Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-012	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure payments were allowable and properly supported, and did not comply with federal requirements to conduct fiscal monitoring of subrecipients for the Coronavirus Relief Fund.
		Corrective Action:	The Department partially concurs with the finding. The Department does not concur with the auditor's assertion that only "high-level" supporting documentation was required for subrecipient payments to ensure the expenditures met the Coronavirus Relief Funds (CRF) allowability requirements. The subrecipient performed eligibility determination which included verification of immigration status and self-attestations that the client had not received a federal stimulus payment or unemployment benefits. The subrecipient then provided the Department with a list of eligible clients and supporting documentation. To protect client confidentiality, the subrecipient assigned each client a unique client identifier with personal identifying information redacted. When the Department approved subrecipient payments, required supporting documentation were reviewed which included the unique client identifier, some demographic information, and the check number. To ensure the expenditures met CRF's allowability requirements, the unique client identifier was cross-matched to the list of eligible clients. The Department concurs that there was no documentation to support that fiscal monitoring for one of the subrecipients had occurred. The Department did request the required information from the subrecipient to review its eligibility determinations but found the subrecipient to be noncompliant with the request. By December 2022, the Department will update subrecipient monitoring procedures to: • Ensure contracts and monitoring plans clearly identify the required supporting documentation to be provided to the Department. • Establish procedures for corrective action in situations of noncompliance with contract requirements and monitoring plans. • Include language in the contract covering expectations for the subrecipient to provide adequate information prior to reimbursement.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-015	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subawards contained all required information and subrecipients received risk assessments for the Coronavirus Relief Fund.
		Corrective Action:	The Department concurs with the finding. The Washington COVID-19 Immigrant Relief Fund was a new program administered at the request of the Governor's Office with a budget of $40 million and an expedited timeline for implementation due to the pandemic. In response to the Governor's request, the Department's Office of Refugee and Immigrant Assistance (ORIA), under the Community Services Division (CSD), partnered directly with the Department's Central Contracts and Legal Services (CCLS) to ensure the contract was legally and technically appropriate. ORIA did not utilize CSD's internal contracts unit for contract monitoring and as a result, the program did not clearly identify the Washington COVID-19 Immigrant Relief Fund subawards as subrecipients, did not include all the required subrecipient special terms and conditions in the subawards, and did not complete risk assessments on the subrecipients. As of August 2022, the CSD Contracts Unit added a new field in their Contract Action Request Ticket System (CARTS) for the program manager to indicate if the contract requires an indication of subrecipient status. This will assist the CSD Contracts Unit to identify upfront the subrecipient requirements and ensure subrecipient language is included in the contract. By January 2023, the ORIA program will: • Work with the CSD Contracts Unit, as outlined in the CSD Procedures Handbook, to ensure the appropriate contract template is used and includes all the appropriate subrecipient information. • Establish a checklist for new program staff to follow that aligns with the CSD Procedures Handbook and includes identifying subawards as subrecipients, requiring subrecipient information in the subaward, and creating risk assessments in order to develop monitoring plans. • Work with the CSD Contracts Unit, which has written procedures and processes in place, to ensure the program completes a risk assessment and obtains a copy for retention. • Ensure all ORIA staff complete the subrecipient monitoring training recommended by the CSD Contracts Unit related to: o Subrecipient and contractor determinations (2 CFR 200.331) o Subrecipient information required to be included in the contract (2 CFR 200.332(a)) o Conducting a risk assessment for each subrecipient for the purpose of determining the appropriate level of subrecipient monitoring (2 CFR 200.332(b))

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Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-015 (cont'd)	Completion Date: Corrective action is expected to be complete by January 2023 Agency Contact: Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-027	Finding:	The Department of Social and Health Services did not have adequate internal controls over Random Moment Time Samples and did not comply with some Public Assistance Cost Allocation Plan requirements.
