<p>Finding: The Department of Social and Health Services did not have adequate internal controls to ensure payments from the Coronavirus Relief Fund occurred during the allowable period of performance.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>During the pandemic, limited guidance was provided by the federal government regarding the CARES Act stimulus funding, which was also changing as new information became available.</p> <p>On April 22, 2020, the US Department of Treasury (Treasury) issued the Coronavirus Relief Fund (CRF) program guidance for state, territorial, local and tribal governments. The overarching guidance on the CRF stated that expenditures may only be used to cover costs that were:</p> <ul style="list-style-type: none"> • Necessary expenditures incurred due to COVID-19; • Not accounted for in the budget most recently approved as of March 27, 2020; and • Incurred during the period between March 1, 2020, and December 30, 2020. <p>The Treasury defined a cost to be incurred “when the responsible unit of government had expended the funds to cover the cost.” Further, it was assumed that similar to other areas of the CARES Act, the term “incurred” is measuring costs that were reasonably obligated and satisfied during the covered period to avoid instances where an entity is pre-paying expenses in an effort to maximize the use of the funding, but for which the entity does not have a legal obligation to pay such costs (e.g., pre-paying rent, utility or other contractual obligations).</p> <p>The CRF was allocated to the Department after the end of fiscal year 2020. The Department used journal vouchers to transfer expenditures that occurred during fiscal year 2020 to the CRF. All costs that were moved were for expenditures made on or after March 1, 2020. Based on the April 2020 guidance provided by Treasury, the Department does not believe it was out of compliance during the time period under review.</p> <p>The Department maintains that the questioned costs identified in the finding were unsubstantiated, and will continue to work with the Office of Financial Management in ensuring all federal funding is used for allowable purposes.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 4804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>

Department of Social and Health Services

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	032	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure payments paid on behalf of clients for the Vocational Rehabilitation grant were allowable.</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding. As of September 2021, the Department’s Division of Vocational Rehabilitation developed a process to monitor the approval of client services.</p> <p>By January 2022, the Department will:</p> <ul style="list-style-type: none"> • Develop training for staff to reinforce understanding of existing federal requirements for the authorizations of client service purchases. • Implement a process improvement regarding the timing and types of approval required for vocational rehabilitation services. • Review existing policies and procedures with a focus on changes to clients’ plans for employment. • Implement improvements to existing supervisory review protocols. • Contact the Department of Education, Rehabilitation Services Administration, regarding the questioned costs identified in this audit <p>The Department is currently in the process of procuring a new case management system. By January 2023, the Department will incorporate automated controls to validate authorizations for purchases into the design for the new system.</p> <p>The conditions noted in this finding were previously reported in findings 2019-023, 2018-023, 2017-014, and 2016-013.</p> <p>Completion Date: Corrective action is expected to be complete by January 2023</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

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	035	<p>Finding: The Department of Social and Health Services did not have adequate internal controls to ensure it submitted accurate quarterly reports for the Temporary Assistance for Needy Families grant.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of July 2020, the Department implemented the following independent review process for the Temporary Assistance for Needy Families (TANF) grant quarterly reports:</p> <ul style="list-style-type: none"> • Research & Data Analysis (RDA) Division staff generate TANF and Separate State Assistance Maintenance of Effort quarterly samples for data validation. • RDA staff review the samples against source data systems with the assistance from TANF policy representatives, and document the review and any discrepancies. • The manager of the federal reporting team independently reviews the quality assurance results and ensures corrections are made as needed. <p>In January 2021, the Department transitioned the primary responsibility for TANF federal reporting from RDA to the Economic Services Administration (ESA). ESA continues to follow the quality assurance process for each report and also performs quarterly internal control/quality assurance reviews through random sampling of the ACF-199 and ACF-209 reported cases.</p> <p>As of June 2021, ESA established an independent review process for all code changes.</p> <p>Due to the timing and frequency of audits, the Department is not usually made aware of a finding until six months after the state fiscal year concludes. It is not always feasible to correct audit issues within the next six months before a new audit cycle begins. For this reason, the Department anticipates that the audit issues identified in the current audit will still be outstanding at least in the first part of the subsequent audit period.</p> <p>The Department will continue to ensure:</p> <ul style="list-style-type: none"> • Independent review and documentation of all code changes. • Use of Microsoft Team Foundation Server for code repository. • Ongoing updates to documentation throughout the production of the TANF federal reports using the current TANF reporting system. • The use of the formal change control procedures and change control logs in the replacement of the current reporting system. <p>The conditions noted in this finding were previously reported in findings 2019-030, 2018-028, 2017-020, and 2016-016.</p>

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2020 F	035 (cont'd)	Completion Date: June 2021, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 4804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.Meyer@dshs.wa.gov</u>

Department of Social and Health Services

Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	043	<p>Finding:</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 assessing the level of potential fraud risk for the Child Care and Development Fund program.</p> <p>The Department partially concurs with the finding.</p> <p>All fraud referrals, with the exception of vendor referrals, are processed through the Barcode system. In July 2019, the Department discovered an anomaly in the intake process for phone calls to the fraud hotline, specifically:</p> <ul style="list-style-type: none"> • Each phone call to the fraud hotline was entered into the Fraud Case Management System (FCMS) first and was given a prioritization number by the intake worker who received the call. • The referral was then sent through the Barcode scoring algorithm which assigned a second prioritization number. However, this second number did not overwrite the existing FCMS score. • This resulted in two different priority numbers for hotline calls between FCMS and Barcode, but the Barcode prioritization number was not accessible to all Department staff. <p>Upon discovery of the technical issue, the Department researched and monitored the process, and subsequently instituted corrective measures in October 2019. Since then,</p> <ul style="list-style-type: none"> • All fraud referrals by phones are entered into Barcode first to ensure proper prioritization. These prioritizations are then interfaced into FCMS. • No high-priority referrals were aged out. <p>The Department’s Office of Fraud and Accountability is building a new case management system, which will address and correct the system anomaly concerning the fraud case intake process by phone. The Department anticipates the new system will be completed by July 2022.</p> <p>Corrective action is expected to be complete by July 2022</p> <p>Rick Meyer External Audit Compliance Manager PO Box 4804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	051	<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 payments to supported living providers were allowable and adequately supported.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department does not agree with the finding conditions as described and maintains that there are adequate internal controls in place to ensure Medicaid payments to supported living providers were allowable and adequately supported. The State Auditor’s Office has questioned virtually all of the Department’s reimbursements for instruction and support services to supported living clients. This conclusion would suggest the auditors did not believe that any of the services occurred, which is implausible and completely inaccurate.</p> <p>Supported living provider services are reimbursed using a per diem rate. Clients’ needs vary by day, and this payment methodology allows providers to meet these changing needs by not carrying the expectation that a set number of hours will be provided to clients each day. The purpose of this reimbursement methodology is to allow service providers flexibility in the provision of services that best meets the clients’ complex needs. This methodology was approved by the Center for Medicare and Medicaid Services (CMS).</p> <p>The auditors’ requirement of hourly documentation of services for each client to justify services provided is not appropriate. It appears the auditors’ evaluation of the Department’s oversight and monitoring of supported living services was not reasonable nor aligned to the business model, and led to the determination that most of the fiscal year 2020 supported services reimbursements were not justified.</p> <p>The Department has a number of significant oversight and monitoring strategies that have been detailed and outlined in the response to the finding. It is particularly worth noting that:</p> <ul style="list-style-type: none"> • In July 2019, a formalized and more holistic quality assurance (QA) oversight process was developed and implemented. This new QA oversight approach was adopted with the transition from the legacy service-hour-driven rate system to the person-centered-assessment-driven tiered rate system, and includes routine reviews to ensure supports listed in clients’ person-centered service plans align with the supports provided. • Additional contract monitoring efforts were implemented to evaluate providers’ performance to ensure compliance with contract terms and conditions. Resource managers’ contract monitoring activities are documented in the Residential Agency Tracking Database.

