



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

March 20, 2019

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

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's Summary Schedule of Prior Audit Findings for the following audit findings in the fiscal year 2018 Single Audit report.

Finding Number	State Agency	Corrective Action Status	Page Number
2017-001	State of Washington	In progress	H-13
2017-002	Department of Social and Health Services	In progress	H-18
2017-003	Department of Health	In progress	H-20
2017-004	Department of Social and Health Services	Complete	H-21
2017-005	Employment Security Department	In progress	H-22
2017-006	Department of Services for the Blind	In progress	H-23
2017-007	Department of Services for the Blind	In progress	H-25
2017-008	Department of Services for the Blind	In progress	H-27
2017-009	Department of Services for the Blind	In progress	H-28
2017-010	Department of Services for the Blind	In progress	H-29
2017-011	Department of Services for the Blind	Complete	H-30

Finding Number	State Agency	Corrective Action Status	Page Number
2017-012	Department of Social and Health Services	In progress	H-31
2017-013	Department of Social and Health Services	In progress	H-33
2017-014	Department of Social and Health Services	In progress	H-34
2017-015	Department of Social and Health Services	Complete	H-36
2017-016	Department of Social and Health Services	In progress	H-37
2017-017	Department of Social and Health Services	In progress	H-38
2017-018	Department of Social and Health Services	Complete	H-40
2017-019	Department of Social and Health Services	In progress	H-42
2017-020	Department of Social and Health Services	In progress	H-44
2017-021	Department of Social and Health Services	In progress	H-46
2017-022	Department of Social and Health Services	In progress	H-48
2017-023	Department of Social and Health Services	In progress	H-49
2017-024	Department of Early Learning	In progress	H-50
2017-025	Department of Early Learning	In progress	H-53
2017-026	Department of Social and Health Services	In progress	H-55
2017-027	Department of Social and Health Services	In progress	H-59
2017-028	Department of Social and Health Services	In progress	H-60
2017-029	Department of Social and Health Services	Complete	H-61
2017-030	Department of Social and Health Services	In progress	H-62

Finding Number	State Agency	Corrective Action Status	Page Number
2017-031	State Health Care Authority	In progress	H-63
2017-032	State Health Care Authority	In progress	H-64
2017-033	State Health Care Authority	In progress	H-66
2017-034	State Health Care Authority	In progress	H-68
2017-035	State Health Care Authority	In progress	H-69
2017-036	State Health Care Authority	In progress	H-71
2017-037	State Health Care Authority	In progress	H-72
2017-038	State Health Care Authority	Corrective Action Not Taken	H-73
2017-039	State Health Care Authority	In progress	H-74
2017-040	State Health Care Authority	Corrective Action Not Taken	H-75
2017-041	State Health Care Authority	In progress	H-76
2017-042	Department of Social and Health Services	Complete	H-77
2017-043	Department of Social and Health Services	In progress	H-79
2017-044	Department of Social and Health Services	In progress	H-80
2017-045	Department of Social and Health Services	In progress	H-83
2017-046	Department of Social and Health Services	In progress	H-85
2017-047	Department of Social and Health Services	In progress	H-87
2017-048	Department of Social and Health Services	In progress	H-89
2017-049	Department of Social and Health Services	In progress	H-91
2017-050	Department of Social and Health Services	In progress	H-92
2017-051	Department of Social and Health Services	Complete	H-94

Finding Number	State Agency	Corrective Action Status	Page Number
2017-052	Military Department	In progress	H-95
2016-001	State of Washington	Repeat Finding	Refer to finding 2017-001 at H-13
2016-002	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-002 at H-18
2016-004	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-004 at H-21
2016-009	Department of Services for the Blind	Repeat Finding	Refer to finding 2017-007 at H-25
2016-010	Department of Services for the Blind	Repeat Finding	Refer to finding 2017-006 at H-23
2016-011	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-012 at H-31
2016-012	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-013 at H-33
2016-013	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-014 at H-34
2016-014	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-016 at H-37
2016-015	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-018 at H-40
2016-016	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-020 at H-44
2016-017	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-019 at H-42
2016-018	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-021 at H-46
2016-019	Department of Social and Health Services	Repeat Finding	Refer to finding 2017-017 at H-38
2016-020	Department of Early Learning / Department of Social and Health Services	Repeat Finding	Refer to finding 2017-027 at H-59
2016-021	Department of Early Learning	Repeat Finding	Refer to finding 2017-024 at H-50

Finding Number	State Agency	Corrective Action Status	Page Number
2016-022	Department of Early Learning	Repeat finding	Refer to finding 2017-025 at H-53
2016-023	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
2016-024	Department of Social and Health Services	Repeat finding	Refer to finding 2017-029 at H-61
2016-026	Department of Social and Health Services	Repeat finding	Refer to finding 2017-030 at H-62
2016-028	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2016-029	State Health Care Authority	Complete	Refer to finding 2017-034 at H-68
2016-030	State Health Care Authority	Repeat finding	Refer to finding 2017-041 at H-76
2016-031	State Health Care Authority	Complete	H-97
2016-032	State Health Care Authority	Repeat finding	Refer to finding 2017-035 at H-69
2016-033	State Health Care Authority	In progress	H-98
2016-034	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H-73
2016-036	Department of Social and Health Services	Repeat finding	Refer to finding 2017-043 at H-79
2016-037	Department of Social and Health Services	Complete	Refer to finding 2017-042 at H-77
2016-040	Department of Social and Health Services	Complete	Refer to finding 2017-049 at H-91
2016-041	Department of Social and Health Services	Complete	Refer to finding 2017-044 at H-80
2016-042	Department of Social and Health Services	Complete	H-99
2016-043	Department of Social and Health Services	Repeat finding	Refer to finding 2017-046 at H-85
2016-044	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H-89
2016-045	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80

Finding Number	State Agency	Corrective Action Status	Page Number
2016-046	Department of Social and Health Services	Complete	H-100
2016-047	Department of Social and Health Services	In progress	H-101
2016-048	Department of Social and Health Services	In progress	H-102
2016-049	Department of Social and Health Services	Complete	H-103
2015-002	State of Washington	Repeat finding	Refer to finding 2017-001 at H-13
2015-003	Department of Social and Health Services	Repeat finding	Refer to finding 2017-002 at H-18
2015-016	Department of Social and Health Services	Repeat finding	Refer to finding 2017-016 at H-37
2015-018	Department of Social and Health Services	Repeat finding	Refer to finding 2017-018 at H-40
2015-020	Department of Social and Health Services	Repeat finding	Refer to finding 2017-019 at H-42
2015-021	Department of Social and Health Services	Repeat finding	Refer to finding 2017-021 at H-46
2015-023	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
2015-024	Department of Early Learning	Repeat finding	Refer to finding 2017-025 at H-53
2015-025	Department of Early Learning	Repeat finding	Refer to finding 2017-027 at H-59
2015-026	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
2015-028	Department of Social and Health Services	Repeat finding	Refer to finding 2017-029 at H-61
2015-030	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2015-031	State Health Care Authority	Complete	H-104

Finding Number	State Agency	Corrective Action Status	Page Number
2015-033	State Health Care Authority	Repeat finding	Refer to finding 2017-041 at H-76
2015-034	State Health Care Authority	Complete	Refer to finding 2017-035 at H-69
2015-037	State Health Care Authority	In Progress	H-105
2015-038	State Health Care Authority	Complete	H-106
2015-039	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H-73
2015-040	Department of Social and Health Services	Repeat finding	Refer to finding 2017-049 at H-91
2015-041	Department of Social and Health Services	In Progress	H-107
2015-044	Department of Social and Health Services	Repeat finding	Refer to finding 2017-043 at H-79
2015-045	Department of Social and Health Services	Complete	Refer to finding 2017-042 at H-77
2015-049	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80
2015-051	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H-89
2015-052	Department of Social and Health Services	Complete	Refer to finding 2017-044 at H-80
2014-012	Workforce Training and Education Coordinating Board	Complete	H-108
2014-019	Department of Social and Health Services	Repeat finding	Refer to finding 2017-016 at H-37
2014-022	Department of Social and Health Services	Repeat finding	Refer to finding 2017-002 at H-18
2014-023	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
2014-026	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55

Finding Number	State Agency	Corrective Action Status	Page Number
2014-027	Department of Social and Health Services	Repeat finding	Refer to finding 2017-029 at H-61
2014-034	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2014-042	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80
2014-046	Department of Social and Health Services	Repeat finding	Refer to finding 2017-043 at H-79
2014-048	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H-89
2013-016	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
2013-017	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
2013-020	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
2013-036	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80
2013-037	Department of Social and Health Services	Complete	Refer to finding 2017-048 at H-89
12-28	Department of Early Learning	Repeat finding	Refer to finding 2017-024 at H-50
12-30	Department of Social and Health Services	Repeat finding	Refer to finding 2017-026 at H-55
12-39	Department of Social and Health Services	Repeat finding	Refer to finding 2017-044 at H-80

Finding Number	State Agency	Corrective Action Status	Page Number
12-49	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
12-54	State Health Care Authority	Complete	Refer to finding 2017-034 at H-68
11-23	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
11-34	Department of Social and Health Services	Complete	Refer to finding 2017-049 at H-91
11-38	State Health Care Authority	Repeat finding	Refer to finding 2017-031 at H-63
10-31	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
10-40	Department of Social and Health Services	Repeat finding	Refer to finding 2017-031 at H-63
09-12	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
09-19	Department of Social and Health Services	Repeat finding	Refer to finding 2017-031 at H-63
08-13	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2017-024 at H-50
08-25	Department of Social and Health Services	Repeat finding	Refer to finding 2017-031 at H-63

The state's Summary Schedule of Prior Audit Findings is a compilation of the corrective action information provided to us by the applicable state agencies. The Summary Schedule of Prior Audit Findings document is prepared in conjunction with the 2018 Single Audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2018. If you have any questions regarding the Summary Schedule of Prior Audit Findings, please do not hesitate to contact our office.