		Corrective Action:	As of January 2021, the Department completed the following corrective actions in response to prior years' findings: • Implemented a process to ensure monthly staff reconciliations are performed when key personnel are out of the office. • Developed standard guidelines and procedures for updating the eligible staff list in Barcode. • Reviewed the Public Assistance Cost Allocation Plan with the Random Moment Time Sample (RMTS) auditors to ensure they are aware of when it is appropriate to modify an RMTS sample during an audit. In February 2021, the Department: • Implemented a process to conduct monthly reviews 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. As of February 2021, the Department implemented all the above corrective actions necessary to resolve the audit issues. The exceptions identified by the auditor occurred before February 2021. The Department also completed a one-time review of a subset of RMTS samples in June 2021 to conduct root cause analysis and determine whether additional training, procedure changes, or system changes are needed. The conditions noted in this finding were previously reported in findings 2020-006 and 2019-008.
		Completion Date:	February 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

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-029	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to reduce or deny assistance to recipients of the Temporary Assistance for Needy Families grant who did not cooperate with the child support program.
		Corrective Action:	The Department partially concurs with this audit finding. While one out of 12 referred cases of child support noncooperation did not have Temporary Assistance for Needy Families (TANF) assistance properly reduced, the Department does not concur with the State Auditor's Office (SAO) determination that a total population of 12 cases has a direct and material effect on the program. The Department's concern is around the SAO's objectivity in evaluating and reaching its audit conclusion. When the Department questioned the direct and material effect of 12 non-cooperation cases on the program, the SAO stated: *"For the TANF non-cooperation requirement, the team learned through meetings with staff that the (IV-D) program significantly changed its approach during the pandemic in how it chose to refer cases to CSD. With this significant procedural change along with the knowledge that DSHS staffing was negatively impacted by the COVID-19 pandemic, the team felt there was an increased risk to meeting federal requirements despite the prior years of no significant audit issues. These factors made the team consider the requirement material to the program and I [SAO management] agree with that assessment."* In response to the pandemic, the child support program implemented a Policy Clarification Memo changing the process on how the non-cooperation cases are determined. This policy change reduced the number of non-cooperation cases the child support program sent to the TANF program during the fiscal year. Although this is not relevant in determining if the TANF program complied with federal requirements and took appropriate actions upon receipt of the non-cooperation case, it did address the SAO's questions about the decrease in non-cooperation cases received by the TANF program. However, once the SAO learned that the decrease was not caused by any programmatic errors in the electronic notification process between the two programs, it did not objectively evaluate the likelihood of the small number of non-cooperation cases received to have a direct and material effect on the program. In addition, contrary to statements made in an email communication from SAO, the Department's TANF program never stated that staffing was negatively impacted by the COVID-19 pandemic or that it affected the program's ability to process non-cooperation notices. Public confidence is maintained by auditors' integrity which includes performing their work with an attitude that is objective and fact based.

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Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-029 (cont'd)	The Department also does not concur that adequate internal controls were not in place. When a non-cooperation case is received and good cause is not applicable, the worker takes action by updating the case status as "not cooperating" in the Automated Client Eligibility System which subsequently triggers a reduction in TANF assistance. The system has controls in place to alert the worker when there is no change to the client's benefit amount, which should prompt the worker to review the coding of the case. The worker who processed the single non-cooperation case in question was in-training at the time the error was made and did not have the full understanding that benefits should be reduced as a result of non-cooperation. Therefore, action was not taken to review the coding when prompted by the system alerts. As of April 2022, the Department: • Correctly coded the TANF program case as "not cooperating" which appropriately reduced the TANF assistance. • Processed an overpayment for the appropriate amount and sent an overpayment letter to the impacted household. As of May 2022, the Department's WorkFirst Program Manager alerted the staff who processed the case and the supervisor about the error and provided resource tools for training. As of July 2022, the Department sent draft revisions of manual language to the TANF policy team for review to ensure procedures are up to date. As of September 2022, the Department issued a statewide policy announcement to address the correct coding of noncooperation notices in the eligibility system. Completion Date: September 2022, subject to audit follow-up Agency Contact: Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-030	Finding:	The Department of Social and Health Services improperly charged $224,752 for the Child Support Enforcement and Child Support Enforcement Research programs.