Department of Social and Health Services

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	051 (cont'd)	<p>It should be noted that in the latter part of fiscal year 2020 (January to June 2020), the Department allowed providers various flexibilities due to the declared emergency in response to the COVID-19 pandemic. The auditors did not take into consideration the flexibilities that the Department approved under its authority. For instance, the auditors stated that cost reports were not submitted or reviewed in a timely manner when, in fact, the Department had allowed additional time for cost report submission and review.</p> <p>The Department acknowledges that there are areas where the oversight and monitoring strategies could be bolstered and improved. By December 2021, the Department will:</p> <ul style="list-style-type: none"> • Continue to utilize numerous oversight and monitoring strategies consistent with the assurances in the waiver application. • Resume its pre-pandemic cost report oversight and monitoring processes, unless otherwise directed by CMS. • Review and amend its cost report instructions. • Update policy to clarify that bonuses and overtime are a part of wages. • Consider whether available resources are sufficient to increase the number of providers included in the cost report audit. • Determine whether to increase the percentage of clients included in the quality assurance reviews. • Strengthen the quality assurance process to ensure necessary follow-up activities occur, including the referral of overpayment concerns to the appropriate team for further actions. • Communicate with the grantor and convey the Department’s position that the per diem reimbursements made during the audit period were justified. <p>The conditions noted in this finding were previously reported in findings 2019-054, 2018-058, 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39. The auditors determined findings 2016-041, 2015-052, 2014-041, and 2013-038 were resolved in fiscal year 2018.</p> <p>Completion Date: Not applicable</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

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	052	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure providers of the Medicaid program were properly screened, licensed, and enrolled.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>In response to prior years’ audit findings, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurs within the five-year requirement, and had subsequently completed all nursing facility screenings. However, the Department was not aware that federal database checks include the National Plan and Provider Enumeration System for those nursing facilities contracted on or before March 25, 2001, which were required to be conducted at least every five years by September 2016. The Department became aware of this requirement in 2018 and had completed the required nursing facility validations by October 2018. The Department is aware that this subset of revalidations was not completed timely and that the finding will likely remain unresolved through September 2021 or until these facilities are revalidated at the end of the subsequent five-year period.</p> <p>The Department also implemented additional internal controls to ensure Medicaid providers are properly screened, licensed, and enrolled. The Department will continue to maintain the controls currently in place for the provider revalidation process and will codify them into formal policies and procedures to ensure continued federal compliance, including:</p> <ul style="list-style-type: none"> • The monthly database check with the System for Awards Management and the appropriate actions taken when necessary. This process has been ongoing since 2014. • The entire process for the termination of provider applications or revalidations that are found to be ineligible. <p>As of November 2020, the Department developed a high-risk provider tracking process. As of September 2021, a workgroup was established to develop policies and procedures for completing fingerprint-based criminal background checks for the high-risk providers.</p> <p>By January 2022, the Department will convene a fingerprint-based criminal background check stakeholder workgroup to provide an overview of rules and requirements, with a goal to formally adopt policies and procedures by April 2022.</p> <p>By July 2022, a training plan for the fingerprint-based criminal background checks will be established for providers and staff.</p> <p>The conditions noted in this finding were previously reported in findings 2019-062 and 2018-057.</p>

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2020 F	052 (cont'd)	Completion Date: Corrective action is expected to be complete by July 2022 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

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	053	<p>Finding: 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 federal requirements for completing recertification surveys in a timely manner.</p> <p>Corrective Action: The Department concurs with the audit finding and has taken corrective actions to strengthen internal controls over the completion of recertification surveys.</p> <p>As of April 2021, the Department modified the process used in calculating survey intervals to ensure it accurately calculates the statewide average survey frequency based on the federal fiscal year end.</p> <p>As of July 2021, the field manager and administrative staff began conducting quarterly meetings to review the survey interval tracking spreadsheet to ensure information entered is accurate and the Plan of Correction timelines are met.</p> <p>The conditions noted in this finding were previously reported in findings 2019-061, 2018-052, 2017-042, 2016-037, 2015-045, and 2014-046.</p> <p>Completion Date: July 2021, subject to audit follow-up</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

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Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	054	<p>Finding:</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 it complied with federal requirements for completing nursing home recertification surveys in a timely manner.</p> <p>The Department concurs with the finding.</p> <p>The Department has established internal controls and monitoring practices in place for completing nursing home recertification surveys, which resulted in compliance with federal survey interval requirements for years. This audit has helped to bring to the attention that these processes have not been adequately documented.</p> <p>As of November 2021, each region and field office unit established master survey schedules. The Regional Administrators and Office Chief monitor these scheduled surveys on a monthly basis to meet the statewide federally required averages by the end of the federal fiscal year.</p> <p>By May 2022, the Department will develop policies and procedures documenting the survey monitoring and oversight responsibilities.</p> <p>Corrective action is expected to be complete by May 2022</p> <p>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

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Audit Report	Finding Number	Finding and Corrective Action Status	
1027249	2019-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services Consolidated Business Services (CBS) did not have adequate internal controls over and did not comply with state and Department policies related to travel purchase cards.</p> <p>The Department concurs with the finding.</p> <p>Since June 2019, the Department has made multiple process changes to strengthen controls over the use of travel purchase cards, which include:</p> <ul style="list-style-type: none"> • Requesting all required documentation prior to making travel arrangements. • Communicating expectations to travelers and supervisors to submit appropriately signed documentation promptly. • Requiring prior approvals for travel expenditures that exceed the prevailing per diem rates. • Verifying required authorizations before payments. • Securing adequate documentation to support charges • Ensuring timely payments of travel card transactions. • Performing timely reconciliations of monthly purchase card statements. <p>The Department’s regional Consolidated Business Centers will continue to work with the individual administrations to ensure travel expenses are properly authorized and documented.</p> <p>June 2020, subject to audit follow-up</p> <p>Richard 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

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Audit Report	Finding Number	Finding and Corrective Action Status	
1027249	2019-002	<p>Finding:</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 and did not comply with state rules that would ensure federal funding was optimized for the Aged, Blind or Disabled (ABD) program.</p> <p>The Department partially concurs with the finding.</p> <p>The Department concurs that the current practice to obtain a signed Interim Assistance Reimbursement Authorization (IARA) form at the time of SSI application, rather than during the ABD program application, does not meet the requirements as outlined in the current state law. Since tracking the forms can create unnecessary workload when client application status can change for various reasons, there was a verbal agreement with the Social Security Administration (SSA) that the Department submits the form only at the time when a client files an SSI application. However, the Department did not have formal written documentation to support this agreement.</p> <p>To address the audit finding, the Department will take the following actions:</p> <ul style="list-style-type: none"> • By February 2021, meet with regional Social Services Coordinators at least quarterly to review results of the Social Service SSI Facilitation internal audits, discuss trends, identify potential training needs, and provide clarifications to policies and procedures. • By September 2021, consult with SSA to determine an agreed upon process for submitting the IARA forms. The Department will then revise the SSA contract and current state law, as needed, to align with the updated process. <p>The Department does not concur that a process needs to be developed to ensure ABD payment reimbursement amounts are correct. Since program rules vary between the federal SSI program and the state ABD program, the Department relies on SSA to accurately determine eligibility for the SSI program. The Department has a process in place to ensure that SSA reimbursement is correct by comparing the months eligible for reimbursement as determined by SSA with the period clients receive program payments. This process ensures that a client does not receive duplicate payments from both programs for the same month.</p> <p>June 2020, subject to audit follow-up</p> <p>Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov</p>

Department of Health

Agency 303

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	005	<p>Finding:</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 did not comply with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children grant.</p> <p>The Department partially concurs with the finding.</p> <p>The purpose of the Cash Management Improvement Act (CMIA) is to ensure the timely transfer of funds between the federal government and states.</p> <p>The Department has processes in place to ensure that draws are made in a timely manner to ensure that no interest liabilities are incurred by either the Department or the federal grantor.</p> <p>The Department processes all cash draws for expenses paid out in advance are based on actual costs and in line with the approved funding techniques outlined in the Treasury State Agreement (TSA). The Department does not agree that it is out of compliance with the intent of the CMIA and the approved TSA.</p> <p>To improve internal controls over monitoring cash management requirements, the Department:</p> <ul style="list-style-type: none"> • Began tracking draws on an excel spreadsheet in March 2020. • Worked with the Office of Financial Management to clarify language in the 2022 TSA related to the process and timing of draw requests. <p>The conditions noted in this finding were previously reported in findings 2019-006 and 2018-006.</p> <p>June 2021, subject to audit follow-up</p> <p>Jeremy Stephen Enterprise Risk Officer PO Box 47890 Olympia, WA 98504-7890 (360) 789-4618 jeramy.stephen@doh.wa.gov</p>

State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2021

Department of Health

Agency 303

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	019	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Health did not ensure payments from the Coronavirus Relief Fund occurred during the allowable period of performance.</p> <p>The Department concurs with the finding and is committed to ensuring that grant programs comply with federal regulations related to period of performance.</p> <p>The Department billed the Washington State Military Department (MIL) for fiscal year 2020 expenditures that were allowable under the Public Assistance Disaster Grants, which included the portion of the Coronavirus Relief Fund (CRF) that was expended before the allowable period of performance. The reimbursement from MIL was recorded as a prior period recovery in fiscal year 2021.</p> <p>The Department will reduce CRF grant expenditures reported on the schedule of expenditures of federal awards to account for the questioned costs identified and reported in the finding.</p> <p>Corrective action is expected to be complete by June 2022</p> <p>Jeremy Stephen Enterprise Risk Officer PO Box 47890 Olympia, WA 98504-7890 (360) 789-4618 jeramy.stephen@doh.wa.gov</p>