Sincerely,

Brian Tinney
Assistant Director, Accounting

State of Washington

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

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	<p>Department does not agree with the other system report issues as described in the condition of the finding.</p> <p>As started in prior audit finding responses, the Department does not rely on NGTS reports for financial reporting. The auditors have neither communicated to Department management what specific system reports they referred to, nor explained how they were used for or their impact on financial reporting. Based on Generally Accepted Government Auditing Standards, the audit failed to identify any clear logical link of the effect to the system report issues that led to this misstatement.</p> <p><u>Reconciliations</u></p> <p>The Department agrees that NGTS has not been reconciled to the bank and has subsequently established a monthly reconciliation process between the bank (and other supporting documents) and the NTGS sub ledger.</p> <p>By August 2018, the Department anticipates all monthly reconciliations with the bank will be completed for fiscal year 2018.</p> <p>The Department agrees that there are no reconciliations between systems to ensure information transmitted by interfaces is accurate and complete. In June 2018, the Department established a manual reconciliation process between UTAB and NGTS.</p> <p>The Department is currently prioritizing the development of the Enterprise Batch Management System (EBMS), an automated reconciliation and notification interface for all major systems that communicate with NGTS. The Department anticipates EBMS to be completed by December 2018 to facilitate accurate transmission of information between systems.</p> <p>The auditor did not communicate what constitutes adequate controls over interfaces between internal and external systems. Nonetheless, the Department will continue to identify and implement necessary controls over interfaces to ensure information transmitted is accurate and complete.</p> <p><i>Health Care Authority</i></p> <p>The Authority recognizes the significance and priority of internal controls over recording and reporting financial transactions. Currently, the ProviderOne vendor provides an independent service organization control audit every other calendar year. In 2015, the Authority requested funding from the Legislature to contract for a service organization control audit report on an annual basis so each state fiscal year will be covered. This request was not funded.</p> <p>The estimated additional cost to purchase an annual service organization control audit report is \$470,000. The Authority will re-submit a request for funding to obtain the annual audit report.</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	<p data-bbox="672 422 1230 451"><i>State Board of Community and Technical Colleges</i></p> <p data-bbox="672 485 1463 703">The Board implemented the PeopleSoft system in 2015 to replace the existing legacy software, and Community Colleges of Spokane (Spokane) and Tacoma Community College (Tacoma) were the first to go live with the new system. Since its implementation, there have been ongoing efforts to improve data accuracy and correct deficiencies. At the time of the 2017 audit, these two colleges are still in the process of identifying and correcting financial records for fiscal year 2016.</p> <p data-bbox="672 741 1463 863">It is the Board's priority to ensure accurate financial data is interfaced into the Agency Financial and Reporting System (AFRS), the state's accounting system. To address the audit recommendations, the Board has taken the following corrective actions:</p> <ul data-bbox="703 869 1463 1787" style="list-style-type: none"> <li data-bbox="703 869 1463 1178">• The Director of Accounting and Business Services has been leading a support team of up to 10 accounting and project staff dedicated to assist these two colleges in closing fiscal years 2016 and 2017. Since September 2017, the Board has provided assistance both on-site and remotely in reconciling all accounting records. As of June 2018, Tacoma has closed both fiscal years 2016 and 2017 and the financial statements were audited for both years. Tacoma is currently working on closing fiscal year 2018. By August 2018, the Board expects both colleges to fully reconcile their accounts and close all prior fiscal years. <li data-bbox="703 1184 1463 1661">• Staff on the support team provides assistance to the colleges in: <ul data-bbox="748 1220 1463 1661" style="list-style-type: none"> <li data-bbox="748 1220 1463 1310">○ Reviewing, reconciling and making adjustments in all balance sheet general ledgers. Currently, the colleges are reconciling between funds, program indexes and organization indexes. <li data-bbox="748 1316 1463 1407">○ Reconciling cash with the new system. As of June 2018, reconciliation with bank statements is mostly completed for both colleges. <li data-bbox="748 1413 1463 1598">○ Monitoring and reconciling data in the Asset Management module of the new system prior to uploading to AFRS to ensure accurate tracking and recording of capital assets and depreciation. By August 2018, reconciliation of assets is expected to be completed, after which a reconciliation of all general ledgers in the college system to AFRS will be performed. <li data-bbox="748 1604 1463 1661">○ Providing training to college accounting staff in using the new system and implementing internal controls. <li data-bbox="703 1667 1463 1787">• Additional technical staff were also assigned to develop customized programs and enhance the Financial Pillar of the new system to facilitate more efficient account reconciliation and year-end closing process. <p data-bbox="672 1822 1463 1976">The Board has developed numerous reports and processes to assist the colleges in reconciling and closing prior fiscal years and will continue to provide support when the needs arise to expand reporting capabilities. The Board anticipates the data clean-up process of the new system be completed by the close of fiscal year 2018.</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	<p>Additionally, the Accounting and Business Services Director will continue to monitor and assist the other 32 colleges in their accounting and reporting of financial data.</p> <p><i>Department of Licensing</i></p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"> • Perform monthly monitoring and review, in addition to the monitoring by the Office of Financial Management (OFM). • Provide OFM with updates of material revenue increases and decreases of more than 10 percent as they occur. OFM will work with the Department to determine potential impact and appropriate actions. • Perform analytical review at yearend to identify and correct accounting errors, and follow up to ensure they are appropriately addressed. <p><i>Office of Financial Management and the Guaranteed Education Tuition Program</i></p> <p>The Office of Financial Management (OFM) prepares the state’s financial statements in accordance with generally accepted accounting principles and recognizes the importance of internal controls over recording and reporting financial transactions.</p> <p>OFM has procedures in place to monitor and identify significant agency activities that may affect the state’s financial reporting, as follows:</p> <ul style="list-style-type: none"> • Perform quarterly and year-end analytical reviews on revenues, in addition to the analytical review by line items performed at yearend. As of January 2018, an analytical review by fund is also performed at mid fiscal year. These analytical reviews are used to help detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Perform necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the Agency Financial Reporting System (AFRS), the state’s accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Perform monthly monitoring of agencies’ financial data by running reports from AFRS to identify incorrect transactions and questionable balances. • Require agencies to complete year-end disclosure forms to collect vital information which have significant impact on the state’s financial reporting. Agency chief financial officers are also required to certify the accuracy and completeness of their financial data. • Maintain ongoing communication with agencies to emphasize the need to contact OFM for guidance regarding reporting unique accounting activities.

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	001 (cont'd)	<ul style="list-style-type: none"> • Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Continue to provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. <p>As of March 2018, OFM procured a financial reporting program for preparing the state's Comprehensive Annual Financial Report. The new program will improve efficiency and accuracy, and allow OFM to dedicate more resources at year-end for review.</p> <p>OFM will continue to work with Employment Security Department, Department of Licensing, Health Care Authority, State Board of Community and Technical Colleges, and the Washington Student Achievement Council to strengthen their internal controls over processing and reporting of financial activities.</p> <p>The conditions in this finding were previously reported in findings 2016-001 and 2015-002.</p> <p>Completion Date: Estimated December 2018</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status											
2017	002	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Social and Health Services improperly charged about \$4.1 million to multiple federal grants.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>10.551</td> <td>\$4,061,653</td> </tr> <tr> <td>10.561</td> <td></td> </tr> <tr> <td>93.558</td> <td></td> </tr> <tr> <td>93.566</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding.</p> <p>As of March 2017, the Department’s Economic Services Administration (ESA) implemented a procedure to add the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS), the state’s accounting system. Accounting staff are required to include MOS in processing of all agency payments from AFRS.</p> <p>The Department utilizes the MOS to perform monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. This process has helped ESA identify and ensure transactions not directly processed by the administration, such as payroll and benefits, are charged to the appropriate grant year.</p> <p>Prior to the start of the fiscal year 2017 audit, the Department identified approximately \$22 million in expenditures charged to grants for activities that occurred before the start of the grant period. The Department had subsequently reversed \$17.6 million of the improper charges. This information was disclosed to the auditors during their audit planning work.</p> <p>As of November 2017, the Department moved the timing of updating the Cost Allocation System to coincide with the commencement of the federal fiscal year. This change enables automatic charging of costs to the appropriate grant year through cost allocation for the applicable federal fiscal year.</p> <p>As of June 2018, the Department corrected the remaining \$4.1 million of expenditures to the proper grant year using the journal voucher process.</p> <p>When the grantor contacts the Department regarding questioned costs, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2016-002, 2015-003, and 2014-022.</p> <p>In progress</p>	<u>CFDA #</u>	<u>Amount</u>	10.551	\$4,061,653	10.561		93.558		93.566	
<u>CFDA #</u>	<u>Amount</u>												
10.551	\$4,061,653												
10.561													
93.558													
93.566													

**State of Washington - Office of Financial Management
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2018**

Department of Social and Health Services

Agency 300

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

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	003	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">10.557</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department strives to ensure compliance with federal regulations and has the following procedures in place to evaluate the risk of subrecipients as part of the monitoring protocol:</p> <ul style="list-style-type: none"> • An initial written risk assessment is required for new subrecipients of a federal award. • For each subsequent subaward, an informal risk assessment is performed to determine if the subrecipient’s risk level has changed and thus requires a new written risk assessment. Otherwise, the Department relies on the initial risk assessment. <p>Informal risk assessments are performed by staff, and Department procedure does not require documentation be maintained for those activities. The auditors determined that lack of documentation of the informal risk assessments did not meet federal requirements. The auditors also determined that the Department does not have adequate internal controls to ensure required assessments are performed.</p> <p>As of June 2018, the Department has:</p> <ul style="list-style-type: none"> • Updated the internal procedures for the program to require all risk assessments be documented in accordance with guidance from the federal grantor. • Incorporated the review of risk assessments into the contracting processes. • Communicated changes of the risk assessment process to staff. • Provided staff training through regular work group meetings and advisements from the Fiscal Monitoring Unit. <p>By December 2018, the Department will:</p> <ul style="list-style-type: none"> • Update agency-wide policies and procedures for risk assessments. • Develop and provide formal staff training on the risk assessment process. <p>Estimated December 2018</p> <p>Lydia Hoffman Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 Lydia.hoffman@doh.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$0						

Department of Social and Health Services

Agency 300

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

Employment Security Department

Agency 540

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	005	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible claimants of the Unemployment Insurance program received weekly benefits.</p> <table border="0"> <tr> <td data-bbox="673 583 812 611"><u>CFDA #</u></td> <td data-bbox="1003 583 1094 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="673 615 748 642">17.225</td> <td data-bbox="1003 615 1032 642">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The audit identified some design flaws in the Unemployment Tax and Benefit (UTAB) system causing cases selected for the job search verification process not being forwarded for verification.</p> <p>As of February 2018, the Department has:</p> <ul style="list-style-type: none"> • Corrected the design flaws in the system that were identified in the audit. • Established new monitoring procedures to help ensure all work search verifications are completed and staff reviews are adequately documented. <p>As of May 2018, the Department's Office of Internal Audit began conducting an assurance engagement to provide assurance to management that the Department has implemented corrective action to address the audit recommendations. The fieldwork phase has been completed and at this time no material gaps in assurance has been identified.</p> <p>By July 2018, the results of the assurance engagement will be finalized and reported to Department management.</p> <p>Estimated July 2018</p> <p>Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$0
<u>CFDA #</u>	<u>Amount</u>						
17.225	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	006	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Services for the Blind did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.</p> <table border="0" data-bbox="667 583 1096 646"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed individual plans of employment (IPEs). These reports were reviewed by Regional Area Managers to assist counselors in meeting the 90-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client’s case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed.</p> <p>The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed IPEs that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation.</p> <p>In response to the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of August 2017, completed the testing of the Dashboard in the case management system, and determined that the data values provided by the Dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. The increased reliance on the Dashboard showed a significant decrease in incidence of delayed plans and increase in timely justifications where needed. • As of September 2017, implemented a process to identify IPEs nearing the 90-day deadline for the upcoming week and to remind counselors of required client signatures and components for documenting a delay justification if an IPE is not expected to be developed within the 90-day timeframe. Regional Area Managers provided coaching to counselors on the effective use of the Dashboard feature and performed weekly monitoring of the use of the tool. • Communicated to Regional Managers a target of less than ten percent overdue IPEs for the agency, by region and counselor. As of October 	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	006 (cont'd)	<p>2017, performance data showed a decrease in agency-wide overdue IPEs compared to the previous fiscal year though not within the target range. Nonetheless, the average number of days taken to complete IPEs for all individuals has fallen to less than the required 90 days.</p> <ul style="list-style-type: none"> • Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. • As of June 2018, the revision of agency policy had passed all aspects of Office of Code Reviser processes and is expected to be adopted in August 2018. <p>By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including IPE development and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the IPE development process.</p> <p>The conditions noted in this finding were previously reported in finding 2016-010.</p> <p>Completion Date: Estimated December 2018</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	007	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Services for the Blind did not establish adequate internal controls over, and was not compliant with, federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.</p> <table border="0" data-bbox="667 577 1096 640"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed eligibility determinations. These reports were reviewed by Regional Area Managers to assist counselors in meeting the 60-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client’s case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed.</p> <p>The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed eligibility determinations that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation.</p> <p>In response to the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of August 2017, completed the testing of the Dashboard in the case management system, and determined that the data values provided by the Dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. • As of September 2017, implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe. This process includes ensuring exceptional and unforeseen circumstances are documented and that extensions with specific period are supported with a client agreement. Regional Area Managers provided coaching to counselors on the effective use of the Dashboard feature and performed weekly monitoring of the use of the tool. • Communicated to Regional Managers a target of less than ten percent overdue eligibilities for the agency, by region and counselor. As of October 2017, performance data showed that agency-wide delayed 	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	007 (cont'd)	<p>eligibility determinations decreased to less than ten percent. In addition, there were improvements in number of days taken to complete eligibility determination.</p> <ul style="list-style-type: none"> • Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation. • As of June 2018, the revision of agency policy had passed all aspects of Office of Code Reviser processes, and is expected to be adopted in August 2018. <p>By December 2018, the Department will update sections of the Vocational Rehabilitation Procedures Manual including eligibility determination and related requirements, which will occur in tandem with the implementation of a new case management system. The updated procedure manual will reflect the internal controls in place for the eligibility determination process.</p> <p>The conditions noted in this finding were previously reported in finding 2016-009.</p> <p>Completion Date: Estimated December 2018</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	008	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Services for the Blind did not have adequate internal controls to ensure cash draws were accurate and federal spending requirements were met for the Vocational Rehabilitation program. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> Corrective action in progress The Department concurs with the finding. The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reimbursement request process. To address the audit recommendations, the Department implemented the following corrective actions: <ul style="list-style-type: none"> • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw process. • As of October 2017, developed an internal checklist for the federal draw process and incorporated in the existing procedures. • Implemented a secondary review by requiring the approval of the Deputy Financial Officer after the Accounting Manager prepares the federal draws. In progress Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	009	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate controls over, and was not compliant with, federal requirements for charging costs to the Vocational Rehabilitation program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$2,479,527</td> </tr> </table> <p>Corrective action in progress</p> <p>In August 2017, the Department submitted a request to the U.S. Department of Education (DOE) cost allocation group to switch from an indirect cost rate to a Cost Allocation Plan (CAP) and requested the plan be approved retroactively to July 1, 2016. The Department charged reasonable and appropriate indirect costs to federal grants during fiscal year 2017 with the understanding that the federal granter would approve the CAP retroactively.</p> <p>As of May 2018, the Department received approval for the Cost Allocation Plans for fiscal year 2018 to 2020, with an effective date of July 1, 2017. However, the fiscal year 2017 CAP did not receive retroactive approval.</p> <p>As of September 2017, the Department has implemented a secondary review process for indirect costs charged to federal grants. After accounting staff identifies the amount of indirect costs to charge against each grant, the Deputy Financial Officer conducts a review of the charges and approve the amounts. This secondary review process is in place and ongoing.</p> <p>The Department is working with DOE through the audit resolution process to determine whether the Department charged reasonable indirect costs during fiscal year 2017, and if any questioned costs need to be repaid.</p> <p>Estimated September 2018</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$2,479,527
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$2,479,527						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	010	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, reporting requirements for the Vocational Rehabilitation Grant.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department processed adjustments in May 2017 to move expenditures to the appropriate grant year but inadvertently included the adjustments on the federal report ending March 2017. The Department had experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reporting process.</p> <p>To address the audit recommendations, the Department has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process. • As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period ending March 2017. • As of November 2017, developed an internal checklist for the federal draw and reporting process and incorporated in the existing procedures. • Implemented a secondary review by requiring approval by the Deputy Financial Officer after the Accounting Manager prepares the federal reports. <p>In progress</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	011	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Services for the Blind did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.</p> <table border="0" data-bbox="665 577 1096 640"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Department was required to set aside at least 15 percent of each Vocational Rehabilitation (VR) award for pre-employment transition services to students eligible for the earmarked funds. For the 2016 award year, the Department had accurately identified and tracked the earmarked expenditures throughout the year.</p> <p>The Department charged \$869,402 of VR grant expenditures above the 85 percent of the 2016 grant allocated to basic support and employment services. This amount was reported on the 2017 federal report in March 2017 but the expenditures were not moved to the 2017 grant until May 2017.</p> <p>To address the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • As of May 2017, processed adjustments to move \$869,402 of basic support service expenditures charged to the 2016 grant to the 2017 grant. • As of September 2017, hired a Deputy Financial Officer to provide additional oversight to the federal draw and reporting process. • As of November 2017, submitted a corrected federal fiscal year 2016 report to include only transactions through the reporting period of March 2017. • Updated procedures to include a secondary review process. Two managers are required to review payments charged to earmarked funds to ensure only allowable services for eligible students are included. <p>November 2017</p> <p>Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						

Department of Social and Health Services

Agency 300

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

**State of Washington - Office of Financial Management
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2018**

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	014	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.</p> <table border="0" data-bbox="667 577 1096 640"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$87,357</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. Nonetheless, the Department already implemented the following corrective actions:</p> <p>As of May 2017, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • Issued an agency directive outlining the expectations for timely completion of Individual Plan for Employment (IPE) that are supported by proper required documentation. • Issued directive to field staff communicating the federal requirements that client employment services must be included on the IPE along with the counselor and client signatures. • Completed updates to the employee procedure manual to incorporate the new agency directives. • Conducted quarterly internal compliance reviews to ensure services were included in appropriately approved IPEs. Prior to processing payments, supervisors receive system reports that identify authorizations not on the client’s IPE. Supervisors are required to review the identified authorizations, respond, and document any actions taken. • Monitored compliance reviews on the SharePoint site by forwarding a summary spreadsheet to each office queue that has authorizations to address. All Regional Administrator and fiscal compliance managers have access to the site and receive electronic notifications to each review request and response. <p>As of January 2018, the Department:</p> <ul style="list-style-type: none"> • Developed staff training to include system enhancements and required processes to assist staff in ensuring IPEs are complete and properly approved before services are paid for. • Contacted the U.S. Department of Education and received confirmation that the questioned costs were waived. <p>By October 2018, the Department will enhance the Service Tracking and Reporting System to send alerts to staff when new services are initiated that are not on a client’s IPE. Additionally, services with costs exceeding the established threshold require client’s signature on the updated IPE.</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$87,357
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$87,357						

**State of Washington - Office of Financial Management
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2018**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	014 (cont'd)	<p>The conditions noted in this finding were previously reported in finding 2016-013.</p> <p>Completion Date: Estimated October 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	015	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.</p> <table border="0" data-bbox="667 583 1096 646"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.126</td> <td style="text-align: right;">\$10,512</td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>As of September 2017, the Department developed standard operating procedures to provide guidance to staff on how to determine allowable use of earmarked funds.</p> <p>As of October 2017, the Department updated the programming in the case management system to ensure payments for pre-employment transition services from the earmarked funds are only made for eligible students. Two parameters were added before the system will allow the case worker to select payments under the earmarked category:</p> <ul style="list-style-type: none"> • The client’s date of birth must meet the criteria. • A specific field must be checked by the caseworker indicating client is a student. <p>As of February 2018, the Department:</p> <ul style="list-style-type: none"> • Developed standard operating procedures for identifying and correcting payment errors related to earmarked funds. • Contacted the U.S. Department of Education and received confirmation that the questioned costs were waived. <p>February 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$10,512
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$10,512						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	016	<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 subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.</p> <table border="0" data-bbox="483 640 1096 735"> <tr> <td data-bbox="483 640 609 667">Questioned</td> <td data-bbox="673 640 771 667"><u>CFDA #</u></td> <td data-bbox="998 640 1096 667"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 672 560 699">Costs:</td> <td data-bbox="673 672 755 699">93.243</td> <td data-bbox="998 672 1031 699">\$0</td> </tr> <tr> <td></td> <td data-bbox="673 703 755 730">93.959</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of February 2018, the Department’s Office of Indian Policy has established procedures to document the following information in the Agency Contracts Database:</p> <ul style="list-style-type: none"> • The yearly federal expenditures of each tribal entity. • Dates of completion of each tribal entity’s single audits. <p>As of March 2018, the Department’s Behavioral Health Administration (BHA) maintains a master contract list for sending audit verification forms and ensures staff involved in the process of subrecipient monitoring work from the same master list.</p> <p>As of May 2018, BHA developed additional internal control procedures to supplement existing management bulletins and improve monitoring of subrecipients, This included:</p> <ul style="list-style-type: none"> • Verifying subrecipients submit required audits. • Following up on all audit findings and issue management decisions promptly. • Requiring subrecipients to develop corrective action plans for audit findings, which will be tracked by the Department. <p>The Department also accessed the Federal Audit Clearinghouse to review and determined that no other tribal audits contained findings that involved Department funds.</p> <p>The conditions noted in this finding were previously reported in findings 2016-014, 2015-016, and 2014-019.</p> <p>Completion Date: In progress</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>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.243	\$0		93.959	
Questioned	<u>CFDA #</u>	<u>Amount</u>									
Costs:	93.243	\$0									
	93.959										

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	019	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.</p> <table border="0" data-bbox="667 548 1094 611"> <tr> <td data-bbox="667 548 769 575"><u>CFDA #</u></td> <td data-bbox="1003 548 1094 575"><u>Amount</u></td> </tr> <tr> <td data-bbox="667 575 769 602">93.558</td> <td data-bbox="1003 575 1094 602">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>In response to the prior year’s finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant.</p> <p>The Department created a work group comprised of staff from the Department’s Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis (RDA) Division.</p> <p>As of February 2017, the Department developed manuals that outline collaborative procedures among the three divisions in report preparation. However, due to timing of the audit, the corrective actions implemented by the Department were not included in the fiscal year 2017 audit period.</p> <p>As of April 2018, the Department:</p> <ul style="list-style-type: none"> • Developed Memorandums of Understanding (MOUs) including projection of expenditures with all partnering sources prior to the start of the federal fiscal year. These MOUs gave the Department an opportunity to discuss current program operations, as well as allowable activities and expenditures with the partnering sources. During presentation of the MOUs, the Department reviewed partners’ methodologies and record management protocols, and offered training and assistance when needed. Based on MOUs received, the Department projects that it will exceed the level of effort requirement. • Implemented a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and adequately supported. <p>The Department will continue to host weekly workgroup meetings to review and update existing policies and procedures as necessary. The workgroup will also focus on improving the Department’s ability to forecast and monitor the level of TANF MOE expenditures throughout the year.</p> <p>The Department’s RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. Refer to finding 2017-020 for details.</p>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

**State of Washington - Office of Financial Management
 Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
 June 30, 2018**

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	021	<p>Finding: The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.</p> <p>Questioned Costs: <u>CFDA #</u> 93.558 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>In response to the prior year’s finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant.</p> <p>The Department created a work group comprised of staff from the Department’s Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis Division.</p> <p>As of February 2017, the Department:</p> <ul style="list-style-type: none"> • Developed manuals that outline the collaborative procedures among the three divisions in report preparation. • Developed and adopted additional written procedures to strengthen internal controls to ensure federal reporting requirements are met. <p>Due to timing of the audit, the corrective actions implemented by the Department were not included in the fiscal year 2017 audit period.</p> <p>As of April 2018, the Department:</p> <ul style="list-style-type: none"> • Developed a quarterly reporting schedule to review source documentation submitted by other state agencies’ activities and expenditures in addition to participating in weekly meetings. • Developed Memorandums of Understanding (MOUs) with other state agencies prior to the start of the federal fiscal year. These MOUs gave the Department an opportunity to discuss current program operations, as well as allowable activities and expenditures, with the partnering agencies. • Offered training and guidance to state agencies on expenditures and TANF maintenance of effort report preparation. • Retained all supporting documentation electronically and in field offices for review. <p>The Department will continue to improve internal controls and ensure policies and procedures are sufficient.</p> <p>By September 2018, the Department will initiate discussions and seek appropriate guidance regarding establishing procedures and controls for verifying expenditures reported by other state agencies.</p>

**State of Washington - Office of Financial Management
 Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
 June 30, 2018**

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	021 (cont'd)	<p>The conditions noted in this finding were previously reported in findings 2016-018 and 2015-021.</p> <p>Completion Date: Estimated September 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u>Richard.meyer@dshs.wa.gov</u></p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	022	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors. <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.558</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.575</td> <td></td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> Corrective action in progress The Department concurs with the finding. By August 2018, the Department will review guidance published by U.S. Department of Health and Human Services on the requirement for self-disclosing instances of fraud affecting federal awards. This information will be used in developing procedures to ensure the Department meets reporting requirements. By October 2018, the Department will convene a workgroup to develop and implement sufficient procedures to ensure the Department reports, in writing, instances of fraud affecting grand awards. . By November 2018, the Department will develop and provide training to staff regarding federal fraud reporting requirements. Estimated November 2018 Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0	93.575		93.596	
<u>CFDA #</u>	<u>Amount</u>										
93.558	\$0										
93.575											
93.596											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	023	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.563</td> <td style="text-align: right;">\$29,194</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>Department policy requires employees who do not spend 100 percent of their time on a specific grant to complete time sheets for allocating payroll and benefits cost proportionately to the proper funding sources.</p> <p>In state fiscal year 2017, the Department changed the cost allocation methodology inadvertently charging payroll and benefits to the Child Support Enforcement Grant. Upon discovery, the Department immediately took action to make correction to the allocation methodology.</p> <p>As of December 2017, the Department updated procedures to reflect the correct allocation methodology and communicated the changes to staff.</p> <p>As of February 2018, journal vouchers were processed to correct the accounting transactions and resulting cost allocation for state fiscal year 2017.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>In progress</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.563	\$29,194
<u>CFDA #</u>	<u>Amount</u>						
93.563	\$29,194						

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	024	<p>Finding: The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1096 672"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.575</td> <td style="text-align: center;">\$8,814</td> </tr> <tr> <td></td> <td style="text-align: center;">93.596</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments.</p> <p>To address the auditors' recommendations, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • Began auditing providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews. • Modified the Child Care and Development Fund (CCDF) Plan to align with federal and state regulations for fiscal year 2019 to 2021. • Improved internal controls and implemented preventative controls to assist in the detection of unallowable provider billings and reduce the risks of unallowable payments, including: <ul style="list-style-type: none"> ○ Recruited a Subsidy Policy Analyst tasked with monitoring program compliance with state and federal laws. The incumbent: <ul style="list-style-type: none"> ▪ Works with DSHS to implement internal controls on eligibility determination and provider payments. ▪ Assists with implementing system changes at DSHS to alert staff when household composition differs between systems. ▪ Acts as the lead for corrective action plan implementation to address audit findings. ○ Implemented policies to include the Department's definition of intentional program violations and fraud, as well as the consequences for providers. • Developed a risk-based approach to audit providers' billings and payments that includes selecting providers' billings in excess of licensed capacity and providers billing the limit of their authorizations. <p>The Department also continues to work with DSHS to:</p> <ul style="list-style-type: none"> • Improve frequency of communication between the departments. • Clarify subsidy program rules and policies and modify current processes to align with the fiscal year 2019-2021 CCDF plan. • Develop record keeping templates and improve training using provider feedback. 		<u>CFDA #</u>	<u>Amount</u>		93.575	\$8,814		93.596	
	<u>CFDA #</u>	<u>Amount</u>									
	93.575	\$8,814									
	93.596										

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	024 (cont'd)	<ul style="list-style-type: none"> • Coordinate the review of staff training, desk aids and communications, and jointly develop policies and procedures to ensure field staff understand and interpret eligibility policies correctly. • Address internal and external audit issues, and improve internal controls over client eligibility and directing payments to child care providers. • Collaborate through the Working Connection Childcare Reframe Workgroup and the Child Care Audit Committee on aligning and clarifying state rules and requirements with the reauthorization of the Child Care Development Fund grant. The Department reinstated a quarterly meeting of the Departments' Quality Assurance staff to discuss issues identified in the quality assurance process. <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Develop a standard consultation method to support providers in proper billing procedures when they bill incorrectly and incur an overpayment. • Use available data to identify high risk billing practices and follow the consultation and intentional program violation process. • Finalize the implementation of an electronic time and attendance reporting system for licensed providers by October 2018 and family, friend, and neighbor care by September 2019. This new system will electronically track daily attendance; enable accurate, real-time recording of child care attendance; and serve as data capture of subsidy child care usage. • Improve the reconciliation process by following Department policies, and ensure the policies meet all federal and state regulations when reviewing provider payments. • Request additional funding from the Legislature to replace the 40-year-old mainframe-based authorization and payment processing system, Social Services Payment System. The new payment system will be capable of providing a robust provider interface and creating a rules engine solution that validates authorizations with attendance and billing data. Once these projects are complete, the combined systems will be able to generate accurate invoices and payments to providers. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in findings 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p> <p>Completion Date: Estimated September 2019</p>

Department of Early Learning

Agency 357

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

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status						
2017	025	<p>Finding: The Department of Early Learning did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td style="text-align: right;">\$1,855</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table></p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In response to the prior audit finding, the Department:</p> <ul style="list-style-type: none"> • Implemented new monitoring and compliance policies and procedures to clarify: <ul style="list-style-type: none"> ○ Use of a full checklist every three years. ○ Criteria when a site visit is needed. ○ Allowable methods of compliance. • Provided training to licensing staff on the new policies and procedures. • Implemented a new electronic caseload management system, WA COMPASS, in June 2017. The new system: <ul style="list-style-type: none"> ○ Provides electronic reminders to licensing staff and supervisors. ○ Allows licensing staff to make timely updates, improve data integrity and streamline work processes. ○ Provides electronic tools for tracking the 10-day health and safety rechecks requirement due to its capability of automatically converting from an abbreviated checklist to a full checklist when specified criteria is met. • Provided training to licensing staff on the WA COMPASS system. • Established operational milestones, which are aligned with the IT functionality milestones, to provide support to staff in the transition process. Department expectations are communicated to staff in the weekly WA COMPASS updates. • Implemented a system of statewide blended caseloads with the goals of maintaining equitable caseloads at the state, regional, and unit levels. The new process has enabled the Department to ensure full compliance with federal and state requirements for monitoring licensing activities of child care providers and facilities. All licensors have received the required training and are able to monitor and license all three child care settings: family homes, centers and school age programs. <p>The Department is also creating an objective enforcement system by weighing all licensing standards that connect licensing infractions with the level of risk to children. The Department will provide more information and clarity about the risk level of each standard and the consequences for violations, and ensure that enforcement of these rules is both timely and consistent.</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$1,855	93.596	
<u>CFDA #</u>	<u>Amount</u>							
93.575	\$1,855							
93.596								

Department of Early Learning

Agency 357

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	025 (cont'd)	<p>Currently, the Department of Social and Health Services (DSHS) requires a criminal background check to be completed as part of the provider approval process. DSHS requires this process to be completed before subsidy child care payment is authorized. With the implementation of the planned corrective actions, this process will be changing to ensure new providers are not approved to provide care until all required background checks have been completed.</p> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Continue working on revising all licensing policies, procedures, and tasks to align with current state and federal rules and regulations. • Strive to respond to the demands of the Legislature and the needs of the provider community in aligning existing policies and procedures with the new Family Home and Child Care Center licensing rules in the Washington Administrative Code. • Re-prioritize resources resulting from time savings achieved by the new WA COMPASS system to managing higher caseloads and meeting additional state and federal licensing requirements. • Continue to provide training to staff on both the WA COMPASS system and new weighted licensing rules. <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in findings 2016-022 and 2015-024.</p> <p>Completion Date: Estimated October 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 Stefanie.niemela@dcyf.wa.gov</p>

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

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

Department of Social and Health Services

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2017	027	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to identify and detect fraud in the Child Care and Development Fund program.</p> <table border="0"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the audit finding.</p> <p>The Department has had a long-standing practice of managers assigning cases based off the priority level, starting with the highest priority cases. The Department maintains a goal of completing as many of the cases with the highest risk of fraud as staffing and workload allows.</p> <p>The Department's Office of Fraud and Accountability (OFA) agrees the fraud priority system does not include the cost of child care benefits, and a written policy did not exist for the priority scoring system.</p> <p>During state fiscal year 2017, a few of the highest risk fraud cases involving child care were not reviewed due to lack of sufficient staffing.</p> <p>As of December 2017, the Department had completed the processing of the majority of the highest risk fraud cases.</p> <p>As of February 2018, the OFA Director communicated a policy directive to staff to re-establish the required practice of giving top priority to reviewing cases with the highest level of risks.</p> <p>As of April 2018, the Department developed and implemented a process to include the child care benefit dollars at risk as a factor when determining the priority of fraud referral.</p> <p>The conditions noted in this finding were previously reported in findings 2016-020 and 2015-025.</p> <p>In progress</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$0	93.596	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$0								
93.596									

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	029	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not have adequate internal controls over and did not comply with payment rate setting and application requirements for the Foster Care program.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.658</td> <td style="text-align: right;">\$293</td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the finding.</p> <p>During the 2017 fiscal year audit, the Department did not have a policy defining the frequency of a periodic review of foster care payment rates.</p> <p>As of February 2018, the Department updated its Operations Policy Manual specifying the methodology and review frequency of the basic maintenance payment rates. The reviews will occur every four years beginning in 2019. If an increase is necessary, the Department will submit a decision package for additional funding.</p> <p>The Department has also:</p> <ul style="list-style-type: none"> • Amended the Title IV-E Plan and submitted to the U.S. Department of Health and Human Services (HHS) Administration of Children and Families. • Clarified policy that when a child is placed with a family residing and licensed in another state, the current rate of the applicable state will be paid. <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in finding 2016-024, 2015-028, and 2014-027.</p> <p>February 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$293
<u>CFDA #</u>	<u>Amount</u>						
93.658	\$293						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	030	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.659 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: Due to timing of the completion of the prior audit, the Department did not have sufficient time to make the required changes to the Agency Financial Reporting System, the state's accounting system, before the fiscal year 2017 audit period closed.</p> <p>As of October 2017, the Department:</p> <ul style="list-style-type: none"> • Established new coding structure in the case management system, FAMLINK, to track state-funded spending. • Implemented written procedures on how to: <ul style="list-style-type: none"> ○ Reconcile the fiscal year maintenance of effort (MOE) amount to the amount reported by the Department. ○ Maintain adequate documentation to support the MOE calculations and that expenditures are used only for allowable purposes. <p>As of January 2018, the Department also developed written policies and procedures specifying how the adoption assistance saving amount will be determined. To ensure amounts reported to the federal grantor are accurate, financial information is extracted from FAMLINK to the Children's Administration Adoption Savings Calculation and Reporting Workbook. The amounts will be reviewed and certified before reporting to the grantor.</p> <p>As of February 2018, the Department sent the newly developed policies and procedures documenting implemented internal controls to the Administration of Children and Families for review.</p> <p>The conditions noted in this finding were previously reported in finding 2016-026.</p> <p>Completion Date: In progress</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>

State Health Care Authority

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Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	031	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority does not concur with the finding.</p> <p>This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. However, it is not within the Authority’s scope of responsibilities to regulate insurance companies.</p> <p>Currently, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability. The Authority is preparing to request legislation that modifies the specific method and timing of data exchange with insurance carriers.</p> <p>In June 2018, the auditor submitted this finding to the appropriate committees of the legislature in accordance with the requirements of the amended RCW 43.09.312 when the auditor determines that the audited agency has not made substantial progress in remediating its noncompliance.</p> <p>The Authority anticipates the finding will be resolved through the request legislation and/or the decision of the legislative committees regarding resolution.</p> <p>The conditions noted in this finding were previously reported in findings 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.</p> <p>Estimated June 2019</p> <p>Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status													
2017	032	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.</p> <table border="0" data-bbox="673 520 1128 640"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.775</td> <td style="text-align: center;">\$3,909,517</td> </tr> <tr> <td></td> <td style="text-align: center;">93.777</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority submits an annual State Plan to the Centers for Medicare and Medicaid Services (CMS) for approval. The plan includes tribal health care facilities that deliver health care services to Medicaid-eligible clients. In August 2017, the Auditor’s Office published a whistleblower investigation (report number 1019566) that reported the Authority overpaid a tribe for chemical dependency treatments.</p> <p>Since the language in the State Plan is not conclusive and more than one tribe has challenged the conclusions in the whistleblower report, the Authority requested guidance from CMS in September 2017 on whether the payments identified in the audit report are overpayments.</p> <p>The Authority also requested an amendment to the State Plan to provide clear language that would prospectively preclude the primary type of findings published in the whistleblower investigation and that is consistent with language approved by CMS for other states’ tribal health programs. CMS approved the requested amendment effective September 29, 2017.</p> <p>On January 29, 2018, CMS directed the Authority to Section 4320 of the State Medicaid Manual issued by the Health Care Financing Administration (predecessor agency to CMS). In particular, paragraph C of the Section states:</p> <p style="padding-left: 40px;">“If a State elects to cover clinic services, it may choose the type of clinics or clinic services that are covered, provided that the services constitute medical or remedial care.”</p> <p>In light of this CMS guidance and based on various mitigating factors, the Authority has determined that it would be inappropriate to seek recovery of payments based on the sole reason that service was rendered by a provider not listed in the State Plan which was in effect prior to the amendment in September 2017.</p> <p>If the U.S. Department of Health and Human Services determines the payments identified in the audit are in fact overpayments, the Authority will follow the normal audit resolution process to resolve the questioned costs.</p> <p>In progress</p>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$3,909,517		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>													
	93.775	\$3,909,517													
	93.777														
	93.778														

**State of Washington - Office of Financial Management
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2018**

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	032 (cont'd)	Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	033	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years and screening requirements were met.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports.</p> <p>Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers.</p> <p>The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. By March 2019, the Authority will be in compliance with this requirement, and will have notified providers who enrolled with the Authority prior to March 31, 2014, of the revalidation requirement.</p> <p>In addition, the Authority noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. Currently, there are approximately two dozen providers, out of 98,000, that meet the specific criteria and require to be re-categorized as high risk.</p> <p>By March 2019, the Authority will:</p> <ul style="list-style-type: none"> • Implement the process of re-categorizing high-risk providers. • Formally adjust the risk level of this group of providers. • Update procedures to include the new process. <p>When the new fingerprint requirement is implemented, the Authority will conduct fingerprint-based criminal background checks on the providers identified under this re-categorization process.</p> <p>The conditions noted in this finding were previously reported in finding 2015-035, which the auditors determined as resolved.</p> <p>Estimated March 2019</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

State of Washington - Office of Financial Management
Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended
June 30, 2018

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	033 (cont'd)	Agency Contact:	Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	034	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid service verifications were performed for all eligible claims.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>To address the audit recommendations, the Department has taken the following actions:</p> <ul style="list-style-type: none"> • As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims. • As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs. <p>The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.</p> <p>The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.</p> <p>The conditions noted in this finding were previously reported in finding 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39. The auditors considered findings 2016-029 and 12-54 as resolved in fiscal year 2018. The other prior findings were previously resolved.</p> <p>In progress</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
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State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2017	035	<p data-bbox="483 422 1471 514">Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.</p> <table border="0" data-bbox="483 548 1138 674"> <tr> <td data-bbox="483 548 610 575">Questioned</td> <td data-bbox="672 548 768 575"><u>CFDA #</u></td> <td data-bbox="1003 548 1094 575"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 579 553 606">Costs:</td> <td data-bbox="672 579 748 606">93.775</td> <td data-bbox="1003 579 1138 606">\$23,955,658</td> </tr> <tr> <td></td> <td data-bbox="672 611 748 638">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 642 748 669">93.778</td> <td></td> </tr> </table> <p data-bbox="483 707 980 735">Status: Corrective action in progress</p> <p data-bbox="483 770 1471 896">Corrective Action: The Authority disagrees, in most respect, with the Description of Condition, Cause of Condition, Effect of Condition and Questioned Costs, as stated in the finding. Details of the disagreements and concerns were outlined in the Authority’s response to the finding.</p> <p data-bbox="672 930 1425 989">The following are exceptions identified by the auditors with which the Authority concurs and will take corrective actions:</p> <ol style="list-style-type: none"> <li data-bbox="672 1024 1471 1245">(1) Emergency medical eligibility This issue was limited to medical claims and affected 119 specific clients in the ProviderOne system. As of March 2018, the Authority started using a report that allows staff to preemptively identify these specific scenarios and make eligibility updates as appropriate. This review is performed on a weekly basis, which also allows the Authority to reprocess any affected claims prior to invoicing. <li data-bbox="672 1278 1471 1499">(2) Procedure code configuration ProviderOne allows numerically sequential procedure codes with like requirements to be configured in ranges or ‘groups.’ However, unintended gaps were created in certain ranges during the process of uploading new and changed codes, which caused the National Drug Code (NDC) requirements on certain codes to be temporarily bypassed. In April 2018, the Authority corrected the drug rebate system errors by: <ul style="list-style-type: none"> <li data-bbox="760 1598 1203 1625">• Removing the grouping configuration <li data-bbox="760 1629 1170 1656">• Reviewing the current list of codes <li data-bbox="760 1661 1130 1688">• Maintaining codes individually <li data-bbox="672 1722 1471 1942">(3) Healthcare Common Procedure Coding System to NDC conversion errors This was a condition known to the Authority from prior audit findings. A ProviderOne change request has been initiated to add configurable fields to facilitate unit conversions on the more complex physician-administered drug claims. As of April 2018, this change was implemented. 	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$23,955,658		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$23,955,658												
	93.777													
	93.778													

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	035 (cont'd)	<p>In addition, the Authority will:</p> <ul style="list-style-type: none"> • Contact the Centers for Medicare and Medicaid Services to fully explain the audit results and determine if the questioned costs identified by the audit should be repaid. • Initiate work to invoice drug manufacturers for rebates that should be requested. <p>The conditions noted in this finding were previously reported in findings 2015-034 and 2014-031 for fee-for-service Medicaid claims, and 2016-032 for managed care Medicaid claims. The auditors considered finding 2015-034 as resolved in fiscal year 2018. The other prior finding was previously resolved.</p> <p>Completion Date: Estimated October 2018</p> <p>Agency Contact: Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>

State Health Care Authority

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

State Health Care Authority

Agency 107

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

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	038	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$1,945</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action not taken</p> <p>The Authority does not concur with the finding.</p> <p>The unallowable charges were the result of a system issue which was identified during the prior audit. The condition that led to the questioned costs identified in the 2017 fiscal year audit was corrected in July 2017.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2016-034, 2015-039, and 2014-037. Finding 2014-037 was previously resolved.</p> <p>July 2017</p> <p>Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,945	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$1,945										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	039	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$4,268,059</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>From March 2016 through June 2018, the Authority developed and ran an algorithm to identify and recoup duplicate Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare.</p> <p>As of June 2018, the Authority implemented an enhancement to the ProviderOne payment system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare.</p> <p>The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p> <p>In progress</p> <p>Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$4,268,059	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$4,268,059										
93.777											
93.778											

State Health Care Authority

Agency 107

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

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	041	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$29,518</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> Corrective action in progress The Authority will initiate the overpayment recoupment process and work with the grantor in the resolution of the questioned costs. The conditions noted in this finding were previously reported in findings 2016-030, 2015-033, 2014-036, and 2013-026. Findings 2014-036 and 2013-026 were previously resolved. Estimated March 2019 Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.775	\$29,518	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$29,518										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2017	042	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1096 703"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department has an established a log to track the receipt of Plans of Correction (POCs). However, the tracking log indicated a 10-working day review period instead of five working days as specified in the Department's policies and procedures.</p> <p>As of January 2018, the Department:</p> <ul style="list-style-type: none"> • Communicated to staff about the requirement of reviewing POCs within five working days after receipt. • Corrected the tracking log to specify a five-working day review requirement. <p>The Department agrees a facility was non-compliant with a condition of participation and did not submit a POC. Prior to the audit finding, the Department's Intermediate Care Facilities for Individual with Intellectual Disabilities unit was operating with the understanding a POC was not required for condition level citations. Therefore, the Department's initial correspondence to the facility requested a Letter of Credible Allegation of Compliance (LCAC) and made the POC optional.</p> <p>As of December 2017, the Department:</p> <ul style="list-style-type: none"> • Developed standard operating procedures for the review and approval process of POCs, including the requirement of a POC for all condition level non-compliances. • Ensured facilities that are non-compliant with conditions of participation submit POCs in addition to the LCAC. This requirement will be included in the correspondence sent with the Statement of Deficiencies. • Sent official communication to facilities by the Policy Manager to inform them of the change in requirement. <p>As of January 2018, the Department:</p> <ul style="list-style-type: none"> • Conducted a revisit survey to the out-of-compliance facility and found it did not meet some of the standard level regulations but determined it complied with the conditions of participation. The Department has since requested a POC from the facility for the 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$0									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	042 (cont'd)	<p>issues identified. The Department has kept the Center for Medicare and Medicaid Services informed and has not received any notification to revoke the certification of this facility.</p> <ul style="list-style-type: none"> • Revised the correspondence to facilities to clearly state the requirement of a POC when deficiencies are identified in surveys. • Communicated the updated requirement to all staff. <p>The conditions noted in this finding were previously reported in findings 2016-037, 2015-045, and 2014-046.</p> <p>Completion Date: December 2017</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2017	043	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1096 703"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of April 2017, the Department implemented the federal electronic tracking application, called the Electronic Plan of Correction (ePOC), which enables the Department to monitor compliance more effectively. The system can electronically track and date-stamp the following:</p> <ul style="list-style-type: none"> • Completion of Survey • Distribution of Statements of Deficiency (SOD) • Receipt of Plans of Corrections (POCs) from providers • Review of POCs by the Department • Approval of POCs by the Department <p>By eliminating the mailing process through certified mail, the new system ensures nursing homes receive their SODs within 10 working days. The ePOC sends emails to provider staff regarding tracking updates.</p> <p>As of February 2018, the regional administrators and field managers conduct weekly meetings to identify SODs nearing the 10-day distribution requirement and POCs nearing their 5-day review requirement. The weekly communication also allows field managers to assess workload and inform regional administrators if any additional support is needed to meet requirements for distributions and reviews.</p> <p>The conditions noted in this finding were previous reported in findings 2016-036, 2015-044, and 2014-046.</p> <p>Completion Date: In progress</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>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$0									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2017	044	<p data-bbox="483 422 1471 548">Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.</p> <table data-bbox="483 579 1125 705"> <tr> <td data-bbox="483 579 610 611">Questioned</td> <td data-bbox="672 579 768 611"><u>CFDA #</u></td> <td data-bbox="1003 579 1094 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 611 553 642">Costs:</td> <td data-bbox="672 611 748 642">93.775</td> <td data-bbox="1003 611 1125 642">\$2,922,088</td> </tr> <tr> <td></td> <td data-bbox="672 642 748 674">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 674 748 705">93.778</td> <td></td> </tr> </table> <p data-bbox="483 737 980 768">Status: Corrective action in progress</p> <p data-bbox="483 800 1203 831">Corrective Action: The Department does not concur with the finding.</p> <p data-bbox="672 863 1471 1115">State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs.</p> <p data-bbox="672 1146 1471 1367">SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year.</p> <p data-bbox="672 1398 813 1430">Cost Reports</p> <p data-bbox="672 1430 1455 1619">The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client.</p> <p data-bbox="672 1650 1471 1808">The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping. The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided.</p> <p data-bbox="672 1839 1471 1976">During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports.</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$2,922,088		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$2,922,088												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	044 (cont'd)	<p>By June 2019, the Department will consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in finding 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2014-043, 2013-036, 2013-038, and 12-39. The auditors considered finding 2016-041 and 2015-052 as resolved in fiscal year 2018. Findings 2014-041, 2014-043, and 2013-038 were previously resolved.</p> <p>Completion Date: Estimated July 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2017	045	<p data-bbox="483 422 1466 548">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 Medicaid Community First Choice client support plans were properly approved.</p> <table data-bbox="483 579 1104 705"> <tr> <td data-bbox="483 579 610 611">Questioned</td> <td data-bbox="672 579 768 611"><u>CFDA #</u></td> <td data-bbox="1003 579 1094 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 611 553 642">Costs:</td> <td data-bbox="672 611 748 642">93.775</td> <td data-bbox="1003 611 1104 642">\$186,549</td> </tr> <tr> <td></td> <td data-bbox="672 642 748 674">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 674 748 705">93.778</td> <td></td> </tr> </table> <p data-bbox="483 737 980 768">Status: Corrective action in progress</p> <p data-bbox="483 800 1211 831">Corrective Action: The Department does not concur with this finding.</p> <p data-bbox="672 863 1438 989">Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual.</p> <p data-bbox="672 1020 1458 1367">However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington's state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also notes that federal regulations provide latitude in obtaining consent in an alternate manner for those clients who are not able to provide a signature.</p> <p data-bbox="672 1398 1458 1650">The Department also disagrees with the auditors' conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. The Department has performed a thorough analysis of the audit results and found that, in 18 out of 26 exceptions, documentation was maintained in client files indicating staff received a signed service plan from the client and sent it to the Aging and Long-Term Support Administration's imaging hub.</p> <p data-bbox="672 1682 1466 1850">As of January 2018, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.</p> <p data-bbox="672 1881 1458 1976">As of June 2018, the Department issued a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging.</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$186,549		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$186,549												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	045 (cont'd)	<p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: In progress</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2017	046	<p data-bbox="483 422 1464 548">Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.</p> <table data-bbox="483 579 1104 705"> <tr> <td data-bbox="483 579 610 611">Questioned</td> <td data-bbox="672 579 768 611"><u>CFDA #</u></td> <td data-bbox="1003 579 1094 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 611 553 642">Costs:</td> <td data-bbox="672 611 748 642">93.775</td> <td data-bbox="1003 611 1104 642">\$215,082</td> </tr> <tr> <td></td> <td data-bbox="672 642 748 674">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 674 748 705">93.778</td> <td></td> </tr> </table> <p data-bbox="483 737 980 768">Status: Corrective action in progress</p> <p data-bbox="483 800 1464 852">Corrective Action: The Department does not concur with this finding.</p> <p data-bbox="672 863 1438 978">Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual.</p> <p data-bbox="672 1020 1458 1262">However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington's state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client's eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements.</p> <p data-bbox="672 1304 1458 1419">The Department also disagrees with the auditors' conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries.</p> <p data-bbox="672 1461 1464 1608">As of March 2017, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.</p> <p data-bbox="672 1650 1089 1671">By October 2018, the Department will:</p> <ul data-bbox="704 1682 1464 1892" style="list-style-type: none"> • Provide staff training on procedures to document their efforts in obtaining signed service plans when a client is unable to sign. • Initiate a monthly monitoring process to ensure procedures are followed to track and monitor efforts to obtain signed service plans. Supervisors and the Department's Quality Compliance Coordinators will monitor to ensure compliance with federal and state requirements. <p data-bbox="672 1934 1422 1986">The Department will work with the federal grantor to determine if any questioned costs are required to be repaid.</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$215,082		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$215,082												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2017	047	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 548 1096 674"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$6,991</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department concurs that the two facilities reported in the finding either did not submit the required denial letter from the managed care organization (MCO) with their invoice or the submitted letters did not clearly convey a claim denial. However, the Department does not concur with the auditors' determination that these services would have been paid by the MCO or the Medicaid program has incurred duplicate payments. Therefore, the Department will not recover these payments identified by the auditor as unallowable.</p> <p>At times, patients need to be admitted to nursing facilities who do not meet skilled or rehabilitative level of care, or patients' stays exceed their eligibility period. These stays are not eligible for managed care coverage and the Department is responsible for payment of these claims.</p> <p>In support of the Department's mission and mandates, there are times when exceptions to the contract language must be made in order to maintain a patient's necessary care at a facility. When these exceptions are made, the Department communicates with both the MCO and the facility regarding the claims in question.</p> <p>The Department and the Health Care Authority have been engaging in a continuous process improvement, which includes:</p> <ul style="list-style-type: none"> • Initiating multiple updates to contract language with MCOs to clarify the roles and responsibilities of the MCOs. • Continuing to update the nursing facility billing guide to provide further clarification of the Department's policy. • Issuing guidance via listserv messages to facilities, providing direct training, and coordinating with provider associations. <p>By September 2018, the Department will develop a policy to document when payment exceptions need to be made for clients to maintain residency at a facility and who will have the authority to make this decision.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$6,991	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$6,991									
93.777										
93.778										

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

**State of Washington - Office of Financial Management
Summary Schedule of Prior Audit Findings**

**For the Fiscal Year Ended
June 30, 2018**

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	049	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint background checks.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$2,383</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with this finding.</p> <p>For the one individual provider that did not complete a fingerprint background check as state law requires, the Department terminated the provider effective March 2018.</p> <p>The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have proper background checks.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previous reported in findings 2016-040 and 2015-040, 2014-049, 2013-040, 12-41, and 11-34. The auditors considered finding 2016-040 and 11-34 as resolved in fiscal year 2018. Findings 2014-049, 2013-040, and 12-41 were previously resolved.</p> <p>In progress</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$2,383	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$2,383										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2017	050	<p data-bbox="483 422 1466 516">Finding: The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid individual providers.</p> <table border="0" data-bbox="483 548 1094 674"> <tr> <td data-bbox="483 548 610 575">Questioned</td> <td data-bbox="672 548 764 575"><u>CFDA #</u></td> <td data-bbox="1003 548 1094 575"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 579 553 606">Costs:</td> <td data-bbox="672 579 748 606">93.775</td> <td data-bbox="1003 579 1079 606">\$9,778</td> </tr> <tr> <td></td> <td data-bbox="672 611 748 638">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 642 748 669">93.778</td> <td></td> </tr> </table> <p data-bbox="483 705 980 737">Status: Corrective action in progress</p> <p data-bbox="483 768 1203 800">Corrective Action: The Department does not concur with the finding.</p> <p data-bbox="672 831 1398 989">The Department uses the Comprehensive Assessment Reporting Evaluation (CARE) tool, approved by the Centers for Medicare and Medicaid Services (CMS), to assess client needs and to allocate the number of hours of personal care and respite the client is eligible to receive.</p> <p data-bbox="672 1020 1430 1146">Payments were made to qualified providers for services the client was authorized to receive. All hours paid to the individual providers were allowable as no payments were made in excess of the CARE generated allowable hours.</p> <p data-bbox="672 1178 1455 1461">The Department's process complies with CMS's directive outlined in the information bulletin published by the U.S. Department of Health and Human Services in July 2014. The directive required that any processes developed by States must comply with the Fair Labor Standards Act (FLSA). The Department protects clients' access to eligible services and supports from a provider of their choice through their person-centered service plan. In addition, overtime costs paid under FLSA can be reimbursed as a reasonable cost related to the delivery of Medicaid services.</p> <p data-bbox="672 1493 1466 1692">The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. However, the Department does follow the post-payment procedure outlined in WAC 388-114-0120 to address claims that exceed a provider's work week limit.</p> <p data-bbox="672 1724 1455 1976">With the passage of Engrossed Second Substitute House Bill 1725 (ESSHB 1725), the Legislature imposed work week limits on individual providers. The statute also directed the Department not to impose work week limits on individual providers until the Department conducted a review of the plan of care for the clients served by the individual provider. These reviews were not completed until July 2016, and five of the payments found by the auditors to be unallowable were made prior to this time.</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$9,778		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$9,778												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

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

Department of Social and Health Services

Agency 300

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

Military Department

Agency 245

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

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	052 (cont'd)	<p>As of May 2018, the Department:</p> <ul style="list-style-type: none"> • Completed a review of all open sub-recipient agreements and determined that there were no audit findings related to the DGPA Program and therefore, no management decisions were needed. • Created a workgroup to review and address audit recommendations. The workgroup determined that the monitoring process may require possible modification. • Assigned Funding Source Managers to perform independent monitoring to ensure subrecipients are receiving required audits and management decision letters are issued as needed. <p>By August 2018, the workgroup will submit a proposal recommending proper alignment of subrecipient monitoring responsibilities between department administration and the Emergency Management Division.</p> <p>By September 2018, the Department will assess and determine appropriate staffing changes.</p> <p>Completion Date: Estimated March 2019</p> <p>Agency Contact: Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 Rich.shimizu@mil.wa.gov</p>

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	031	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority did not repay the federal government for improper payments made to Medicaid Managed Care Organizations. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$130,598</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> Corrective action complete The Authority identified the duplicate premium payments reported by the auditors in this finding. As of April 2018, the Authority has recouped all the duplicate payments and has repaid the grantor through a credit reported on the CMS 64 Quarterly Expense Report. April 2018 Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.775	\$130,598	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$130,598										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2016	033	<p>Finding: The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 548 1104 674"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$358,754</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Authority has implemented additional internal controls in the annual rate setting process to:</p> <ul style="list-style-type: none"> • Notify providers in accordance with agency policy. • Verify the accuracy of calculated rates prior to communication. • Perform post verification of system-loaded rates. <p>As of May 2018, the Authority amended WAC 182-55-3830 to eliminate the contradiction between it and WAC 182-550-3800.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>Completion Date: Estimated December 2018</p> <p>Agency Contact: Lynda Karseboom Audit & Accountability Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$358,754	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$358,754									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	042	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Developmental Disabilities Administration did not ensure two Medicaid Community First Choice in-home care providers had proper background checks.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$16,124</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the audit finding.</p> <p>The Department recognizes client safety as a top priority and will ensure background checks are completed as required.</p> <p>Employees are trained throughout the year and the Department has found training employees in the area of background checks has proven to be effective.</p> <p>The Department confirmed the two individual providers identified in the finding have completed and passed the background checks, including the fingerprint check for the one individual.</p> <p>By September 2018, the Department will implement a new system that will provide an automated solution to prevent and/or cancel active service authorizations to individual providers who fail to meet or comply with background check requirements.</p> <p>The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p> <p>September 2018</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$16,124	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$16,124										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	046	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments processed through the Social Service Payment System.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$106,055</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the audit finding.</p> <p>During the implementation and data conversion for Community First Choice, not all data converted correctly from the Social Service Payment System (SSPS). Due to accounting and staff workload related to the implementation of Provider One and Individual Provider One (IPOne), it took an unanticipated amount of time to obtain data reports from SSPS and to process corrections in the Agency Financial Reporting System, the state's accounting system.</p> <p>For cases where incorrect cost allocation social service codes were authorized by case managers resulting in incorrect federal matching rates, Department staff notified accounting when discovered and expenditures were subsequently corrected. Although this is normal business practice, the auditors included these transactions in the amount of questioned costs.</p> <p>As of March 2016, with the exception of some minor prior authorization corrections, services are no longer authorized in SSPS. With the implementation of Provider One and IPOne, additional controls are in place to limit the selection of service codes by case managers when authorizing services. The Department's Home and Community Services Quality Assurance Unit continues to monitor payment authorizations for compliance with requirements.</p> <p>As of October 2016, the questioned costs were returned to the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services.</p> <p>October 2016</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$106,055	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$106,055										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2016	047	<p>Finding: Medicaid funds were overpaid to a supported living agency that contracted with the Department of Social and Health Services, Developmental Disabilities Administration.</p> <p>Questioned Costs:</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td></td> <td style="text-align: center;">93.775</td> <td style="text-align: center;">\$1,258,250</td> </tr> <tr> <td></td> <td style="text-align: center;">93.777</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with finding.</p> <p>The Department processed the payment notice to the Department's Office of Financial Recovery (OFR) in February 2017.</p> <p>Per federal rules, the Department is not required to refund the federal share of an overpayment made to a provider to the extent that the Department is unable to recover the overpayment because the provider has been determined bankrupt.</p> <p>The agency in question has filed for bankruptcy. The Department has submitted the required information to the bankruptcy court for the amount owed.</p> <p>The Department will work with OFR to follow the federal and state rules for financial recovery that pertains to bankruptcy proceedings.</p> <p>By December 2018, the Department will confirm with the U.S. Department of Health and Human Services that the funds do not need to be repaid.</p> <p>Completion Date: Estimated December 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$1,258,250		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$1,258,250												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	048	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Care Administration, made improper Medicaid payments to individual providers.</p> <table border="0" data-bbox="673 546 1096 672"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$90,685</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the audit finding.</p> <p>The auditors used payment data to identify payments made to individual providers who claimed payment for personal care and mileage services on the same date of service that payment was made to a hospital or long-term care facility. The Department concurs that unallowable payments were made, but it is not known whether payments were incorrectly claimed by the individual providers, rather than the hospital or long term care facility.</p> <p>The audit work was performed during the first three months after the Department’s new billing system, Individual ProviderOne (IPOne), went live. During this time, providers were experiencing a learning curve in using the new system, which may have contributed to incorrect claims made during this time period.</p> <p>Since the implementation of the IPOne system, internal controls have strengthened in processing payments to individual providers. It is now easier for the Department to discover incidents when providers are claiming hours for a time period in which a client is in a hospital, long-term care facility, or other institutional setting.</p> <p>By September 2018, the Department will develop a process to research and remediate occurrences of payments made for personal care and mileage services while a client was either hospitalized or admitted to a long-term care facility.</p> <p>By October 2018, the individual provider overpayment functionality in ProviderOne will be implemented. Once overpayments are completed, the Department will consult with the Department of Health and Human Services to discuss repaying of questioned costs.</p> <p>Estimated January 2019</p> <p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$90,685	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$90,685										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2016	049	<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 made through the Social Service Payment System to individual providers were allowable.</p> <p>Questioned Costs:</p> <table border="0"> <thead> <tr> <th data-bbox="672 617 764 642"><u>CFDA #</u></th> <th data-bbox="1003 617 1096 642"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="672 646 748 672">93.775</td> <td data-bbox="1003 646 1096 672">\$161,299</td> </tr> <tr> <td data-bbox="672 676 748 701">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 705 748 730">93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department partially concurs with this finding.</p> <p>The Department concurs that there were 48 payments not supported with timesheets or other documentation for hours worked or mileage claimed. However, the Department does not concur with all of the questioned costs associated with duplicate payments.</p> <p>To address the audit recommendations, the Department has taken the following corrective actions:</p> <ul style="list-style-type: none"> • With the implementation of Individual ProviderOne system in March 2016, provider timesheets are now submitted electronically by providers as supporting documentation prior to payment. • As of June 2016, a portion of the duplicate payments were submitted for overpayments and were returned to the federal government. • As of January 2017, the Department's Developmental Disabilities Administration started verifying providers' services by phone calls to a random sample of clients each month. • As of May 2017, the new system automatically sends letters to a random sample of clients to verify services as part of the quality assurance review process. <p>As of July 2017, overpayments were submitted to the Office of Financial Recovery for recoupment from individual providers. The Department has since repaid the U.S. Department of Health and Human Services.</p> <p>Completion Date: July 2017</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>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$161,299	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$161,299									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2015	031	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority did not collect application fees from prospective or re-enrolling Medicaid providers, resulting in non-compliance with Affordable Care Act provisions. <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> ARRA and non-ARRA Corrective action complete The Authority implemented a process for collecting provider application fees for institutional providers that are newly enrolled or re-enrolling Medicaid providers. June 2016 Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2015	037	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority overpaid Medicaid providers for dental services.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$25,945</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>ARRA and non-ARRA</p> <p>Corrective action in progress</p> <p>The Authority has recouped the unallowable claims paid to dental providers.</p> <p>The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-033 and 2013-027, and 12-53, which the auditors considered resolved.</p> <p>In progress</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$25,945	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$25,945										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2015	038	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority made improper Medicaid inpatient high outlier payments to hospitals.</p> <table border="0"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">93.775</td> <td style="text-align: right;">\$33,205</td> </tr> <tr> <td style="text-align: right;">93.777</td> <td></td> </tr> <tr> <td style="text-align: right;">93.778</td> <td></td> </tr> </table> <p>ARRA and non-ARRA</p> <p>Corrective action complete</p> <p>As acknowledged by the auditors, the Authority corrected both WAC 182-550-3700 and the ProviderOne system in July 2014. The auditors tested claims with admission dates after July 1, 2014, and confirmed that those claims were paid correctly. The claims in question have admission dates prior to July 1, 2014; WAC and ProviderOne system changes cannot apply retroactively.</p> <p>The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-032 and 2013-023, which the auditors determined to be resolved.</p> <p>June 2014</p> <p>Lynda Karseboom Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 360-725-1228 Lynda.Karseboom@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$33,205	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$33,205										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2015	041	<p>Finding: The Department of Social and Health Services improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 93.775 \$22,584 93.777 93.778 ARRA and non-ARRA</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: This finding involved three administrations within the Department: the Aging and Long Term Support Administration (AL TSA), the Developmental Disabilities Administration, and the Behavioral Health Administration. Each administration has taken or will take corrective action.</p> <p>The audit identified 97 instances of payments made through the Social Service Payment System and ProviderOne for services provided after the client’s date of death (AL TSA: 81; DDA: 8; BHA: 8). AL TSA has determined 20 of the 81 payments were for allowable services prior to the client’s death. For the remaining 77 payments, the Department has sent overpayment notices to the providers.</p> <p>As of July 2018, the questioned costs were returned to the Center for Medicaid and Medicare Services.</p> <p>The Department’s goal for payment of services provided after the date of death is zero, and it seeks to reach that mark. The following processes were implemented to strengthen controls:</p> <ul style="list-style-type: none"> • Direct staff to follow policies and procedures to ensure authorization of services is closed by the effective date of death. • Generate a monthly Long Term Care Client Payments After Death Report that identifies clients who have authorizations paid after their date of death. • Perform post payment review to ensure that any authorizations or payments not identified by the monthly reports are captured and recovered. • Ensure overpayments are processed timely and funds returned to the federal grantor. • Continue partnership with the Health Care Authority to identify payments after the date of death. <p>The conditions noted in this finding were previously reported in finding and 2014-050 which the auditors determined to be resolved.</p> <p>Completion Date: In progress</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>

Workforce Training and Education Coordinating Board

Agency 354

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2014	012	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Workforce Training and Education Coordinating Board (Workforce Board) did not have adequate internal controls to ensure it meets federal level of effort requirements for the Career and Technical Education Grant.</p> <table border="0" data-bbox="673 546 1096 619"> <tr> <td style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">84.048</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Board, in coordination with its subrecipients, works to ensure that the maintenance of effort (MOE) requirements are met for the Career and Technical Education grant. The Board, however, has not implemented a process to monitor progress towards meeting these requirements throughout the year.</p> <p>To address the audit recommendations, the Board consulted with its subrecipients and developed a process of monitoring the MOE.</p> <p>As of January 2018, the Board has developed written policies and procedures documenting the monitoring process, which includes:</p> <ul style="list-style-type: none"> • Reviewing subrecipients' billings to verify the level of expenditures. • Requiring subrecipients to report administrative MOE semi-annually. <p>As of June 2018, the Board has incorporated the review of administrative MOE into the annual on-site monitoring review of its subrecipients.</p> <p>The Board will follow the new monitoring process in the upcoming on-site monitoring cycle.</p> <p>June 2018</p> <p>Victoria DeBoer Chief Financial Officer PO Box 43105 Olympia, WA 98504-3105 (360) 709-4620 Victoria.DeBoer@wtb.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	84.048	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.048	\$0						