		Corrective Action:	The Department partially concurs with the audit finding. The Department concurs two bases originally intended to be used for administrative costs were inadvertently omitted from the Public Assistance Cost Allocation Plan (PACAP). Upon discovery of this error, the Department updated the PACAPs for state fiscal years 2021 and 2022 to include those bases for the Child Support Enforcement and the Child Support Enforcement Research Programs and resubmitted to the federal grantor. To strengthen internal controls, the Department implemented a quarterly review of all administrative expenditures, effective October 10, 2021, to confirm all bases are included in the PACAP. The Department does not concur that funds were improperly charged to the Child Support Enforcement and Child Support Enforcement Research Programs. This was strictly a technical error in the PACAP and the funds were used for their authorized purpose. If the grantor contacts the Department regarding the questioned costs, the Department will discuss the manner in which funds were used and will take additional action if appropriate.
		Completion Date:	October 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

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-049	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.
		Corrective Action:	While the Department partially concurs with the finding and related questioned costs of $182,599, we respectfully dispute the remaining questioned costs ($251,390,482) identified in the finding. The State Auditor's Office (SAO) did not question all the costs from the first half of fiscal year 2021 that were associated with the 54 providers subject to the Developmental Disabilities Administration (DDA) payroll verification review. The Department agrees that the questioned costs determined by SAO for these 54 providers are reasonable. DDA has numerous internal controls in place which provide sufficient assurance that the services paid for were provided. These include: • Medicaid service verifications, • Allowable costs payment reconciliations, • Payroll verification processes, • Quality assurance reviews, • Duplicate payment reports, • Residential Care Services (RCS) certification processes, • Contract monitoring, • Reconciliation processes for rates, cost reports, and settlements, and • Segregation of duties and other verification and approval processes. SAO is questioning all costs associated with the 78 providers who did not receive a payroll verification review in the first half of the fiscal year and all reimbursements from the second half of the fiscal year. The DDA strongly disagrees that all these costs should be questioned. During the fiscal year, DDA had the same internal controls in place, performing provider payroll verifications in exactly the same way in the second half as the first half of the fiscal year. The reason why SAO did not consider the internal controls for the second half of the fiscal year is due to the timing of the audit cycle, rather than questioning the adequacy of the controls. DDA reconciles payments on a calendar year basis while SAO audits on a fiscal year basis and does not consider activities that fall outside of the audit period. Based on this understanding, DDA asserts that the questioned costs for this audit should amount to no more than $182,599. DDA has followed all requirements, including reconciling the settlement amounts that were issued to providers in the cost report settlement process. DDA has made significant changes to its processes and is interested in partnering with SAO to resolve disagreements. Unfortunately, SAO did not choose a more collaborative approach aimed at assisting DDA in its quality improvement efforts.

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Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-049 (cont'd)	DDA strongly believes its current oversight and monitoring activities provide adequate assurance that services received by clients meet the certification standards for supported living providers. DDA continues its efforts to bring quality services to clients who receive habilitative residential supports and intends to submit a request to CMS that the questioned costs imposed by the SAO be rescinded. As of October 2022, the Department communicated with the federal grantor regarding the Department's processes and the questioned costs identified in the finding. To address the portion of the finding the Department concurred with, the Department will continue to utilize numerous oversight and monitoring strategies consistent with the assurances in the waiver application. By December 2022, the Department will: • Hire additional staff for each of the three regions to conduct onsite quality assurance reviews and confirm providers are delivering support as outlined in individual person-centered service plans. • Review and amend the cost report instructions. • Reconcile provider payments to assure they accurately reflect the days of service provided to individual clients. This process will be performed again by June 2023. By January 2023, the Department will request legislation to add additional staff to complete a higher percentage of payroll verifications, with the goal of conducting payroll verifications on fifty percent of the providers by April 2023. The conditions noted in this finding were previously reported in findings 2020-051, 2019-054, 2018-058, 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038 and 2012-039. Completion Date: Corrective action is expected to be complete by April 2023 Agency Contact: Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-053	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with nursing home survey statement of deficiencies and plan of corrections timelines.