State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2021

Department of Health

Agency 303

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	055	<p>Finding:</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 did not comply with requirements to ensure it responded promptly to complaints for Medicaid hospitals.</p> <p>The Department concurs with the finding.</p> <p>The Department is committed to ensuring grant programs comply with state and federal regulations related to assessment of and response to hospital complaints. Program staff hold weekly meetings with the Centers for Medicare and Medicaid Services to discuss complaint cases that are in process.</p> <p>To address the audit recommendations, the Department hired additional staff to assist with the complaint intake process for the entire division. The Department updated protocols to ensure hospital complaints are handled promptly and meet federal requirements.</p> <p>The conditions noted in this finding were previously reported in finding 2019-046.</p> <p>April 2021, subject to audit follow-up</p> <p>Jeremy Stephen Enterprise Risk Officer PO Box 47890 Olympia, WA 98504-7890 (360) 789-4618 jeramy.stephen@doh.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	018	<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 over and did not comply with requirements to ensure the Coronavirus Relief Fund was used for allowable purposes and payments fell within the period of performance.</p> <p>In response to the COVID-19 pandemic, the Department’s Cost Allocation and Grants Unit was under resourced as a result of the Governor’s mandatory stay-home executive order, hiring freezes and staff furloughs. The applications that providers must fill out to apply for the Coronavirus Relief Fund (CRF) grants included the requirement for providers to keep all receipts and spending documentation, and submit to the Department upon request. Due to insufficient staff resources, there was not an established process to request supporting documentation from providers at the time of the audit.</p> <p>In October 2020, the Department received the request from the Legislature and the Office of the Financial Management to transfer expenditures previously paid to child care providers and other goods and services expenditures to the CRF. The Department processed an accounting adjustment, but did not have adequate time or resources to identify the detailed expenditures for this adjustment while performing year-end reconciliation and closing entries for fiscal year 2020.</p> <p>In response to the audit issues, the Department reversed the October 2020 accounting journal voucher adjustment totaling \$40.6 million. Additionally, the Department will review fiscal year 2020 expenditures to ensure charges to the CRF are allowable.</p> <p>Corrective action is expected to be complete by February 2022</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	036	<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 over its process to allocate administrative expenditures to federal grants.</p> <p>The Department concurs with the finding.</p> <p>The Department continues to strengthen internal controls over processing changes to the cost allocation bases in the state accounting system, and has:</p> <ul style="list-style-type: none"> • Implemented processes for additional approval authorities to ensure cost allocation base workbooks are adequately reviewed and approved by management. • Established a workflow for segregating duties to strengthen internal controls over processing cost allocation base workbooks. <p>The conditions noted in this finding were previously reported in finding 2019-045.</p> <p>October 2020, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	037	<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 changes paid by the Child Care and Development Fund cluster were allowable and properly supported.</p> <p>Corrective Action: In response to the Covid-19 pandemic, the Washington State Governor issued directives to implement the Stay Home, Stay Healthy Order, hiring freezes, and staff furloughs. As a result, resources for the cost allocation and grants unit were prioritized to the most vital areas of managing the pandemic responses and funding-related tasks.</p> <p>The Department agrees that payroll certifications were not completed timely during the audit period but maintains that the charges to the grant were allowable.</p> <p>The Department has:</p> <ul style="list-style-type: none"> • Completed fiscal year 2020 payroll certifications for January 2020 through June 2020. • Researched the six employees not included on the payroll certifications. • Communicated and provided back-up documentation to the grantor to determine whether the questioned costs identified in the audit should be repaid. <p>The conditions noted in this finding were previously reported in findings 2019-036 and 2018-033.</p> <p>Completion Date: November 2021, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	038	<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 child care providers for the Child Care and Development Fund Cluster programs were allowable and properly supported.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department concurs that 39 out of the 40 payments identified as audit exceptions were partially or fully unallowable due to lack of adequate support, incorrect billing hours, missing signatures, and overtime and field trip fee billing rules. The Department will establish overpayments where appropriate and refer the overpayments to the Department’s Office of Financial Recovery for collection.</p> <p>The Department does not concur with the audit exception and questioned costs of \$1,250 related to a provider not having attendance records during a month covered by enrollment-based pay during the COVID-19 pandemic. During this time period, the Department passed emergency rules and updated the CCDF State Plan to allow provider billings based on enrollment without the requirement to submit attendance records to support the billings. These emergency rules covered the period from March 16, 2020 through August 31, 2020.</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 child care attendance, tracking of daily attendance, and capturing data on child care usage. • Has the ability to support third party electronic attendance systems. The Department continues to add links to more third-party systems and improve reporting capabilities. • Generates reports that allows the Department to conduct focused audits beginning in April 2019. New and enhanced reports will also be developed by February 2022. <p>The Department has begun disqualifying providers convicted of fraud from receiving subsidy payments and subsidy benefits. In addition, the Department:</p> <ul style="list-style-type: none"> • Implemented a system of monthly units in July 2021 for licensed family homes to simplify provider billing process. • Received clarification from the federal grantor that will allow for automated rate changes for future rate change implementations. • Updated training curriculum and required all licensed homes and family, friend and neighbor providers to complete training as part of the 2021-2023 agreement with the Service Employees International Union (SEIU).

Department of Children, Youth, and Families

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	038 (cont'd)	<ul style="list-style-type: none"> • Established overpayments for substantiated audit exceptions related to questioned costs. <p>The Department will develop monitoring reports and system enhancements to verify:</p> <ul style="list-style-type: none"> • Providers are using an approved electronic attendance system after three months of authorized payments. Providers not meeting the requirement will be excluded from receiving child care subsidy until they meet compliance. • Providers are collecting all required attendance documentation in their electronic attendance system. The Department’s quality assurance staff will provide technical assistance to providers to resolve attendance record errors. <p>The Department continues to strengthen internal controls over payments to child care providers. The Department established program violation rules in WAC 110-15-0277, but its implementation was halted due to the demand to bargain with SEIU. Upon conclusion of the bargaining, the Department will:</p> <ul style="list-style-type: none"> • Issue provider program violation notices. • Exclude providers from receiving child care subsidy who have four or more program violations. <p>The Department is consulting with the regional office of the U.S. Department of Health and Human Services on the audit findings received. The audit resolution process includes conducting a case-by-case review and providing additional documentation to the grantor’s audit resolution team for consideration.</p> <p>The conditions noted in this finding were previously reported in findings 2019-035, 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 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	039	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.</p> <p>Corrective Action: The time period between the completion of fiscal year 2019 audit and the start of the fiscal year 2020 audit, Washington State was under a statewide lockdown in response to the COVID-19 pandemic. There were significant restrictions imposed, which required numerous emergency rules and subsequent policy and procedure changes to adjust to the impacts on clients and providers. The corrective actions outlined in prior year’s corrective action plan were stalled.</p> <p>In response to the current finding, the Department has obtained the necessary documentation to establish overpayments where appropriate and referred them to the Office of Financial Recovery for collection.</p> <p>The Department is consulting with the regional office of the Department of Health and Human Services on the audit findings received and has requested reconsideration of the questioned costs identified by the auditors. The audit resolution process includes conducting a case-by-case review and providing additional documentation to the grantor’s audit resolution team for consideration.</p> <p>The Department has continued to improve processes and internal controls as follows:</p> <ul style="list-style-type: none"> • In July 2020, <ul style="list-style-type: none"> ○ Created an overpayment review panel that meets semi-monthly to review assigned overpayments. This panel will ensure correct rule application and identify areas of program vulnerability. ○ Performed continued quality improvement reviews for procedural modifications related to household composition changes that were implemented late in the fiscal year to address the prior year’s audit finding. • In January 2021, began conducting monthly audit calibration meetings will all lead workers and internal audit staff to ensure agency audit standards are consistently followed. • In April 2021, hired a Quality Assurance Administrator to facilitate program integrity efforts based on audit findings and program needs. • In May 2021: <ul style="list-style-type: none"> ○ Established a centralized audit team to conduct program audits following the requirements of the statewide single audit in accordance with the Uniform Guidance. ○ Replaced the Audit 99 auditing system with an updated audit platform that includes a database for root cause analysis.

Department of Children, Youth, and Families

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	039 (cont'd)	<p style="text-align: center;">○ Verified lead workers conduct coaching and auditing based on program needs to ensure consistency and compliance with program rules.</p> <p>In addition, the Department will continue to improve processes and internal controls, as follows:</p> <ul style="list-style-type: none"> • Create and deliver staff training on using data systems and performing income calculations, specifically the Division of Child Supports (SEMS) system and Employment Security Division (ESD) systems. • Add language to the Consumer’s Rights and Responsibilities Form to include the fraud penalty notice and the fraud reporting hotline number. <p>The conditions noted in this finding were previously reported in findings 2019-032, 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 2012-30.</p> <p>Completion Date: Corrective action is expected to be complete by April 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	040	<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 over matching, level of effort and earmarking requirements and did not comply with matching requirements for the Child Care and Development Fund Cluster programs.</p> <p>The Department concurs with the finding.</p> <p>It should be noted that the Department was created as a new agency as of July 2018 and this audit was conducted in the second year of operations during a transitional period. There were also additional challenges during the COVID-19 pandemic under the Governor’s mandatory stay-home executive order.</p> <p>As of July 2019, the Department began processing and recording state expenditures used to meet matching requirements for the grant. The exceptions identified in the audit related to the federal fiscal year 2019 award which is still open.</p> <p>As of November 2021, the Department has reconciled the grant to ensure all matching, level of effort, and earmarking requirements were met prior to the end of the grant period.</p> <p>In response to the audit recommendations, the Department is working on strengthening internal controls to ensure program expenditures reported by the Department of Social and Health Services are properly supported. The Department will also develop written procedures to document the matching, level of effort, and earmarking processes.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the grantor and will take appropriate action.</p> <p>November 2021, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	041	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over period of performance requirements for the Child Care and Development Fund Cluster programs.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The expenditures that were found obligated after the grant’s period of performance resulted from incorrect coding and were not spent at the time. No federal funds were drawn from those expenditures and the Department was working on transferring the costs to other funding sources.</p> <p>It should be noted that the Department was created as a new agency as of July 2018 and this audit was conducted during the second year of operations. There were also additional challenges during the COVID-19 pandemic under the Governor’s mandatory stay-home executive order.</p> <p>The Department continues to work on documenting and refining internal controls, processes, and procedures. To address the auditors’ recommendations, the Department will develop written procedures to ensure expenditures are obligated only during the grant’s allowed period of performance.</p> <p>Completion Date: Corrective action is expected to be complete by April 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	042	<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 is strongly committed to ensuring the health, safety and well-being of all children in care, and is continuing to work on improving internal controls and processes. The Department:</p> <ul style="list-style-type: none"> • Established and implemented policies, procedures, and training on the new licensing standards for employees. • Communicated with supervisors and staff regarding required documentation for non-compliance follow-up. • Discontinued the practice of backdating payments after confirmation of a cleared background or fingerprint check as of March 2020. • Consulted with the grantor on accepting email confirmation in lieu of signature on the health and safety agreement for Family, Friends & Neighbors providers. The CCDF State Plan was subsequently updated to reflect the change. The updated plan was submitted to the grantor in July 2021. <p>The Department is consulting with the regional office of the U.S. Department of Health and Human Services on the questioned costs for this audit finding.</p> <p>The Department will:</p> <ul style="list-style-type: none"> • Continue to implement system changes and enhancements to assist with reporting on monitoring visits, background checks, and providers' applicable annual training requirements. <p>The conditions noted in this finding were previously reported in findings 2019-039, 2018-035, 2017-025, 2016-022 and 2015-024.</p> <p>Completion Date: Corrective action is expected to be complete by December 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	044	<p>Finding: The Department did not have adequate internal controls over some Public Assistance Cost Allocation Plan requirements.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>As stated in the prior year’s audit response, the Department has processes and procedures in place for the monthly employee reconciliation of the Random Moment Time Study (RMTS) sampling universe. The headquarters’ cost allocation team follows procedures to create and communicate monthly employee reports to the RMTS Coordinators.</p> <p>The Department maintains that it complies with the federally approved Public Assistance Cost Allocation Plan (PACAP). The Department has also taken additional actions to address system limitations caused by high turnover rates of staff within the cost pools. There is no known deficiency with the integrity of the RMTS, nor are unallowable costs allocated to federal programs.</p> <p>The Department will continue to maintain internal controls over the monthly update process to ensure the RMTS sampling populations are complete. The Department will also work with the federal partners to ensure continued compliance with the PACAP.</p> <p>The conditions noted in this finding were previously reported in finding 2019-044.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	045	<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 over its process to allocate the Adoption Assistance program expenditures to federal grants.</p> <p>The Department concurs with the finding.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented processes for additional approval authorities to ensure cost allocation edit forms are reviewed and approved by management. • Established a workflow for segregating duties to strengthen internal controls over processing cost allocation edit forms. <p>October 2020, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	058	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Children, Youth, and Families improperly charged \$135,685 for salaries and benefits to the Maternal, Infant, and Early Childhood Home Visiting grant.</p> <p>In response to the Covid-19 pandemic, the Washington State Governor issued directives to implement the Stay Home, Stay Healthy Order, hiring freezes, and staff furloughs. As a result, resources for the cost allocation and grants unit were prioritized to the most vital areas of managing the pandemic responses and funding-related tasks.</p> <p>The Department has established processes in place for program staff to review direct charges monthly. The Department agrees that payroll certifications for two employees were not completed timely during the audit period, but maintains that the changes to the grant were allowable.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Completed a journal voucher to correct the misapplied payroll charges of \$3,508. • Completed payroll certifications for January 2020 through June 2020. • Responded to the grantor’s request for documentation of completion of corrective action plan. <p>The conditions noted in this finding were previously reported in finding 2019-067 which the auditors determined to be resolved.</p> <p>June 2021, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Services for the Blind

Agency 315

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	030	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate internal controls to ensure payroll expenditures charged to the Vocational Rehabilitation grant were allowable.</p> <p>The Department implemented the following procedures to strengthen internal controls over payroll expenditures charged to the Vocational Rehabilitation grant:</p> <ul style="list-style-type: none"> • The Deputy Financial Officer: <ul style="list-style-type: none"> ○ Performs additional reviews of payroll reports to ensure position cost coding is consistent with the federally approved cost allocation plan. ○ Notifies Human Resources and Small Agency Financial Services to make corrections as needed. ○ Documents the payroll reviews to provide timely assurance that unallowable payroll expenditures are not charged to the grant. • The Department’s Human Resources Division reviews all timesheets to ensure they are appropriately signed by supervisors prior to submission for payroll processing. <p>May 2021, subject to audit follow-up</p> <p>Jeannie Brown Senior Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 867-8260 Jeannie.brown@dsb.wa.gov</p>

Department of Services for the Blind

Agency 315

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	031	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation grant.</p> <p>During the audit period, the Department implemented corrective actions to address the audit recommendations and to strengthen internal controls to ensure compliance with federal reporting requirements.</p> <ul style="list-style-type: none"> • As of February 2020, hired a Senior Financial Officer (SFO) with experience in federal reporting requirements. • As of March 2020, implemented policies and procedures related to Vocational Rehabilitation Program (RSA) reporting, which includes requirement of a secondary review and approval of the RSA reports by the SFO prior to submission. • As of April 2020, completed staff training on the new reporting policies and procedures. <p>The conditions noted in this finding were previously reported in findings 2019-027, 2018-019, and 2017-010.</p> <p>June 2020, subject to audit follow-up</p> <p>Jeannie Brown Senior Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 867-8260 Jeannie.brown@dsb.wa.gov</p>

Office of Superintendent of Public Instruction

Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	003	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with suspension and debarment requirements for Child Nutrition Cluster program.</p> <p>In response to the prior year’s audit finding, the Office:</p> <ul style="list-style-type: none"> • Developed and implemented a new Child Nutrition Programs Agreement template in December 2019. The template includes information and attestation to suspension and debarment requirements. • Updated the internal process for review and approval of program applications. <p>In September 2020, at the request of the US Department of Agriculture, implementation of the new agreement template was paused to address the civil rights assurance statement in the agreement.</p> <p>As soon as clarification and definitive guidance is received from the federal grantor, the Office will resume the implementation of the new agreement.</p> <p>The conditions noted in this finding were previously reported in finding 2019-004.</p> <p>Corrective action is expected to be complete by December 2021</p> <p>Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504 (360) 725-0410 Leanne.eko@k12.wa.us</p>

Office of Superintendent of Public Instruction

Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	004	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to properly account for USDA-donated foods.</p> <p>The Office concurs with the finding.</p> <p>The Office will take the following corrective actions to strengthen internal controls over accounting for USDA-donated foods:</p> <ul style="list-style-type: none"> • Implement the internal policies and procedures established in August 2020 for the USDA-donated foods reconciliation process. • Establish adequate internal controls to ensure physical inventory is reconciled with inventory records. <p>As of November 2021, the Office completed the documentation of system requirements for a new/updated electronic food distribution system that includes tracking and reporting capabilities to assist with the reconciliation process.</p> <p>By January 2022, the Office will post a Request for Proposal for the procurement of the new/updated electronic food distribution system.</p> <p>The conditions noted in this finding were previously reported in finding 2019-005.</p> <p>Corrective action is expected to be complete by January 2022</p> <p>Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504 (360) 725-0410 Leanne.eko@k12.wa.us</p>

Office of Superintendent of Public Instruction

Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	026	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with federal requirements to ensure Local Education Agencies implemented testing security measures.</p> <p>The Office concurs with the finding.</p> <p>The Office has policies and procedures in place for monitoring Local Education Agencies (LEAs) to ensure testing security protocols are followed, which includes submitting a District Administration and Security Report (DASR) to the Office after completion of each test administration. DASRs are typically submitted to the Office at the end of the test administration window which usually ends in early June. These procedures were in place prior to the Spring 2020 testing period.</p> <p>The Office had developed and had planned to implement new monitoring protocols in Spring 2020 to ensure all LEAs that administer testing submit the required DASR. However, due to the COVID-19 pandemic and school facilities closures, most school districts did not administer testing during that time. The few districts that did were not able to access and retrieve documentation and security reports for submission to the Office.</p> <p>Currently, the Office is actively working with LEAs that administered testing in Spring 2020 to submit their 2020 DASRs.</p> <p>The Office will continue to follow implemented monitoring protocols to collect and review complete test security documentation from all LEAs.</p> <p>April 2021, subject to audit follow-up</p> <p>Kimberly DeRousie State Test Coordinator PO Box 47200 Olympia, WA 98504-7200 (360) 725-6353 Kimberly.DeRousie@k12.wa.us</p>

Office of Superintendent of Public Instruction

Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	027	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of Superintendent of Public Instruction did not have adequate internal controls over the quality control process related to the proper identification and recruitment of eligible children for the Migrant Education State Grant Program.</p> <p>The Office concurs with the finding.</p> <p>The Office’s Migrant Education Program will re-instate its established procedures to monitor the school district that was contracted to identify and recruit eligible migratory students for the program and to carry out the required quality control process.</p> <p>The Office has been reviewing the quality control procedures established at the school district to determine if adequate internal controls are in place to reduce the risk of inaccurately identifying eligible migratory students:</p> <ul style="list-style-type: none"> • As of March 2021, the Office provided a review checklist to the school district regarding items under review. • As of April 2021, the school district submitted requested materials to the Office for pre-review. Based on the pre-review, the Office identified clarifying questions to ask as part of the formal review. • As of May 2021, the Office scheduled meetings with the school district to review the results of each item monitored. The meetings will identify areas where procedures or policies need to be updated or corrected. <p>As of July 2021, the Office finalized the report of the review for program files. The results of the review were submitted to the Migrant Student Data Recruitment and Support Office and the school district to communicate any modifications or adjustments to the contract and deliverable services for program period 2021-2022.</p> <p>July 2021, subject to audit follow-up</p> <p>Sylvia Reyna Assistant Director, Title I Part C Migrant Education PO Box 47200 Olympia, WA 98504-7200 (360) 725-6147 sylvia.reyna@k12.wa.us</p>

Office of Superintendent of Public Instruction

Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	028	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to ensure payments to subrecipients were adequately supported for the Special Education program.</p> <p>For the 2021-22 school calendar year, the Office’s operations unit has implemented the following processes:</p> <ul style="list-style-type: none"> • Completed fiscal risk assessments for all local education agencies (LEAs) and uploaded assessment results into iGrants. • Completed selection of LEAs for both desk reviews and on-site monitoring based on the risk assessment results. The first on-site monitoring was completed in mid-December while desk reviews will begin at the end of December. • Received required expenditure reports from ELAs via the fiscal mailbox for claims submitted in September, October, and November 2021. <p>During reviews and on-site monitoring visits, the Office will select a representative sample of reimbursement requests and perform testing to ensure they are allowable and adequately supported.</p> <p>Corrective action is expected to be completed by December 2022</p> <p>Tina Pablo-Long Director of Operations PO Box 47200 Olympia, WA 98504 (360) 764-0537 tina.pablo-long@k12.wa.us</p>

University of Washington

Agency 360

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	022	<p>Finding: The University of Washington did not establish adequate internal controls over and did not comply with requirements to verify applicant information for the Student Financial Assistance programs.</p> <p>Corrective Action: The University has adequate internal controls over the student financial aid program and maintains a system of quality assurance review to ensure compliance with federal regulations. These controls have proved to be effective since no audit issue has been identified in the past.</p> <p>It should be noted that during the audit period under review, the University had a priority of disbursing student financial aid to the significant population of students and families impacted by the pandemic, which was further complicated by working in a remote environment. The University had to temporarily postpone the post award quality assurance process.</p> <p>Prior to the audit, the University had already planned on reinstating the quality review process. In addition, the University has taken actions to strengthen internal controls over the applicant verification process to address the audit recommendations.</p> <p>As of January 2021, the University repaid the awarded amounts that were overpaid to students identified in the audit.</p> <p>As of March 2021, the University:</p> <ul style="list-style-type: none"> • Updated current training materials to include the types of non-compliance found in the audit. • Provided two training sessions to staff, with plans to maintain an ongoing training schedule at least annually. <p>The University also retained an external consultant to complete a review of approximately 5,200 student financial aid records, which represented the entire population in fiscal year 2021. The review included post verification of changes to Institutional Student Information Records to identify any errors in the verification process. This review has been completed and the University is in the process of analyzing the results to determine any necessary procedural changes and training needs.</p> <p>Completion Date: Corrective action is expected to be complete by January 2022</p> <p>Agency Contact: Dan Schaaf Controller 4300 Roosevelt Way NE Seattle, WA 98105 (206) 685-6423 schaafd@uw.edu</p>

University of Washington

Agency 360

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	023	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The University of Washington did not establish adequate internal controls over and did not comply with federal requirements to conduct risk assessments of student information security for the Student Financial Assistance programs.</p> <p>The University has established adequate internal controls to ensure student information security for the Student Financial Assistance programs. There are existing efforts being performed that address the risk elements in the Gramm-Leach-Bliley Act, as described in the response to the finding.</p> <p>As of June 2021, the University:</p> <ul style="list-style-type: none"> • Organized and updated documentation of risk assessment activities and information security controls for student information into a single set of information security plans with a clear mapping to the requirements of the Act. • Developed a process to review and update documentation of ongoing activities at least annually to address changes to information security practices or risks as part of the University’s information technology management practice. <p>As of August 2021, the University:</p> <ul style="list-style-type: none"> • Completed the adequacy assessment of the current information security controls using industry-accepted cybersecurity models. <p>August 2021, subject to audit follow-up</p> <p>Dan Schaaf Controller 4300 Roosevelt Way NE Seattle, WA 98105 (206) 685-6423 schaafd@uw.edu</p>

University of Washington

Agency 360

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	024	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The University of Washington did not establish adequate internal controls over and did not comply with requirements to report student enrollment information accurately for the Student Financial Assistance programs.</p> <p>To address the audit recommendations, the Office of the University Registrar (University) has taken the following actions to strengthen monitoring of the National Student Clearinghouse (NSC) to ensure enrollment information reported in the National Student Loan Data System (NSLDS) is accurate and complete:</p> <ul style="list-style-type: none"> • Established an audit process for student enrollment data submitted by NSC to NSLDS on a quarterly basis. This audit monitors data in the NSLDS system to ensure accuracy. • Provided a supplemental graduation file each time the Degree Verification file is submitted starting in mid-May 2021. The University also submitted the graduation files for each of the quarters of the 2019-2020 and 2020-2021 academic years. • Followed up with the NSC to determine if changes to system configuration were required to comply with federal enrollment reporting requirements. • Determined whether previously reported enrollment data in NSLDS needs to be corrected. <p>In addition, the University will now monitor and identify student records with double majors that were impacted by the lack of secondary graduate file submission and will ensure accurate submission from NSC to the NSLDS database.</p> <p>The new monitoring processes as outlined above will be performed on a quarterly basis.</p> <p>October 2021, subject to audit follow-up</p> <p>Dan Schaaf Controller 4300 Roosevelt Way NE Seattle, WA 98105 (206) 685-6423 schaafd@uw.edu</p>

Washington State University

Agency 365

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	021	<p>Finding: Washington State University did not establish adequate internal controls over and did not comply with federal requirements to conduct risk assessments of student information security for the Student Financial Assistance programs.</p> <p>Corrective Action: The University partially concurs with the finding.</p> <p>The University has processes in place to monitor and assess threats to information security, and has been engaging in risk evaluation activities for many years that include assessment of risks to the broad information security environment. In July 2020, the University implemented a new policy for conducting information security risk assessments and for review of authorizations. These activities, although not linked to the specific requirements, indirectly addressed the risk elements in the Gramm-Leach-Bliley Act.</p> <p>To address the audit recommendations, the University is working on implementing risk assessment processes specific to the requirements for information systems covered under the Gramm-Leach-Bliley Act, which includes:</p> <ul style="list-style-type: none"> • Identifying internal controls. • Assessing risks of the information security system environment. • Documenting safeguards in place. • Implementing new processes as a result of the assessment activities. • Establishing monitoring processes for information system security to ensure federal compliance. <p>Completion Date: Corrective action is expected to be complete by March 2022</p> <p>Agency Contact: Heather Lopez Chief Audit Executive PO Box 64122 Pullman, WA 99164-1221 (509) 335-2001 hlopez@wsu.edu</p>

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	014	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.</p> <p>Corrective Action: The Department is committed to ensure that our grant programs comply with federal regulations regarding required risk assessments.</p> <p>In response to prior years' audit findings, the Department took corrective actions to address the audit recommendations, as follows:</p> <ul style="list-style-type: none"> • As of June 2019, established a risk assessment program to inform required monitoring activities. • Developed a risk assessment form to document assessments performed. • Communicated information on the risk assessment program to appropriate headquarters and regional staff. • Reviewed initial risk assessment forms completed by regional staff to ensure they were completed properly. <p>When the Governor issued the Stay Home, Stay Healthy order, regional staff's focus was redirected to project shut down, safety, and reopening plans, which slowed completion of some risk assessments.</p> <p>The Department will:</p> <ul style="list-style-type: none"> • Continue to maintain ongoing communication with regional staff to ensure risk assessments are performed and properly documented in accordance with the risk assessment program guidelines. • Update the risk assessment form to allow documentation of multiple obligations during a project's phase. • Work with regional management to modify staff's position descriptions to include performing required monitoring activities, such as completing risk assessments timely. <p>The conditions noted in this finding were previously reported in findings 2019-016 and 2018-012.</p> <p>Completion Date: Corrective action is expected to be complete by March 2022</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 danielje@wsdot.wa.gov</p>

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	015	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Highway Planning and Construction Cluster received required single audits.</p> <p>In response to the prior year’s audit finding, the Department took the following corrective actions to address the audit recommendations:</p> <ul style="list-style-type: none"> • Updated the Local Agency Guidelines Manual and subaward agreements to reflect the current \$750,000 single audit threshold and added language that requires local agencies to comply with the single audit or program-specific audit requirements. • Provided training to local agencies throughout the year that includes reminders of the single audit requirements. • For local agencies that received Department subawards below the single audit threshold, the Department sent communication that outlines the federal regulations and requests written verification to confirm if a single audit is applicable. • For local agencies that are subject to the single audit, the Department monitors the submission of the required audit report, follows up on any reported deficiencies, and takes the appropriate actions. <p>Due to the Governor’s Stay Home, Stay Healthy order in response to the pandemic, full implementation of these corrective actions was delayed in fiscal year 2020. The Department’s Local Program had to shift efforts to implement a new way of doing business for authorizing federal funds, processing reimbursements, and all other services necessary to ensure reasonable federal compliance while minimizing delays to the delivery of local agency capital projects during this critical time.</p> <p>Beginning in fiscal year 2021, the updated process will be fully implemented.</p> <p>The conditions noted in this finding were previously reported in finding 2019-017.</p> <p>August 2020, subject to audit follow-up</p> <p>Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 danielje@wsdot.wa.gov</p>

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	016	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with requirements to conduct program and fiscal monitoring of subrecipients for the Highway Planning and Constructions Cluster.</p> <p>Corrective Action: The Department is committed to ensuring that our grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department’s Local Programs Division will examine current policies and procedures/practices related to the audit issues.</p> <p>In September 2021, the Department received concurrence from the Federal Highway Administration (FHWA) for the 2020 and 2021 calendar years that supports a risk-based monitoring approach for Project Management Reviews (PMRs), which includes:</p> <ul style="list-style-type: none"> • Performing a PMR once a project is substantially complete or complete. • Not performing a PMR on projects with minimal risk. <p>FHWA is currently working on modifying the Stewardship and Oversight Agreement template, which would allow the Department to update language in the agreement to align with standards or best practices. If the modified agreement template is not received within a reasonable timeframe, the Department may seek an extension from FHWA’s Washington Division to allow completion of PMRs on a risk-based schedule.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • Update the Local Agency Guidelines (LAG) Manual to reflect the scheduling of a PMR once the project is substantially complete or complete. • Attempt to complete PMRs in the required 3-year timeframe after December 2020 until the agreement and LAG Manual updates are completed, or another extension is granted. • Communicate changes to policies and procedures, the LAG Manual, and the agreement to Local Program staff and stakeholders. <p>The conditions noted in this finding were previously reported in finding 2019-015.</p> <p>Completion Date: Corrective action is expected to be complete by March 2022</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 danielje@wsdot.wa.gov</p>

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	017	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials testing was performed by qualified testing personnel for projects funded by the Highway Planning and Construction Cluster.</p> <p>Corrective Action: The Department is committed to ensuring that our grant programs comply with federal regulations related to quality assurance requirements, safeguarding materials, testing workmanship according to approved plans and specifications, conducting inspections and certifications, and that testing is completed by qualified testers.</p> <p>In response to the prior year’s audit finding with the quality assurance program related to material testing, the Department took corrective actions to address the audit recommendations, as follows:</p> <ul style="list-style-type: none"> • Updated the Department’s Construction and Standard Specifications Manuals regarding: <ul style="list-style-type: none"> ○ Requirements for emergency contracts. ○ Requirements for facility contracts. • Provided clarifications needed to address practices and documentation to document material testing, inspections, and acceptance. <p>To address the current audit recommendations, the Department’s Construction Division has:</p> <ul style="list-style-type: none"> • Examined current policies and procedures/practices related to the tester certifications. • Updated policies and procedures as needed, including the Department’s Construction (M46-01) Manual, to ensure compliance with federal regulations regarding tester qualifications. The Construction Manual update also included appropriate procedures for tester certification from the Western Alliance of Quality Transportation Construction. • Obtained approval of the August 2021 updates to the Construction Manual from the Federal Highway Administration. • Communicated changes in policies and procedures to division staff and stakeholders at the Independent Assurance Meetings held in October and November 2021. <p>As the new Unifier system implementation moves forward, the Department will establish additional controls including not allowing a tester to enter results for tests that they are not qualified to perform. Other process refinements will be implemented to ensure materials testing is performed by qualified testing personnel.</p> <p>Similar conditions related to quality assurance program requirements were previously reported in finding 2019-019.</p>

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Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	017 (cont'd)	Completion Date: November 2021, subject to audit follow-up Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 danielje@wsdot.wa.gov

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	010	<p data-bbox="483 426 662 453">Finding:</p> <p data-bbox="672 426 1414 516">The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible recipients received Unemployment Insurance benefits.</p> <p data-bbox="483 558 602 615">Corrective Action:</p> <p data-bbox="672 558 1203 585">The Department does not concur with the finding.</p> <p data-bbox="672 621 1468 840">The unprecedented attack on the state’s unemployment system resulted in more than \$600 million paid on claims that initially appeared legitimate but were later discovered to be fraudulent. While the Department acknowledges there was a targeted imposter fraud, the Department did not agree with some of the statements described in the condition of the audit finding. These disagreements are detailed in the Department’s response to the finding.</p> <p data-bbox="672 875 1468 1094">For unemployment claims, benefits are based on employer reports of wages paid and hours worked as imported from the Department’s Next Generation Tax System. As such, claimant’s employment information in support of eligibility is verified in each claim. Under the CARES Act, the new federal Pandemic Unemployment Assistance program did not require claimants to submit documentation to substantiate employment or self-employment wages for these claims.</p> <p data-bbox="672 1129 1435 1379">It should also be noted that the emergency proclamation to waive the required one-week waiting period for benefit payments was issued to increase federal funds to Washington for claimants and program administration, and to speed economic recovery. The waiting week for unemployment claims has never been used to verify employment status and, therefore, did not increase the likelihood of improper payments. While the waiver did not cause the imposter fraud attack or deter the Department’s detection efforts, it did increase the amount of loss.</p> <p data-bbox="672 1415 1468 1602">It is inevitable that some benefit payments will be made to people who are ineligible. The Department’s obligation under federal and state statutes and regulations and the terms and conditions of federal awards, is to assess overpayments for improper payments and attempt to recover them by reasonable means. It is incorrect to assume all improper benefit payments are questioned costs.</p> <p data-bbox="672 1638 1468 1824">The Department transparently shared information about the imposter fraud and its response. By prompt and extensive effort, the Department had recovered a total of \$356.4 million as of November 2020. The Department continues to conduct investigations into suspected fraudulent claims and work with federal law enforcement and the banking industry to recover additional fraudulent payments.</p> <p data-bbox="672 1860 1414 1950">The Department is a national leader in its imposter fraud response. In addition to recovering funds, the Department took other measures to prevent further losses.</p>

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Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	010 (cont'd)	Completion Date: Not applicable Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	011	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with federal requirements to conduct case reviews for the Benefit Accuracy Measurement program of the Unemployment Insurance program in a timely manner.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>To address the staffing shortages in the Benefit Accuracy Measurement (BAM) program, the Department has hired four new staff for case sampling since September 2020.</p> <p>The Department hired one additional employee who started in May 2021 to be responsible for performing case reviews for the BAM program. The Department anticipates new staff will complete internal training and the National Association of State Workforce Agencies training within twelve months after the hire date. This staffing plan is aligned with the corrective action plan submitted to the U.S. Department of Labor as part of the required biennial State Quality Service Plan.</p> <p>The BAM unit is fully staffed, and once new staff are trained, the program will have sufficient resources to ensure case reviews are conducted in a timely manner in accordance with federally mandated timelines.</p> <p>Completion Date: Corrective action is expected to be complete by May 2022</p> <p>Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov</p>

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	012	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure quarterly performance reports for the Workforce Innovation and Opportunity grant were submitted completely and accurately</p> <p>Corrective Action: As of June 2021, the Department began the process of developing a comprehensive system and set of protocols to strengthen internal controls over the completion and submission of quarterly performance reports for the Workforce Innovation and Opportunity grant. Two Business Analyst positions will be hired to assist with the project.</p> <p>The current project includes the following:</p> <ul style="list-style-type: none"> • Establish a data management framework that supports the Department’s internal Participant Individual Record Layout (PIRL) validation controls and quality assurance processes to research and identify anomalies. • Initiate a process to outline, identify, and develop documented requirements for common PIRL data elements. • Establish a standardized framework that provides technical assistance (TA) sessions to the job centers, actively manages PIRL related performance, and provides ongoing TA training sessions. • Define and develop a PIRL data architecture that will enable greater data integrity and internal controls. • Develop written procedures for: <ul style="list-style-type: none"> ○ A data validation strategy to identify and correct errors or missing data. ○ Monitoring protocols. ○ Quarterly data review and electronic data checks. ○ Annual staff training. • Establish a governance and change management framework for maintaining documentation of the validation process to ensure compliance as federal requirements are updated and/or established. <p>As of June 30, 2021:</p> <ul style="list-style-type: none"> • A draft technical assistance framework has been mapped, key stakeholders are engaged, and gaps are being assessed. • A quarterly analysis data quality process, which aligned with the US Department of Labor’s expectations, was initiated with key stakeholders to ensure that critical PIRL elements are reviewed regularly. <p>Completion Date: Corrective action is expected to be complete by March 2022</p>

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Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	012 (cont'd)	Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov

State of Washington - Office of Financial Management
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 December 2021

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	013	<p>Finding: The Employment Security Department did not have adequate internal controls over and did not comply with requirements to perform risk assessments or fiscal monitoring for subrecipients of the Workforce Innovation and Opportunity Act grant.</p> <p>Corrective Action: The Department has established procedures for monitoring Local Workforce Development Boards (LWDBs), which includes mandatory annual onsite monitoring and a risk-based assessment process throughout the monitoring process.</p> <p>Due to the Governor’s Stay Home, Stay Healthy order, the Department was not able to resume normal monitoring activities in the last part of the fiscal year. The Department did reach out to the U.S. Department of Labor to seek a waiver which was not granted. The Department has since developed protocols and tools to allow remote-virtual review of fiscal documentation.</p> <p>During the fiscal year 2020 review period, there were four LWDBs that did not receive a comprehensive administrative and fiscal review. The Department had communicated to those LWDBs that the fiscal year 2021 review would cover two years’ worth of expenditures and activities.</p> <p>As of June 2021, the Department completed full reviews of the four LWDBs that encompassed both fiscal years.</p> <p>The conditions noted in this finding were previously reported in finding 2019-012.</p> <p>Completion Date: June 2021, subject to audit follow-up</p> <p>Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov</p>

Seattle Colleges

Agency 670

Audit Report	Finding Number	Finding and Corrective Action Plan
1027742	2019-001	<p>Finding: Seattle Colleges' internal controls over purchase cards were inadequate to ensure appropriate use of public funds.</p> <p>Corrective Action: The Seattle Colleges' purchasing unit has an established purchase card audit process to identify and report deviations from internal processes to each individual college business office. However, due to staff turn-over and insufficient resources, follow-up actions were not adequate to ensure corrective actions were taken.</p> <p>To strengthen internal controls over purchase card use, Seattle Colleges:</p> <ul style="list-style-type: none"> • Added resources to the purchasing unit to continue the internal audit process of reviewing and monitoring purchase card use and documentation. This includes: <ul style="list-style-type: none"> ○ Reviewing proper approvals by purchase card approvers. ○ Ensuring purchase receipts are attached. ○ Requiring electronic purchase log to be submitted with documentation. ○ Sending exception reports to each individual college business office. ○ Ensuring audit reports and exceptions are adequately followed up on. • Required each college to submit a monthly list of purchase card approvers to identify current authorized personnel. • Ensured monthly reconciliation of card purchases continue to be performed by card approvers at each college. • Required all purchase card users and custodians sign new card agreements and receive training prior to using purchase cards. <p>As of February 2021, the Seattle Colleges' purchase card process was migrated to the ctcLink system. The ctcLink process has workflow routing that enables approvers to review and approve appropriate charges with the digital records of receipts that are required to be included with the submission of the charges.</p> <p>As of April 2021, the system began issuing warnings if charges are not properly and timely reviewed and approved. After two warnings, the purchasing unit will revoke card privileges for users who fail to comply with deadlines and documentation requirement.</p> <p>Completion Date: April 2021, subject to audit follow-up</p> <p>Agency Contact: Terence Hsiao Vice Chancellor of Finance & Operations 1500 Harvard Ave. Seattle, WA 98122 (206) 419-6934 Terence.Hsiao@seattlecolleges.edu</p>

State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2021

Yakima Valley Community College

Agency 691

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	025	<p>Finding: Yakima Valley College did not establish adequate internal controls over and did not comply with requirements to accurately report student enrollment information for the Student Financial Assistance programs.</p> <p>Corrective Action: The College concurs with the finding.</p> <p>As of March 2021, the College established additional internal controls to ensure reported enrollment levels comply with the Department of Education’s enrollment reporting requirements. This includes:</p> <ul style="list-style-type: none"> • Reconfiguring the system enrollment status codes to align with federal requirements for full-time and part-time enrollment. • Limiting access to registration system settings to authorized personnel – the Registrar, and Dean of Student Services. • Initiating a process to monitor the integrity of the system settings quarterly to ensure accurate reporting of enrollment level data. <p>The College confirmed with the U.S. Department of Education that enrollment data for the 2019-2020 academic year needed to be corrected.</p> <p>Completion Date: October 2021, subject to audit follow-up</p> <p>Agency Contact: Oscar Verduzco Financial Aid Director PO Box 22520 Yakima, WA 98907-2520 (509) 574-4937 overduzco@yvcc.edu</p>

Yakima Valley Community College

Agency 691

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	029	<p>Finding: Yakima Valley College did not have adequate internal controls over and did not comply with Student Financial Assistance Programs applicant verification requirements.</p> <p>Corrective Action: The College concurs with the finding.</p> <p>As of March 2021, the College’s Financial Aid Office established additional internal controls to prevent inadvertent errors in the manual verification process of applicant information for the financial assistance program. This includes:</p> <ul style="list-style-type: none"> • Developing a new checklist for staff to follow during the verification process of selected files. • Establishing a process to ensure staff cover all fields included on the verification checklist and compare against supporting documentation. • Beginning an internal audit protocol of reviewing a random sample of verified files to ensure corrections are submitted accurately to the central processor. • Reviewing error trends to identify training opportunities for continuous improvement. <p>The College will consult with the grantor to discuss whether the overpayment identified in the audit should be repaid.</p> <p>Completion Date: May 2021, subject to audit follow-up</p> <p>Agency Contact: Oscar Verduzco Financial Aid Director PO Box 22520 Yakima, WA 98907-2520 (509) 574-4937 overduzco@yvcc.edu</p>

Yakima Valley Community College

Agency 691

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	033	<p>Finding: The Yakima Valley College did not establish adequate internal controls over and did not comply with requirements to reconcile its institution records with Direct Loan disbursement records monthly.</p> <p>Corrective Action: The College concurs with the finding.</p> <p>As of February 2021, with the assistance of the Common Origination and Disbursement (COD) System technical support, the College resolved the technical issue of generating School Account Statement (SAS) data files from the system.</p> <p>Additionally, the College took the following actions to improve internal controls over the reconciliation of direct loan disbursement records:</p> <ul style="list-style-type: none"> • Established a written process to confirm the receipt of the monthly SAS records by the Financial Aid and Business Offices. • Implemented a process to use the SAS data files in conjunction with the functionality of the College’s Student Management System to reconcile and identify direct loan discrepancies on a monthly basis. • Required each discrepancy to be documented with an explanation and the appropriate resolution. <p>Completion Date: February 2021, subject to audit follow-up</p> <p>Agency Contact: Oscar Verduzco Financial Aid Director PO Box 22520 Yakima, WA 98907-2520 (509) 574-4937 overduzco@yvcc.edu</p>

Bates Technical College

Agency 695

Audit Report	Finding Number	Finding and Corrective Action Plan	
1029117	2019-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The College lacked adequate internal controls for ensuring accurate preparation and review of financial statements</p> <p>The circumstances leading to the finding include staff turnover in the accounting positions and a lack of sufficient peer level review of draft statements and reports.</p> <p>The College is taking the following steps to establish necessary internal controls to ensure financial statements are accurately prepared and adequately reviewed:</p> <ul style="list-style-type: none"> • Transition to a new enterprise accounting system (ctcLink) which enables extensive documentation of journal entries, from review and approval to the submission of documentation to a single point of depository. • By January 2022, through re-organization, delegate some of the Controller’s routine responsibilities to develop capacity for: <ul style="list-style-type: none"> ○ Increased and focused oversight, review and approval of journal entries posted to the accounting system and assessing their effects on the financial statements. ○ Increased focus on ensuring the annual financial reporting is accurate and is in compliance with Generally Accepted Accounting Principles. • Establish a Budget/Business Operations Director position to: <ul style="list-style-type: none"> ○ Assume daily business activities and responsibilities. ○ Perform peer review of draft statements and reports during the preparation of the College’s annual financial report. • The Vice President of Finance and Administrative Services will perform secondary review and approval of all journal entries and continue to participate in the review of draft financial reports. <p>Corrective action is expected to be complete by June 2022</p> <p>Nicholas Lutes Vice President for Finance and Administrative Services 1101 S. Yakima Avenue Tacoma WA 98405 (253) 680-7123 nlutes@batestech.edu</p>

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**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2021**

Schedule 2 – Fraud Findings by Agency

AGENCY NUMBER	AGENCY	AUDIT NUMBER	FINDING NUMBER	PAGE
240	Department of Licensing	1027604	001	91
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Department of Licensing

Agency 240

Audit Report	Finding Number	Finding and Resolution	
1027604	001	<p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p>	<p>The Department did not maintain adequate internal controls to detect manipulations of vehicle license transactions, resulting in misappropriations by a subagent’s employee between May 2017 and November 2019.</p> <p>\$56,054</p> <p>\$59,054</p> <p>\$0</p> <p>The Department has communicated with the county licensing agent and is seeking a restitution settlement agreement to include the misappropriated amount and the investigation costs resulting from the fraud.</p> <p>In addition, the Department implemented process improvements to strengthen internal controls on vehicle licensing transactions, which include:</p> <ul style="list-style-type: none"> • Providing specific training to licensing agents on how to properly monitor and review subagent transactions. • Improving the auditing and monitoring of high-risk transactions processed by county licensing agents and licensed subagents, such as fee overrides, voids and reversals, gifting, and no fee transactions. • Adopting a new contract template in January 2020 for all licensing agents to expand and formalize their oversight responsibilities. <p>No Department employees were involved in the fraud. At the time of the incident, the Department did take action to remove user access in the Driver and Vehicle License System to prevent additional loss.</p> <p>The county licensing agent terminated the subagent contract “for cause” as of December 2019.</p> <p>The State Auditor’s Office referred the investigation to the King County prosecuting attorney.</p> <p>Jamie Black Internal Audit Manager PO Box 9020 Olympia, WA 98507 (360) 902-3721 jblack@dol.wa.gov</p>

University of Washington

Agency 360

Audit Report	Finding Number	Finding and Resolution	
1027333	001	<p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p>	<p>The Department of Biological Structure at the University did not have adequate internal controls over procurement card use, resulting in employee misappropriations between August 2019 and February 2020.</p> <p>\$36,956</p> <p>\$38,161</p> <p>\$28,498 as of August 2020</p> <p>The University’s Procurement Card Office worked with the Department to prepare and submit a claim to seek recovery from the procurement card provider and received reimbursement of \$28,498 from the bank on August 12, 2020.</p> <p>Since the University’s Internal Audit report was issued in April 2020, the Department of Biological Structure has taken the following steps to strengthen internal controls over the use of procurement cards:</p> <ul style="list-style-type: none"> • Developed written policies and procedures for the procurement card process and communicated them to the appropriate faculty and staff members. • Provided training to staff responsible for procurement card reconciliation, which include requesting and reviewing the necessary documentation from cardholders in a timely manner. • Cancelled several procurement cards previously issued to various lab members. The remaining cardholders consist of staff who need to make specific purchases at on-site vendors and a few select faculty members. <p>Additionally, the Department:</p> <ul style="list-style-type: none"> • Required new procurement card requests to be approved by the Department’s Administrator and Chair. • Implemented a process for faculty supervisors or the Administrator to review procurement card purchases. • Required payments to online merchant accounts to have an actual vendor invoice and documented evidence stating that the vendor only accepts PayPal. • Required Cardholders to complete the Washington State Department of Enterprise training. The required courses include <i>Small Purchases</i> and <i>Purchasing and Procurement Ethics</i>. <p>The employee who used the procurement card fraudulently resigned in lieu of termination on February 24, 2020.</p> <p>The University of Washington Police was notified and has been conducting an investigation. We were notified that the individual is deceased, so no further action could be taken.</p>

State of Washington - Office of Financial Management
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University of Washington

Agency 360

Audit Report	Finding Number	Finding and Resolution	
1027333	001 (cont'd)	Agency Contact:	Dan Schaaf Controller 4300 Roosevelt Way NE Seattle, WA 98105 (206) 685-6423 schaafd@uw.edu

University of Washington

Agency 360

Audit Report	Finding Number	Finding and Resolution	
1028569	001	<p>Finding:</p> <p>Fraud Amount: \$66,087</p> <p>Amount to be Recovered: \$72,492</p> <p>Recovery to date: \$0</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p>	<p>The University did not have adequate internal controls over monitoring of services performed at the School of Dentistry, resulting in employee misappropriations between January 2016 and December 2018.</p> <p>The University completed an internal investigation in April 2019. The School of Dentistry also addressed all findings from the internal audit of the Fears Clinic and implemented the following corrective actions:</p> <ul style="list-style-type: none"> • The Fears Clinic was closed and merged with the University’s Dentistry Campus Dental Center, resulting in greater professional oversight of billing and revenue collection. • Corrected issue in the patient billing system to remove the ability of providers to select and bill zero rates for some commonly used procedure codes. • Implemented significant improvement in reporting capabilities with the development of online tools, reports, and performance indicators. <p>The University is seeking recovery of the misappropriated funds, and has initiated the necessary consultations, collection of documentation and follow-up with the appropriate representatives in Student Fiscal Services.</p> <p>The School of Dentistry is currently in consultation with responsible parties in the University’s Academic Human Resources and the Attorney General’s Office to address the actions of the faculty member in accordance with the University’s Faculty Code and Governance.</p> <p>The Office of the Washington State Auditor has referred this case to the King County Prosecuting Attorney’s Office. No other criminal actions have been initiated.</p> <p>Dan Schaaf Controller 4300 Roosevelt Way NE Seattle, WA 98105 (206) 685-6423 schaafd@uw.edu</p>

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Resolution
1028164	001	<p>Finding: The Employment Security Department did not have adequate internal controls over processing unemployment insurance benefit claims, resulting in misappropriation and potential misappropriation from illegitimate claims between January 2020 and December 2020.</p> <p>Fraud Amount: Total \$1,107,321,396 – consisting of \$646,818,372 from known fraud and \$460,503,024 from potentially illegitimate claims.</p> <p>Amount to be Recovered: To be determined</p> <p>Recovery to date: \$369,798,082 as of March 2021</p> <p>Resolution /Status: The Department partially concurs with this finding. Although there are aspects the Department agrees with, there are deep flaws and numerous pieces of incorrect information in the State Auditor’s Office (SAO) report.</p> <p>The characterization of the fraud and the fraud amount listed above is false. The Department has been very open about the estimated loss of between \$550 to \$650 million and has recovered roughly \$370 million. This total was validated in three of the SAO’s audits of the unemployment benefit programs which, unlike this fraud audit, were conducted under Governmental Audit Standards.</p> <p>The SAO recommended the Department develop an agency plan to respond to future surges in Unemployment Insurance claims. During the audit, the SAO did not inquire about the Department’s strategic planning process. It should be noted that if the auditors had asked, the Department would have provided a copy of its Economic Alert System and Cycle Plan report.</p> <p>The SAO recommended the Department continue to improve its fraud prevention portfolio. It should be noted that if the auditors had inquired about the matter, the Department could have provided information about its Fraud Prevention Program that has a robust monitoring process and ongoing efforts to continuously refine fraud filters and reduce false detection rates. This is an ongoing effort that is addressed daily by the Fraud Division.</p> <p>The SAO recommended the Department improve its identity verification process. It should be noted that if the auditors had inquired about the Department’s verification process, it would have been apparent that this process had already been implemented prior to the audit.</p> <p>The SAO recommended the Department improve oversight to evaluate the extent of the loss and population of the entire loss. The Department was a national leader in identifying and reporting the fraud loss. Since the attack by bad actors in May of 2020, the Department has worked diligently and committed significant resources to identify fraudulent claims and worked</p>

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Resolution
1028164	001 (cont'd)	<p>with law enforcement and the banking industry to evaluate claims.</p> <p>The SAO recommended the Department implement recommendations related to its IT Systems. The IT audit was conducted under Performance Audit standards and is confidential. Any remediation is tracked by the Office of the Governor, not the SAO.</p> <p>By December 2021, the Department will:</p> <ul style="list-style-type: none"> • Ensure the crossmatch between claimants and incarcerated individuals is performed consistently. • Clear the backlog of flagged claims resulting from the benefit programs implemented during the COVID-19 pandemic. • Add a monitoring process to the Department’s Quality Assurance program that will capture dollar amounts and benefit payments. <p>Personnel Action Taken: Not applicable</p> <p>Criminal Action Taken: The Department is cooperating with various law enforcement agencies who determine any actions that will be taken.</p> <p>Agency Contact: Jay Summers External Audit Manager PO Box 46000 Olympia, WA 98504-6000 (360) 742-9957 joshua.summers@esd.wa.gov</p>

Seattle Colleges

Agency 670

Audit Report	Finding Number	Finding and Resolution	
1027830	001	<p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p>	<p>The College did not have adequate internal controls over cash receipting, resulting in employee misappropriations between September and October 2019.</p> <p>\$43,822</p> <p>\$60,661</p> <p>\$43,817</p> <p>The College has internal controls in place which enabled the prompt detection of missing deposits and the recovery of all but \$5 of the misappropriated funds. Additional costs to the College resulting from the fraud, were for related investigation costs by the Office of the State Auditor.</p> <p>After the detection of the fraud, the following additional controls were implemented:</p> <ul style="list-style-type: none"> • Updated existing College procedures for voided transactions by requiring a cashiering manager to sign and ensure that the proper control is being followed. • Required cashiering managers review data queries to detect cashiering registers that have multiple sessions created during the same day, and to document reasons and review transactions in the additional sessions. <p>At the time of the fraud, the College was operating on a 40-year-old financial management system with limited reporting and access controls. Since February 2021, the College has migrated to a Peoplesoft system. The new financial system has improved reporting capabilities and more granular security roles which will allow more effective controls over the review and approval of voided transactions.</p> <p>During the investigation, the employee was placed on administrative leave with access to all college financial systems restricted. The investigation resulted in the employee admitting to the theft and returning the missing deposits. Upon completion of the investigation, the employee was terminated effective February 10, 2020.</p> <p>None</p> <p>Terence Hsiao Vice Chancellor of Finance & Operations 1500 Harvard Ave. Seattle, WA 98122 (206) 419-6934 Terence.Hsiao@seattlecolleges.edu</p>

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