		Corrective Action:	The Department partially agrees with the finding. The Department agrees that it was not in compliance with the procedures outlined in Management Bulletin 15-081, which stated staff will provide the Statement of Deficiency (SOD) report to the field manager and the field manager will review for any SODs that are not sent out within ten working days. However, since the implementation of the Electronic Plan of Correction (ePOC) system in April 2017, Management Bulletin 15-081 is no longer applicable. The implementation of the ePOC application for nursing homes at the Residential Care Services has strengthened internal controls and increased efficiency. The ePOC application: • Automated the distribution of the federal SOD via a secure website created by the Centers for Medicare and Medicaid Services. • Eliminated the need for staff to provide the SOD report to the field manager. • Automatically sends e-mail notifications daily to the regional administrator, field manager, and support staff when nine days past the exit date in the Automated Survey Processing Environment (ASPEN) and a SOD has not been sent to the nursing facility. The federal application thus made it unnecessary for a staff member to distribute the SODs. Even though the procedures outlined in the management bulletin were outdated during the fiscal year under audit, two of the three regions were still following the bulletin as a "double-check." The Department does not agree with the auditors' conclusion that internal controls were inadequate for compliance with home survey SOD and POC timelines. No exceptions were identified during the audit compliance testing. As of June 30, 2022, Management Bulletin 15-081 was rescinded. Field Managers will continue to follow up on all ePOC e-mail notifications to ensure compliance with deadlines. The conditions noted in this finding were previously reported in finding 2020-054.
		Completion Date:	June 2022, subject to audit follow-up

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-053 (cont'd)	Agency Contact:	Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-054	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 requirements to ensure timely investigation of complaints of client abuse and neglect at Medicaid residential facilities.
		Corrective Action:	The Department partially agrees with the finding. The Department agrees that not all complaint investigations were initiated within the required timeframes. However, the Department does not agree that noncompliance was due to inadequate internal controls. Residential Care Services (RCS) has effectively used current internal controls since fiscal year 2017 when we received the State Auditor's Office Stewardship Award related to this audit area. Compliance with required investigation timeframes decreased due to an increase of almost 3,200 complaints from the previous fiscal year that were assigned for investigation. In addition, the effects of the COVID-19 pandemic increased staff vacancy rates to 24% due to exposure, illness, and staff resignation caused by vaccination mandates. In general, a 2-day response is required for allegation of a life-threatening situation that has caused, or is at risk of causing, substantial harm of such consequence that urgent intervention is necessary. The Department assigned all COVID-19 complaints related to the pandemic to the 2-day response category in the Tracking Incidents of Vulnerable Adults case management system, which further impacted workload. Since all COVID infection activities are categorized using the 2-day priority system for tracking purposes, it appeared the Department was out of compliance with intakes of immediate jeopardy cases. As of July 2022, 2-day immediate jeopardy intakes related to abuse and neglect were in compliance. Once the state of emergency rules are lifted, the Department will use the system for abuse and neglect immediate jeopardy intake tracking only, as it was intended. RCS will continue to use current internal controls to ensure timely investigation of complaints of client abuse and neglect at Medicaid residential facilities. Additional staff will be hired and trained to fill the vacant positions. The Department anticipates: • Compliance with immediate jeopardy related to COVID activities case intakes by December 2022. • Compliance with non-immediate jeopardy case intakes by June 2023.
		Completion Date:	Corrective action is expected to be complete by June 2023
		Agency Contact:	Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov