

State of Washington
Single Audit Report
For Fiscal Year Ended
June 30, 2019

Auditee's Section
Summary Schedule of Prior Audit Findings

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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

March 19, 2020

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 2019 Single Audit report.

Finding Number	State Agency	Corrective Action Status	Page Number
2018-001	State of Washington	In progress	H - 13
2018-002	Department of Social and Health Services	In progress	H - 17
2018-003	Department of Health	In progress	H - 19
2018-004	Department of Health	In progress	H - 20
2018-005	Department of Health	In progress	H - 21
2018-006	Department of Health	In progress	H - 22
2018-007	Office of the State Treasurer	Complete	H - 23
2018-008	Military Department	In progress	H - 24
2018-009	Office of Civil Legal Aid	Complete	H - 25
2018-010	Office of Civil Legal Aid	Complete	H - 26

Finding Number	State Agency	Corrective Action Status	Page Number
2018-011	Department of Transportation	In progress	H - 27
2018-012	Department of Transportation	In progress	H - 28
2018-013	Department of Transportation	In progress	H - 29
2018-014	Department of Transportation	In progress	H - 30
2018-015	Department of Transportation	In progress	H - 31
2018-016	Department of Ecology	In progress	H - 33
2018-017	Department of Ecology	In progress	H - 34
2018-018	Department of Services for the Blind	Complete	H - 35
2018-019	Department of Services for the Blind	In progress	H - 37
2018-020	Department of Services for the Blind	In progress	H - 38
2018-021	Department of Social and Health Services	In progress	H - 39
2018-022	Department of Social and Health Services	In progress	H - 41
2018-023	Department of Social and Health Services	In progress	H - 42
2018-024	Department of Social and Health Services	In progress	H - 44
2018-025	Department of Social and Health Services	In progress	H - 45
2018-026	Department of Social and Health Services	In progress	H - 46
2018-027	Department of Social and Health Services	In progress	H - 48
2018-028	Department of Social and Health Services	In progress	H - 50
2018-029	Department of Social and Health Services	Corrective Action Not Taken	H - 52
2018-030	Department of Social and Health Services	In progress	H - 54
2018-031	Department of Social and Health Services	Complete	H - 57

Finding Number	State Agency	Corrective Action Status	Page Number
2018-032	Department of Commerce	In progress	H - 59
2018-033	Department of Children, Youth, and Families	In progress	H - 61
2018-034	Department of Children, Youth, and Families	In progress	H - 63
2018-035	Department of Children, Youth, and Families	In progress	H - 66
2018-036	Department of Social and Health Services	Complete	H - 68
2018-037	Department of Social and Health Services	In progress	H - 69
2018-038	Department of Social and Health Services	In progress	H - 70
2018-039	Department of Social and Health Services	In progress	H - 71
2018-040	Department of Health	Complete	H - 72
2018-041	State Health Care Authority	In progress	H - 73
2018-042	State Health Care Authority	In progress	H - 74
2018-043	State Health Care Authority	Complete	H - 76
2018-044	State Health Care Authority	Complete	H - 77
2018-045	State Health Care Authority	In progress	H - 78
2018-046	State Health Care Authority	In progress	H - 79
2018-047	State Health Care Authority	In progress	H - 80
2018-048	State Health Care Authority	Corrective Action Not Taken	H - 81
2018-049	State Health Care Authority	In progress	H - 82
2018-050	Department of Social and Health Services	In progress	H - 83
2018-051	Department of Social and Health Services	In progress	H - 85
2018-052	Department of Social and Health Services	In progress	H - 86

Finding Number	State Agency	Corrective Action Status	Page Number
2018-053	Department of Social and Health Services	In progress	H - 87
2018-054	Department of Social and Health Services	In progress	H - 89
2018-055	Department of Social and Health Services	In progress	H - 91
2018-056	Department of Social and Health Services	In progress	H - 92
2018-057	Department of Social and Health Services	In progress	H - 94
2018-058	Department of Social and Health Services	In progress	H - 96
2018-059	Department of Social and Health Services	In progress	H - 99
2018-060	Department of Social and Health Services	In progress	H - 101
2018-061	Military Department	In progress	H - 103
2017-001	State of Washington	Repeat Finding	Refer to finding 2018-001 at H - 13
2017-002	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-002 at H - 17
2017-003	Department of Health	Complete	H - 104
2017-005	Employment Security Department	Complete	H - 105
2017-006	Department of Services for the Blind	Complete	H - 106
2017-007	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-018 at H - 35
2017-008	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-020 at H - 38
2017-009	Department of Services for the Blind	Complete	H - 108
2017-010	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-019 at H - 37
2017-012	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-022 at H - 41
2017-013	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-021 at H - 39

Finding Number	State Agency	Corrective Action Status	Page Number
2017-014	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-023 at H - 42
2017-016	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-025 at H - 45
2017-017	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-026 at H - 46
2017-019	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-027 at H - 48
2017-020	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-028 at H - 50
2017-021	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-029 at H - 52
2017-022	Department of Social and Health Services	In progress	H - 109
2017-023	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-031 at H - 57
2017-024	Department of Early Learning	Repeat Finding	Refer to finding 2018-034 at H - 63
2017-025	Department of Early Learning	Repeat Finding	Refer to finding 2018-035 at H - 66
2017-026	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-030 at H - 54
2017-027	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-036 at H - 68
2017-028	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-038 at H - 70
2017-030	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-039 at H - 71
2017-031	State Health Care Authority	Repeat Finding	Refer to finding 2018-041 at H - 73
2017-032	State Health Care Authority	Complete	H - 110
2017-033	State Health Care Authority	Repeat Finding	Refer to finding 2018-042 at H - 74
2017-034	State Health Care Authority	Repeat Finding	Refer to finding 2018-043 at H - 76
2017-035	State Health Care Authority	Complete	H - 112
2017-036	State Health Care Authority	Complete	H - 114

Finding Number	State Agency	Corrective Action Status	Page Number
2017-037	State Health Care Authority	Repeat Finding	Refer to finding 2018-046 at H - 79
2017-038	State Health Care Authority	Corrective Action Not Taken	H - 115
2017-039	State Health Care Authority	In progress	H - 116
2017-040	State Health Care Authority	Corrective Action Not Taken	H - 117
2017-041	State Health Care Authority	Complete	H - 118
2017-043	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-053 at H - 87
2017-044	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-058 at H - 96
2017-045	Department of Social and Health Services	Complete	H - 119
2017-046	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-060 at H - 101
2017-047	Department of Social and Health Services	Complete	H - 121
2017-048	Department of Social and Health Services	In progress	H - 123
2017-049	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-056 at H - 92
2017-050	Department of Social and Health Services	In progress	H - 125
2017-052	Military Department	Repeat Finding	Refer to finding 2018-061 at H - 103
2016-001	State of Washington	Repeat Finding	Refer to finding 2018-001 at H - 13
2016-002	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-002 at H - 17
2016-009	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-018 at H - 35
2016-010	Department of Social and Health Services	Complete	Refer to finding 2017-006 at H - 106
2016-011	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-022 at H - 41
2016-012	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-021 at H - 39

Finding Number	State Agency	Corrective Action Status	Page Number
2016-013	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-023 at H - 42
2016-014	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-025 at H - 45
2016-016	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-028 at H - 50
2016-017	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-027 at H - 48
2016-018	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-029 at H - 52
2016-019	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-026 at H - 46
2016-020	Department of Early Learning / Department of Social and Health Services	Repeat Finding	Refer to finding 2018-036 at H - 68
2016-021	Department of Early Learning	Repeat Finding	Refer to finding 2018-034 at H - 63
2016-022	Department of Early Learning	Repeat finding	Refer to finding 2018-035 at H - 66
2016-023	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2016-026	Department of Social and Health Services	Repeat finding	Refer to finding 2018-039 at H - 71
2016-028	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2016-030	State Health Care Authority	Repeat Finding	Refer to finding 2017-041 at H - 113
2016-032	State Health Care Authority	Repeat Finding	Refer to finding 2017-035 at H - 107
2016-033	State Health Care Authority	In progress	H - 127
2016-034	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H - 110
2016-036	Department of Social and Health Services	Repeat finding	Refer to finding 2018-053 at H - 87
2016-043	Department of Social and Health Services	Repeat finding	Refer to finding 2018-060 at H - 101
2016-044	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H - 118
2016-045	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96

Finding Number	State Agency	Corrective Action Status	Page Number
2016-047	Department of Social and Health Services	Complete	H - 128
2016-048	Department of Social and Health Services	In progress	H - 129
2015-002	State of Washington	Repeat finding	Refer to finding 2018-001 at H - 13
2015-003	Department of Social and Health Services	Repeat finding	Refer to finding 2018-002 at H - 17
2015-016	Department of Social and Health Services	Repeat finding	Refer to finding 2018-025 at H - 45
2015-020	Department of Social and Health Services	Repeat finding	Refer to finding 2018-027 at H - 48
2015-021	Department of Social and Health Services	Repeat finding	Refer to finding 2018-029 at H - 52
2015-023	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
2015-024	Department of Early Learning	Repeat finding	Refer to finding 2018-035 at H - 66
2015-025	Department of Early Learning	Repeat finding	Refer to finding 2018-036 at H - 68
2015-026	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2015-030	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2015-033	State Health Care Authority	Repeat finding	Refer to finding 2017-041 at H - 113
2015-037	State Health Care Authority	Complete	H - 130
2015-039	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H - 110
2015-040	Department of Social and Health Services	Repeat finding	Refer to finding 2018-056 at H - 92
2015-041	Department of Social and Health Services	Complete	H - 131
2015-044	Department of Social and Health Services	Repeat finding	Refer to finding 2018-053 at H - 87
2015-049	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
2015-051	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H - 118

Finding Number	State Agency	Corrective Action Status	Page Number
2014-019	Department of Social and Health Services	Repeat finding	Refer to finding 2018-025 at H - 45
2014-022	Department of Social and Health Services	Repeat finding	Refer to finding 2018-002 at H - 17
2014-023	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
2014-026	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2014-034	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2014-042	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
2014-046	Department of Social and Health Services	Repeat finding	Refer to finding 2018-053 at H - 87
2014-048	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H - 118
2013-016	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
2013-017	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2013-020	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2013-036	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
2013-037	Department of Social and Health Services	Complete	Refer to finding 2017-048 at H - 118
12-28	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
12-30	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
12-39	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
12-49	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
11-23	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
11-38	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73

Finding Number	State Agency	Corrective Action Status	Page Number
10-31	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
10-40	Department of Social and Health Services	Repeat finding	Refer to finding 2018-041 at H - 73
09-12	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
09-19	Department of Social and Health Services	Repeat finding	Refer to finding 2018-041 at H - 73
08-13	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
08-25	Department of Social and Health Services	Repeat finding	Refer to finding 2018-041 at H - 73

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 2019 Single Audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2019. 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
2018	001	<p>Finding: The State should improve internal controls over specific areas of recording and reporting financial activity 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. Responses from each agency are listed below:</p> <p><i>State Board for Community and Technical Colleges</i></p> <p>It is the Board’s priority to ensure accurate financial data from the new financial system (ctcLink) is interfaced into the Agency Financial Reporting System (AFRS). Since the fiscal year 2017 audit, the Board has had a support team dedicated to assist the two colleges who implemented the ctcLink system to close their prior fiscal years.</p> <p>As of July 2018, the Board required all colleges’ fiscal months be closed on the same schedule.</p> <p>As of November 2018:</p> <ul style="list-style-type: none"> • The Community Colleges of Spokane closed fiscal years 2016, 2017, and 2018. • The Tacoma Community College closed fiscal year 2018. <p>The Board is currently reviewing and reconciling the colleges’ financial data to AFRS; making necessary adjustments to ensure the data was recorded accurately in the system. The Board will continue to work with college staff to resolve outstanding issues.</p> <p>As of February 2019, the Board implemented an automated process for uploading data from the ctcLink system to AFRS. The new process will reduce the Board’s workload and enable more timely and accurate reconciliations and adjustments of college financial data reported in AFRS at year-end. Currently, the Board is working on identifying and resolving issues on preliminary data uploaded through June 2019.</p> <p>By August 2019, the Board anticipates that the data in the ctcLink system will be fully reconciled to AFRS.</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	001 (cont'd)	<p><i>Department of Licensing</i></p> <p>The Department has completed a reconciliation of revenues to identify the sources of receipts in the clearing account and to correctly classify revenue in the accounting records.</p> <p>Additionally, the Department implemented new processes to ensure sources of revenue receipts are promptly identified and accurately recorded in the state's accounting system.</p> <p><i>University of Washington</i></p> <p>Since the University has a different accounting basis for reporting, OFM processes year-end adjustments to consolidate and properly report the University's financial information in the state's financial statements. In fiscal year 2018, certain misclassification of funds on the University's financial statements were not identified timely, resulting in misstatements on the state's financial statements.</p> <p>OFM and the University have been working on strengthening internal controls to ensure the year-end process for consolidating, adjusting and reporting year-end financial data in the state's accounting system are completed timely and accurately.</p> <p>As of June 2019, OFM implemented a monitoring plan for higher education institutions to identify issues that require immediate attention during the fiscal year. In addition, OFM will request the financial statements from each university and will compare material amounts on the statements to AFRS. Any variances identified will be evaluated with each university.</p> <p>For the University of Washington, OFM will review their draft financial statements before the CAFR opinion is issued.</p> <p><i>Office of Financial Management</i></p> <p>OFM prepares the state's financial statements in accordance with generally accepted accounting principles. OFM concurs that several year-end adjustments were inaccurately recorded in fiscal year 2018 when implementing the new accounting standards related to pensions and other post-employment benefits. These errors were corrected in the state's final financial statements.</p> <p>OFM is responsible for ensuring all agencies report their fiscal activities accurately, and recognizes the importance of internal controls over recording and reporting financial transactions. OFM has the following procedures in place to monitor and identify significant agency activities that may impact the state's financial reporting:</p>

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	001 (cont'd)	<ul style="list-style-type: none"> • Perform quarterly, mid-year, and year-end analytical reviews to 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. • Conduct 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 State's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Monitor agencies' financial data by running monthly reports from AFRS to identify incorrect transactions and questionable balances. <p>In fiscal year 2018, OFM utilized a new financial reporting software tool to prepare the State's Comprehensive Annual Financial Report (CAFR). The reporting software tool improved the efficiency and accuracy for developing the report. For fiscal year 2019, OFM has extended the agreed-upon opinion date for the CAFR, allowing additional time for preparation and review. OFM expects that increased proficiency in using the reporting software tool and additional preparation time will allow sufficient dedicated resources for year-end review.</p> <p>OFM maintains ongoing communication with agencies and continually emphasizes the need to seek OFM guidance when reporting unique accounting activities.</p> <p>As of January 2019, OFM:</p> <ul style="list-style-type: none"> • Increased communication with agencies regarding the importance of performing regular and timely general ledger reconciliations. • Identified agencies with significant impact to the state's financial statements. Quarterly engagement meetings have been initiated with those agencies to discuss current issues and concerns, and to communicate any updated implementation guidance for new accounting standards. <p>OFM will continue to:</p> <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. • Provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. • Work with the State Board for Community and Technical Colleges, Department of Licensing, and the University of Washington to strengthen their internal controls over processing and reporting of financial activities.

State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	001 (cont'd)	Completion Date: Estimated November 2019 Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	002	<p>Finding: The Department of Social and Health Services improperly charged \$454,838 to the SNAP Cluster.</p> <table border="0" data-bbox="483 520 1104 611"> <tr> <td data-bbox="483 520 613 548">Questioned</td> <td data-bbox="672 520 764 548"><u>CFDA #</u></td> <td data-bbox="1003 520 1096 548"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 548 613 575">Costs:</td> <td data-bbox="672 548 764 575">10.551</td> <td data-bbox="1003 548 1096 575">\$454,838</td> </tr> <tr> <td></td> <td data-bbox="672 575 764 602">10.561</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In response to prior audit findings, the Department had taken steps to correct the deficiencies identified by the auditors. As of March 2017, the Department’s Economic Services Administration implemented a mandatory process for staff to include the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS). The Department utilizes the MOS to perform a monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. However, at the time of this audit, the Department has not established a process to ensure staff were following procedures to meet period of performance requirements.</p> <p>As of December 2018, the Department had moved the improperly charged expenditures identified in the audit to the proper grant year via the journal voucher process.</p> <p>As of February 2019, the Department updated processes and procedures for management oversight to prevent future expenditures from being improperly charged to the wrong grant year. The Department:</p> <ul style="list-style-type: none"> • Assigned backup coverage during staff absences. • Began reviewing and monitoring monthly expenditure reports, and taking action where appropriate. • Increased staff accountability through the use of a monthly task list. • Began meeting monthly with the Accounting and Internal Control Administrator to provide updates on corrective action status related to period of performance issues. <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 2017-002, 2016-002, 2015-003, and 2014-022.</p> <p>Completion Date: In progress</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	10.551	\$454,838		10.561	
Questioned	<u>CFDA #</u>	<u>Amount</u>									
Costs:	10.551	\$454,838									
	10.561										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2018	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					
2018	003	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Health improperly charged \$151 to the Special Supplemental Nutrition Program for Women, Infants and Children 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;">10.557</td> <td style="text-align: right;">\$151</td> </tr> </table> Corrective action in progress The Department concurs with the finding. The Department has been working on a new system, Cascades MIS, which issues benefits on electronic benefit cards. The new system has built-in safeguards, which will prevent loading funds onto a client's benefit card if proof of identity/residence and/or income verification is not provided within 30 days after the initial intake appointment. By October 2019, the Department will fully implement the Cascades MIS system. Additionally, the Department will: <ul style="list-style-type: none"> • Review current program policies to ensure they comply with federal requirements. • Clarify policies and rules related to program eligibility with local agencies, and provide training and technical assistance as needed. • Consult with the federal grantor to discuss whether the known questioned costs identified in the audit should be repaid. Estimated December 2019 Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 kristina.white@doh.wa.gov	<u>CFDA #</u>	<u>Amount</u>	10.557	\$151
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$151						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	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 Health improperly charged \$31,051 to the Special Supplemental Nutrition Program for Women, Infants and Children 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;">10.557</td> <td style="text-align: right;">\$31,051</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department will strengthen internal controls to insure quarterly time certifications are submitted in a timely manner. This includes:</p> <ul style="list-style-type: none"> • Reviewing Department policies and procedures to ensure they meet federal requirements. • Evaluating current processes to identify areas that need improvement. • Providing training to staff on Department policies and federal regulations related to time certifications. <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>Estimated July 2019</p> <p>Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 kristina.white@doh.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$31,051
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$31,051						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	005	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Health did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children program received required audits. <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> Corrective action in progress The Department concurs with the finding. To strengthen internal controls over subrecipient monitoring, the Department will: <ul style="list-style-type: none"> • Review and update the agency process of monitoring subrecipient audits to ensure the Department complies with federal requirements. • Improve the agency spreadsheet used to track audit activities to include audit periods and due dates. • Implement a process to follow up on subrecipient audit findings and issue timely management decisions. Estimated July 2019 Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 kristina.white@doh.wa.gov	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$0						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	006	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Health did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children 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;">10.557</td> <td style="text-align: right;">\$0</td> </tr> </table> Corrective action in progress The Department concurs with the finding. To strengthen internal controls over program cash management, the Department will: <ul style="list-style-type: none"> • Update the Cash Management Improvement Act agreement to accurately reflect planned cash draw actions. • Review and update agency procedures to ensure cash draws are performed in accordance with the Cash Management Improvement Act agreement. • Ensure staff understand the federal requirements related to cash management and provide cross-training on processes to ensure compliance with federal regulations. Estimated July 2019 Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 kristina.white@doh.wa.gov	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.557	\$0						

Office of the State Treasurer

Agency 090

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	007	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Office of the State Treasurer did not have adequate internal controls to properly identify and notify participating counties of the amount and source of funds they received for the Schools and Roads 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;">10.665</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Office does not concur with the finding.</p> <p>It is the Office’s priority to establish and maintain an effective system of internal controls to ensure financial integrity of public funds. The error reported in this finding was an isolated incident that was identified prior to the audit. As of July 2018, the Office had promptly corrected the mistake and subsequently followed up with each county to confirm the funding source was correctly recorded in their systems.</p> <p>The Office continually makes improvement to internal processes and appreciates the auditor’s recommendations to strengthen controls over the proper identification of funding types and amounts to participating counties of the program.</p> <p>As of September 2018, the Office has:</p> <ul style="list-style-type: none"> • Provided training to responsible staff to properly identify the different funding types. • Formalized procedures to perform adequate review of the disbursements to ensure the amounts and funding types are reported accurately to the counties. <p>The Office continues to strive for the highest standards in fiscal management. The internal audit position recently added to the Office’s staff will provide on-going evaluation and monitoring of the Office’s internal procedures and control activities.</p> <p>September 2018</p> <p>Abby Chavez Internal Auditor PO Box 40207 Olympia, WA 98501 (360) 902-8965 abby.chavez@tre.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	10.665	\$0
<u>CFDA #</u>	<u>Amount</u>						
10.665	\$0						

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	008	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly 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;">12.401</td> <td style="text-align: right;">\$82,338</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>Department policy requires:</p> <ul style="list-style-type: none"> • Employees who are permanently assigned to activities directly benefiting a single federal program to submit a Certification of Time and Effort (certification) on a quarterly basis. • Supervisors to review certifications for accuracy before submitting to the Payroll Office. <p>In some cases, despite efforts made by the Payroll Office to send reminders to employees and their supervisors, the certifications were never submitted to the Payroll Office.</p> <p>The Department will initiate the following actions to ensure payroll costs charged to a federal grant are supported by required documentation:</p> <ul style="list-style-type: none"> • Update time and effort reporting policy to provide timekeeping guidance and clarify requirements. • Provide copies of the policy to overtime-exempt employees and supervisors who are subject to the certification requirement. • Provide training to employees and supervisors on the Department’s procedures regarding time and effort certification. <p>Additionally, the Payroll Office will follow up with the designated supervisor for any employee’s past due certifications. Continued non-compliance with Department policy will lead to escalated actions as necessary until required documentation is received.</p> <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>Estimated September 2019</p> <p>TJ Rajceвич Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 timothy.rajceвич@mil.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	12.401	\$82,338
<u>CFDA #</u>	<u>Amount</u>						
12.401	\$82,338						

Office of Civil Legal Aid

Agency 057

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	009	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	<p>The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victims Assistance program received required audits.</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>16.575</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action complete</p> <p>The Office concurs with the finding.</p> <p>As of January 2019, the Office:</p> <ul style="list-style-type: none"> • Established and implemented policies and procedures to monitor subrecipient audits in accordance with federal regulations. • Developed an audit certification form to determine if subrecipients are subject to audit requirement based on established criteria. <p>The new process requires:</p> <ul style="list-style-type: none"> • Subrecipients subject to the audit to: <ul style="list-style-type: none"> ○ Submit audit reports by specified due dates. ○ Complete corrective action plans and management responses if audit reports include findings. • Subrecipients not subject to audit must submit signed certifications of exemption within nine months of the end of the subrecipient's fiscal year. <p>Additionally, the Office has established a system to track subrecipients fiscal year-end and send annual notification of certification due date. Since implementation of the new policies and procedures, the Office has received three Single Audit reports and one certification of exemption.</p> <p>January 2019</p> <p>James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 jim.bamberger@ocla.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
<u>CFDA #</u>	<u>Amount</u>						
16.575	\$0						

Office of Civil Legal Aid

Agency 057

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	010	<p>Finding: The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with requirements to ensure subgrants of the Crime Victim Assistance Program received required risk assessments.</p> <p>Questioned Costs: <u>CFDA #</u> 16.575 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Office concurs with the finding.</p> <p>To address the audit recommendations, the Office:</p> <ul style="list-style-type: none"> • Established and implemented policies and procedures to ensure risk assessments of subrecipients are performed and properly documented. • Developed a risk assessment tool to evaluate the ability of each subrecipient to perform the work and manage the administrative and financial responsibilities in accordance with the subgrant’s terms and conditions. Results of the risk assessment will be used as the basis for determining the level and type of monitoring activities. • Developed a risk assessment and monitoring checklist to track required monitoring activities. <p>In addition, the Office has upgraded internal controls and formalized procedures for monitoring subrecipients by:</p> <ul style="list-style-type: none"> • Conducting initial risk assessment prior to entering into a new subgrant agreement. • Performing annual reassessments of all subrecipients within 30 days of the start of the state fiscal year. • Implementing necessary corrective actions and scheduling appropriate follow-up activities if a risk assessment indicates an elevated risk associated with the subrecipient. <p>As of April 2019, the Office had completed initial assessments of all current subrecipients.</p> <p>Completion Date: April 2019</p> <p>Agency Contact: James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 jim.bamberger@ocla.wa.gov</p>

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	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 Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.</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>20.205</td> <td>\$0</td> </tr> <tr> <td>20.224</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department is committed to ensuring grant programs comply with federal regulations. The Department’s program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments for fiscal year 2018 were suspended or debarred.</p> <p>In April 2019, the Department received a management decision letter for the finding from the Federal Highway Administration. The federal grantor concurred with the Department’s proposed corrective actions as outlined in the initial response to the finding recommendations.</p> <p>As of May 2019, the Department:</p> <ul style="list-style-type: none"> • Updated the Local Agency Guidelines Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts. • Updated the boilerplate agreement to include a suspension and debarment clause for subrecipients to certify. <p>In progress</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
<u>CFDA #</u>	<u>Amount</u>								
20.205	\$0								
20.224									

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	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 Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.</p> <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>20.205</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>20.224</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department is committed to ensuring grant programs comply with federal regulations.</p> <p>To strengthen internal controls over subrecipient monitoring, the Department:</p> <ul style="list-style-type: none"> • Evaluated the current processes at both the regional and headquarters level to identify areas for improvement regarding risk assessments for subrecipients. • Updated polices and establish procedures for performing risk assessments to determine the appropriate level of monitoring. • Worked with project stakeholders to develop a system for documenting risk assessments of subrecipients. <p>As of June 2019, the Department’s Local Program Office developed a form to complete and document subrecipient’s risk assessments.</p> <p>In progress</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
<u>CFDA #</u>	<u>Amount</u>								
20.205	\$0								
20.224									

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	013	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.</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>20.205</td> <td>\$0</td> </tr> <tr> <td>20.224</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with the finding.</p> <p>After consulting with the Federal Highway Administration (FHWA) and conducting additional research, the Department believes its process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. Please consider the email dated February 6, 2019, from FHWA in support of the Department’s compliance with the regulations at issue, and as referenced in the Department’s technical response to the State Auditor’s Office.</p> <p>In April 2019, the Department received a management decision letter for the finding from FHWA. The federal grantor approves the Department’s Construction Manual and Standard Specifications and concluded that the procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and the Davis-Bacon and Related Acts.</p> <p>As of June 2019, the Department has also taken the following actions:</p> <ul style="list-style-type: none"> • Issued a Construction Bulletin to the regional offices regarding monitoring timely collection of certified payrolls from contractors. • Conducted discussions at various statewide meetings. • Posted additional resources for regional offices on the Construction SharePoint site. • Discussed with the Department of Labor and Industry to utilize its reporting tool beginning in January 2020, including how the system could be utilized/modified for the Davis-Bacon requirements. <p>In progress</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
<u>CFDA #</u>	<u>Amount</u>								
20.205	\$0								
20.224									

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Status											
2018	014	<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 Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.</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>20.500</td> <td>\$0</td> </tr> <tr> <td>20.507</td> <td></td> </tr> <tr> <td>20.525</td> <td></td> </tr> <tr> <td>20.526</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department does not concur with the finding.</p> <p>After consulting with the Federal Transit Administration (FTA) and the Federal Highway Administration and conducting additional research, the Department believes its process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p>As of June 2019, the Department has taken the following actions in the continued effort of improvement:</p> <ul style="list-style-type: none"> • Issued a Construction Bulletin to the regional offices regarding monitoring timely collection of certified payrolls from contractors. • Conducted discussions at various statewide meetings. • Posted additional resources for regional offices on the Construction SharePoint site. • Discussed with the Department of Labor and Industry to utilize its reporting tool beginning in January 2020, including how the system could be utilized/modified for the Davis-Bacon requirements. <p>The Department will continue to use Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis, and will share this information with the Terminal and Vessel Engineering groups in the Ferries Division.</p> <p>The Department will consult with FTA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report. The Department will await the FTA management decision by September 2019 for any further action in response to the finding.</p> <p>In progress</p> <p>Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	20.500	\$0	20.507		20.525		20.526	
<u>CFDA #</u>	<u>Amount</u>												
20.500	\$0												
20.507													
20.525													
20.526													

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Status																
2018	015	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.</p> <table border="0" data-bbox="667 552 1071 709"> <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;">20.500</td> <td style="text-align: center;">\$0</td> </tr> <tr> <td></td> <td style="text-align: center;">20.507</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">20.525</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">20.526</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>It is the Department's position that the parts in question identified in the audit are not capital assets and, therefore, the requirements cited in the audit finding do not apply to these parts.</p> <p>The parts in question have no utility to the state until they are installed on a larger assembly or depreciable asset, in this case one of the Department's ferry vessels. Once installed, the parts cease to be discrete items and are part of the vessel. When an installed part meets the definition of a betterment as defined in Chapter 30 of the State Administrative and Accounting Manual, it is capitalized and depreciated as part of the vessel. If the part does not meet the definition of a betterment, it is expensed when purchased.</p> <p>The Department recognizes the importance of safeguarding and accounting for these parts properly through their installation on one of the vessels. In the ordinary course of business, purchased parts are delivered to the warehouse and are almost immediately transferred to the vessel. Occasionally, a vessel's scheduled maintenance will be delayed due to operational needs which necessitates the parts be stored in the warehouse.</p> <p>As of May 2019, the Department convened a work group consisting of subject matter experts over all aspects of capital assets. The work group addressed the audit recommendation and implemented a process to track these parts through the Department's inventory management system, Minor Cap, until such time that they are installed on the larger assembly or depreciable asset, such as a ferry vessel. This will provide the recommended tracking of the items until installed.</p> <p>The Department is working with the Department of Enterprises Services and the Office of Financial Management to determine if prior approval had been granted to use this alternative capitalized asset inventory management system, and if not, obtain the necessary approval.</p> <p>The Department looks forward to working with the State Auditor's Office during the next audit to resolve any remaining items reported in this finding.</p>		<u>CFDA #</u>	<u>Amount</u>		20.500	\$0		20.507			20.525			20.526	
	<u>CFDA #</u>	<u>Amount</u>																
	20.500	\$0																
	20.507																	
	20.525																	
	20.526																	

Department of Transportation

Agency 405

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	015 (cont'd)	Completion Date: Estimated September 2019 Agency Contact: Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 McKernS@wsdot.wa.gov

Department of Ecology

Agency 461

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	016	<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 Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.</p> <table border="0" data-bbox="673 611 1096 674"> <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;">66.458</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to the audit recommendations, the Department updated agency policy on subrecipient monitoring. A new policy has also been developed to formalize program responsibilities for corrective actions and audit resolution.</p> <p>Additionally, the Department developed procedures on managing subawards to ensure federal compliance, which include:</p> <ul style="list-style-type: none"> • Requiring subrecipients to return postcards to indicate if they are subject to audit requirement. • Assigning dedicated staff to maintain the tracking spreadsheet used to monitor subrecipient audit activities. • Establishing a communication protocol to notify programs when subrecipients receive audit findings, and the required follow-up actions. Increasing oversight of subrecipients who are not meeting Department requirements. The Department may apply sanction for continued non-compliance. <p>The Department is also developing policies, procedures and a checklist for programs to clarify their roles and responsibilities related to follow-up of audit items.</p> <p>Estimated July 2019</p> <p>Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	66.458	\$0
<u>CFDA #</u>	<u>Amount</u>						
66.458	\$0						

Department of Ecology

Agency 461

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	017	<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 Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds 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;">66.458</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 finding resulted from conflicting guidance provided by the regional office of the Environmental Protection Agency (EPA) and the guidance the auditor received from EPA’s Office of Inspector General.</p> <p>The Department requested clarification and guidance from the EPA on how to properly report federal equivalency expenditures on the quarterly financial reports and the schedule of expenditures of federal awards (SEFA).</p> <p>In June 2019, EPA provided the following official guidance for reporting equivalency projects:</p> <ul style="list-style-type: none"> • The SEFA should report funds disbursed to the Equivalency projects regardless of funding. • The quarterly reports should report actual draws from the Capitalization grants. • The quarterly reports should not be used for the SEFA. <p>The Department has since updated tracking spreadsheets to capture all funds disbursed for equivalency projects.</p> <p>The Department is currently working with the federal grantor to implement appropriate procedures related to the financial reporting of equivalency projects in accordance with the guidance received.</p> <p>Estimated July 2019</p> <p>Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	66.458	\$0
<u>CFDA #</u>	<u>Amount</u>						
66.458	\$0						

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	018	<p>Finding: The Department of Services for the Blind did not have adequate internal controls over federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department has addressed prior audit findings and has implemented corrective actions to ensure client eligibility determination is completed timely and adequate supporting documentation is maintained when a delay is necessary. Specifically, the Department:</p> <ul style="list-style-type: none"> • Implemented the Dashboard in the case management system for Case Managers to manage their caseloads on a real-time basis. • 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. • Required Counselors to document exceptional and unforeseen circumstances, and support extensions of specific period of time with a client agreement. • Provided training to counselors on the effective use of the Dashboard feature. Area Managers perform weekly monitoring of the use of the tool. <p>The Department continues to improve internal controls by ongoing coaching and monitoring. As a result, the number of delayed eligibility determinations has been declining. For fiscal year 2018, three percent of eligibility determinations were delayed, compared to the respective 8.3 percent and 12.5 percent in the previous two years. Additionally, a significant number of the past due cases were delayed by only one to three days, which was often found to be caused by errors in calculating due dates.</p> <p>As of February 2019, the Department:</p> <ul style="list-style-type: none"> • Provided additional training to staff about eligibility requirements and how to accurately calculate the due dates of eligibility determinations. • Defined the criteria for exceptional and unforeseen circumstances and how to document the circumstances. This guidance was added to the Department’s procedure manual and was included in the staff training. • Implemented a new case management system that will help to strengthen the process for review and documentation by supervisors. <p>The conditions noted in this finding were previously reported in findings 2017-007 and 2016-009.</p>

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	018 (cont'd)	Completion Date: June 2019 Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 Lorie.christoferson@dsb.wa.gov

Department of Services for the Blind

Agency 315

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	019	<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 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>In response to prior year's audit finding, the Department had implemented corrective actions to improve internal controls over the federal reporting process. However, the Department continues to experience staff turnover in the positions that create and review the program cost reports.</p> <p>As of December 2018, the Department hired a consultant to:</p> <ul style="list-style-type: none"> • Assist with an organizational plan for the fiscal unit. • Strengthen internal controls over the federal reporting process, including a secondary review. <p>The Department anticipates that the organizational plan and hiring of required staff will be completed by December 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2017-010.</p> <p>Estimated December 2019</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				
2018	020	<p>Finding: The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and timely for the Vocational Rehabilitation program.</p> <p>Questioned Costs: <table border="0" style="display: inline-table; vertical-align: middle;"> <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> <p>Status: Corrective action in progress</p> <p>Corrective Action: In response to prior year’s audit finding, the Department implemented corrective actions to improve internal controls over cash management. However, the Department continues to experience staff turnover in the positions that perform federal draws.</p> <p>As of December 2018, the Department hired a consultant to:</p> <ul style="list-style-type: none"> • Assist with an organizational plan for the fiscal unit. • Strengthen internal controls over the federal draw process to include a secondary review. <p>The Department anticipates that the organizational plan and hiring of required staff will be completed by December 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2017-008.</p> <p>Completion Date: Estimated December 2019</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>	<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
2018	021	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with eligibility timelines and required procedures.</p> <p>As of April 2019, the Department implemented the following procedures:</p> <ul style="list-style-type: none"> • The Fiscal Compliance Manager conducts six- month review of eligibility extensions to identify cases that do not conform to policy and documentation requirements. These cases are sent to the respective supervisors for follow-up. • Supervisors’ monthly case reviews now include mandatory follow-up activities to ensure reviews are effective and properly documented. • Rehabilitation Technicians review cases coming due within 30 days for eligibility determination and alert counselors of upcoming due dates. • Supervisors complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed. <p>As of June 2019, the Department:</p> <ul style="list-style-type: none"> • Revised the eligibility extension letter to include a mandatory field for the extension end date. • Amended eligibility extension procedures to require follow-up with clients when extension letters are not returned. <p>By August 2019, the Department will:</p> <ul style="list-style-type: none"> • Enhance the case management report to identify eligibility extension dates and determination completion dates. • Provide training to staff on updated procedural guidance that will clearly define “exceptional and unforeseen circumstances.” <p>By September 2019, the Department will update the eligibility extension process in the case management system to auto-generate:</p> <ul style="list-style-type: none"> • Case narratives • Client letters • Completion dates

Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	021 (cont'd)	<p>The conditions noted in this finding were previously reported in findings 2017-013 and 2016-012.</p> <p>Completion Date: Estimated September 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					
2018	022	<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 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>The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with timelines and required procedures.</p> <p>As of April 2019, the Department implemented the following procedures:</p> <ul style="list-style-type: none"> • The Fiscal Compliance Manager conducts a six-month review of individual plans of employment (IPE) to identify cases that do not conform to policy and documentation requirements. These cases are sent to the respective supervisors for follow-up. • Supervisors correct any IPE that does not conform to policy and documentation requirements. • Rehabilitation Technicians review IPEs coming due within 30 days and alert counselors of upcoming due dates. • Supervisors complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed. <p>As of May 2019, the Department revised the eligibility determination letter to include an appointment date with the client to begin the IPE process.</p> <p>As of June 2019, the Department amended procedures to require counselors to follow-up with clients when IPE extension letters are not returned, and to ensure both counselor and client properly approve the completed IPE.</p> <p>By August 2019, the Department will provide training to field staff on the new procedures.</p> <p>The conditions noted in this finding were previously reported in findings 2017-012 and 2016-011.</p> <p>Estimated August 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>	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
2018	023	<p>Finding: 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> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$10,553</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with allowable uses of program funds.</p> <p>As of March 2019, the Department issued a directive requiring case records to be reviewed prior to authorization of services. Staff perform reviews to ensure:</p> <ul style="list-style-type: none"> • Services are properly documented in the individual plan for employment (IPE). • The IPE has been approved by the counselor and client. • Case actions are appropriately referred to the supervisor if necessary. <p>As of May 2019, the Department:</p> <ul style="list-style-type: none"> • Updated procedures to clarify that payments for any authorized services on an IPE cannot be made until the IPE is properly signed by client. • Created detailed procedures for supervisors to conduct monthly review of payments. • Enhanced the case management system's preventative controls to only allow authorizations of services that are included on the IPEs. If an emergency, non-authorized service is needed, supervisory approval is required to proceed. • Consulted with the grantor to determine whether any questioned costs need to be repaid. <p>By July 2019, the Department will review all service category requirements from the Department of Education and identify process improvements.</p> <p>The conditions noted in this finding were previously reported in findings 2017-014 and 2016-013.</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	023 (cont'd)	Completion Date: Estimated July 2019 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					
2018	024	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Department of Social and Health Services did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared. <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. As of September 2018, the Department established written procedures to require secondary reviews of the Federal Financial Report (SF-425). As of April 2019, the Department established written procedures to require secondary reviews of the Program Cost Report (RSA-2). The Finance and Budget Manager reviews completed reports for accuracy. The Department continues to strengthen internal controls over reporting to ensure program reports are complete and accurate. In progress 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>	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							
2018	025	<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 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"> <tr> <td style="padding-right: 20px;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td>93.243</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.959</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>As of July 1, 2018, the Behavioral Health Administration’s Division of Behavioral Health and Recovery was transferred from the Department to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.</p> <p>To address the audit recommendations, the Authority will:</p> <ul style="list-style-type: none"> • Evaluate the existing process in monitoring subrecipient audits and identify potential improvements. • Assess and update policies and procedures related to subrecipient monitoring. • Strengthen internal controls to ensure: <ul style="list-style-type: none"> ○ Subrecipients submit required audits. ○ Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews. ○ All audit findings and corrective action plans are tracked and management decisions are issued promptly. <p>The conditions noted in this finding were previously reported in findings 2017-016, 2016-014, 2015-016, and 2014-019.</p> <p>Estimated October 2019</p> <p>Keri Kelley External Audit Compliance Manager State Health Care Authority P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.243	\$0	93.959	
<u>CFDA #</u>	<u>Amount</u>								
93.243	\$0								
93.959									

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	026	<p>Finding: The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.</p> <p>Questioned Costs: <u>CFDA #</u> 93.558 <u>Amount</u> \$2,252</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Departments works with the Department of Children, Youth, and Families (DCYF) to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable. DCYF 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.</p> <p>In response to prior findings, the Department has implemented internal controls including:</p> <ul style="list-style-type: none"> • Third-party reviews through the establishment of the Process Review Panel (PRP) to review and evaluate audit findings, explore options and recommend appropriate corrective actions. • Pre-authorization reviews on high-risk and/or high cost cases based on trend analysis discovered during the PRP. <p>As of December 2018, DCYF requires all licensed providers who accept subsidy payments to use DCYF's electronic attendance system or an approved third party system to track attendance. DCYF's system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. DCYF has since expanded the requirement to all families, friends and neighbor providers..</p> <p>Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF. The Department will continue to conduct post-payment reviews where improper payments appear likely to have occurred, or refer to DCYF for review.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-017 and 2016-019.</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	026 (cont'd)	Completion Date: In progress 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 Plan					
2018	027	<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 maintenance of effort requirements for the Temporary Assistance for Needy Families grant.</p> <table border="0" data-bbox="673 548 1096 611"> <tr> <td data-bbox="673 548 771 579"><u>CFDA #</u></td> <td data-bbox="1003 548 1096 579"><u>Amount</u></td> </tr> <tr> <td data-bbox="673 579 771 611">93.558</td> <td data-bbox="1003 579 1096 611">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>In response to prior years' findings, the Department has taken actions to improve internal controls over the maintenance of effort (MOE) process for the Temporary Assistance for Needy Families (TANF) grant.</p> <p>As of February 2017, the Department developed manuals that outline the collaborative report preparation procedures among the Community Services Division, the Research and Data Analysis Division (RDA) and the Division of Finance and Financial Recovery.</p> <p>As of March 2018, the Department:</p> <ul style="list-style-type: none"> • Hosted weekly workgroup meetings to review and update existing policies, procedures and manuals as necessary. The workgroup also focuses on improving the Department's ability to forecast and monitor the level of TANF program's MOE expenditures throughout the year. • Implemented a quarterly monitoring and reporting schedule for all MOE sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and accurate. • Established a process for reviewing future budgets on programs subject to MOE requirements: <ul style="list-style-type: none"> ○ Perform trend analysis by comparing budget data to previous years to ensure there is no significant fluctuations. ○ Obtain written confirmation from partnering sources at the beginning of the federal fiscal year that program operations and expenditure levels will be similar to the previous year. ○ Review TANF MOE reports and monitor departmental expenditures on a quarterly basis to ensure MOE requirements will be met. <p>The Department's RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. By September 2019, the Division will:</p> <ul style="list-style-type: none"> • Track which employees making coding changes. • Require supervisors review coding changes and document these reviews. 	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	027 (cont'd)	<ul style="list-style-type: none"> • Add a section in the TANF MOE manual outlining the roles and responsibilities of employees who make coding changes and for management who review these changes. <p>The conditions noted in this finding were previously reported in findings 2017-019, 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>

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Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	028	<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 to ensure quarterly reports for the Temporary Assistance for Needy Families Grant were submitted accurately.</p> <table border="0"> <tr> <td data-bbox="673 548 764 575"><u>CFDA #</u></td> <td data-bbox="1003 548 1094 575"><u>Amount</u></td> </tr> <tr> <td data-bbox="673 575 764 602">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>The Department currently processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF). Specifically, the Department:</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 Statistical Analysis System processes use this data to comply with reporting requirements. • Runs a quality assurance process for each report that identifies potential fatal and warning edits, the results of which are reviewed by the Supervisor. <p>The Department has documented the quarterly reporting processes in detail, and continues to extend and update documentation, written policies and procedures for this complex reporting process.</p> <p>While the Department may benefit from a more formal process, the review of both code and results is extensive and the process includes monthly dissemination of summary data to multiple partners for review and validation. The established process ensures quarterly reports required for meeting participation rates are accurate, complete and submitted timely.</p> <p>The Department believes that the controls for change requests, coding updates and the approval processes are adequate.</p> <p>As of October 2018, the Department began manual monitoring, reviewing, and testing of coding changes to ensure they were applied correctly. While no version control software was used, Department staff maintained copies of all old code versions using filename conventions.</p> <p>By November 2019, the Department will update documentation to reflect automation enhancements to existing data set generation and reporting processes.</p> <p>By January 2020, the Department will</p> <ul style="list-style-type: none"> • Implement the use of technical assessment forms and security review forms. 	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	028 (cont'd)	<ul style="list-style-type: none"> • Conduct peer reviews and document results, testing, logging and approval prior to moving code changes into the production environment. <p>The conditions noted in this finding were previously reported in findings 2017-020 and 2016-016.</p> <p>Completion Date: Estimated January 2020</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>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	029	<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 not taken</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>In response to prior years' findings, the Department has taken actions to improve internal controls over the reporting process for the Temporary Assistance for Needy Families (TANF) grant.</p> <p>As of March 2018, prior to the end of the audit period, the Department fully implemented the following process changes:</p> <ul style="list-style-type: none"> • Hosted weekly workgroup meetings to review and update existing policies and procedures as necessary to strengthen internal control. • Implemented a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources to ensure reported expenditures are allowable, accurate and submitted in a timely manner. • Established a process for reviewing future budgets on programs subject to MOE requirements: <ul style="list-style-type: none"> ○ Perform trend analysis by comparing budget data to previous years to ensure there is no significant fluctuations. ○ Obtain written confirmation from partnering sources at the beginning of the federal fiscal year that program operations and expenditure levels will be similar to the previous year. ○ Review TANF MOE reports and monitor departmental expenditures on a quarterly basis to ensure MOE requirements will be met. <p>Additionally, the Department:</p> <ul style="list-style-type: none"> • Reviews all reported expenditures to ensure they are accurate, verifiable, and not used for other federal matching purposes, • Maintains all supporting documentation locally and electronically for the reports submitted to the federal grantor. <p>The Department maintains that current processes and procedures are adequate to ensure expenditures are verifiable and meet federal regulations.</p> <p>The conditions noted in this finding were previously reported in findings 2017-021, 2016-018, and 2015-021.</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	029 (cont'd)	Completion Date: Not applicable Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	030	<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 did not comply with client eligibility requirements for the Working Connections Child Care program.</p> <table border="0"> <tr> <td data-bbox="673 552 764 579"><u>CFDA #</u></td> <td data-bbox="1003 552 1094 579"><u>Amount</u></td> </tr> <tr> <td data-bbox="673 579 748 606">93.558</td> <td data-bbox="1003 579 1094 606">\$37,959</td> </tr> <tr> <td data-bbox="673 611 748 638">93.575</td> <td></td> </tr> <tr> <td data-bbox="673 642 748 669">93.596</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The exceptions identified by the auditor results from minor procedural errors or incorrect calculations that did not have an effect on the eligibility determinations. While some of these errors caused payment errors, the clients were eligible.</p> <p>In response to the fiscal years 2016 and 2017 findings, the Department has enacted major changes to improve internal controls over eligibility determination. Many of these changes were implemented during fiscal year 2018, while some were implemented at the beginning of fiscal year 2019.</p> <p>The Department of Children, Youth, and Families (DCYF), formerly the Department of Early Learning, established child care program policies. DCYF policy does not require secondary review or approval when determining eligibility, or authorizing benefits and payments. Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF under the Child Care Development Fund.</p> <p>The Department has continued to employ the following controls to ensure child care subsidy payment authorizations are made correctly:</p> <ul style="list-style-type: none"> • Require a supervisory review of payment requests that exceed certain parameters. The supervisor reviews the justifications for the need of additional payment and will deny the payment if the client is not eligible. A monthly report is generated and supervisor checks for any authorization that appears to have been approved without the required secondary review. • For authorizations with high cost special needs rates, a panel consisting of DSHS and DCYF staff review the request and supporting documentation prior to approval. The authorization is subsequently reviewed by a supervisor prior to payment. • Require one hundred percent of new employees' work be audited by a lead worker until they achieve proficiency. These reviews may be conducted before or after authorization. • Requires at least one percent of child care cases be audited monthly. 	<u>CFDA #</u>	<u>Amount</u>	93.558	\$37,959	93.575		93.596	
<u>CFDA #</u>	<u>Amount</u>										
93.558	\$37,959										
93.575											
93.596											

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Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	030 (cont'd)	<ul style="list-style-type: none"> • Participate in the Improper Payments Information Act audit required by the Federal Office of Child Care and conducted by the DCYF once every three years. <p>As of August 2017, the Department:</p> <ul style="list-style-type: none"> • Implemented enhancements in the Barcode system to automatically generate a sixty-day reminder letter requesting income verification of new employment. • Created a 9-code avoidance report that identifies cases that may require supervisory approval. These cases are reviewed and returned to the employee for coaching and corrective action. <p>As of February 2018, the Department implemented a child care process review panel within the Department’s Division of Program Integrity. A child care quality team reviews cases, verifies circumstances and determines whether each sampled case has been correctly determined in accordance with state policy and procedure.</p> <p>As of March 2018, the Department:</p> <ul style="list-style-type: none"> • Completed enhancements to the Barcode system to automatically flag cases when the household composition for child care is different than information entered in other state systems. Procedures were also updated to require comparison of household composition data reported for childcare against those reported for other programs when determining eligibility. • Updated appropriate state rules, procedures and trainings to strengthen: <ul style="list-style-type: none"> ○ Household composition rules including a new policy for single parent households. ○ Mandatory cross-matching with other state systems. ○ Required documentation for new employment wage verification. <p>In preparation for the transfer of the child care program to DCYF, the Department has been collaborating with DCYF to update policies and procedures, and develop system enhancements to correct deficiencies and improve internal controls. As of October 2018, the Department:</p> <ul style="list-style-type: none"> • Updated a combined policy manual which is accessible on the DCYF website to ensure consistent guidance is provided to staff. • Established an integrity review process for eligibility determinations that are made by a worker who was not assigned to the case through the automated workload assignment system. • Worked with DCYF to ensure family, friends, and neighbors providers receive DCYF’s full portable background checks and are approved by DCYF as providers. Upon approval of a background check, DCYF assigns a vendor number, which together with the

Department of Social and Health Services

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	030 (cont'd)	<p>provider's eligibility information, is communicated to the Department for creating an authorization.</p> <p>As of January 2019, the Department and DCFY developed a policy that provides guidance on viewing documents/information for relative validity, and on the process of prioritizing the best information to obtain first to ensure determinations are supported.</p> <p>As of May 2019, the Department reviewed the fiscal year 2018 audit exceptions, established and referred the appropriate overpayments to the Office of Financial Recovery for collection.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the grantor and take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.</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					
2018	031	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.</p> <table border="0" data-bbox="667 514 1096 577"> <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;">\$29,733</td> </tr> </table> <p>Corrective action complete</p> <p>The Department partially concurs with the finding.</p> <p>The Department does not concur that some timesheets were not processed. The timesheets in question were for employees whose time was spent processing negotiables for another Administration. For this work, the Department bills the other Administration for the work performed and records the revenue as a reduction to expenditures for the grant.</p> <p>The Department also does not concur with the auditor’s determination of \$29,733 questioned costs on this finding. The Department discovered a calculation error on the questioned costs cited in the fiscal year 2017 finding during the process of closing the prior finding with the cognizant federal agency. This discovery prompted the Department to review the auditors’ testing and calculation of questioned costs in the fiscal year 2018 finding. Based on the review, the Department believes that \$24,250 of the \$29,733 questioned costs were allowable costs. The Department calculated the actual questioned costs to be \$5,484.</p> <p>To address the audit recommendations, the Department has initiated actions to improve processes and controls.</p> <p>As of August 2018, the Department:</p> <ul style="list-style-type: none"> • Created a new journal voucher template with correct formulas to perform calculations and allocate the payroll costs from the grant to other activities associated with work by these employees. • Implemented a supervisory review process prior to processing journal vouchers. • Began the process of separating journal vouchers by funding source to reduce the complexity and volume of journal vouchers. <p>As of April 2019, the Department:</p> <ul style="list-style-type: none"> • Reviewed current procedures for processing journal vouchers and strengthened controls as necessary to ensure they are all processed. • Corrected accounting records to reverse costs that were inappropriately charged to the Child Support Enforcement grant. <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>	93.563	\$29,733
<u>CFDA #</u>	<u>Amount</u>						
93.563	\$29,733						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	031 (cont'd)	The conditions noted in this finding were previously reported in finding 2017-023. Completion Date: April 2019 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 Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	032	<p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.</p> <p>Questioned Costs: <u>CFDA #</u> 97.568 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Low-Income Home Energy Assistance program (LIHEAP) contracted with 26 subrecipients. These agencies are required to enter payment data for each client that receives a LIHEAP benefit into a centralized database. The Department uses this information to select transactions for onsite and desk monitoring.</p> <p>In response to the audit recommendations, the Department has strengthened internal controls over monitoring activities of subrecipients to ensure subawards from LIHEAP are used for authorized purposes. The following changes were incorporated in the current contract monitoring process:</p> <ul style="list-style-type: none"> • Increased the threshold for onsite and desk monitoring review from one to three months of fiscal transactions • Requested general ledger and back up documentation for each selected transaction to verify allowability of costs. <p>As of January 2019, the program reviewed and formally updated the program monitoring plan to reflect the new processes of subrecipient monitoring.</p> <p>As of June 2019, the program:</p> <ul style="list-style-type: none"> • Worked with the Department’s Energy Division, which also makes subawards of LIHEAP funds, to coordinate and increase efforts around fiscal and administrative monitoring. When opportunities exist, program staff will attend trainings hosted by the Energy Division on subrecipient monitoring. • Performed analytical reviews of each subrecipient’s spending trends over a five-year period to help identify the highest three months of spending. With the collaboration of the Information Services Division, program staff created a report that identifies the months that should be included for fiscal transaction reviews. Subrecipients are then required to submit backup documentation for each expense incurred for those months. <p>The Department will also require subrecipients to submit back up documentation for invoices during the program year. This new requirement will be included in the special terms and conditions of the</p>

Department of Commerce

Agency 103

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	032 (cont'd)	<p data-bbox="673 426 1419 514">new contracts, which will be effective October 1, 2019. Technical assistance and training on this requirement will be provided to subrecipients during the Department's conference in September 2019.</p> <p data-bbox="673 552 1459 674">By providing staff training, leveraging Department resources to increase monitoring and utilizing a data-driven approach to identify high-risk transactions, the Department will enhance the detection of unallowable or unsupported costs at the subrecipient level.</p> <p data-bbox="488 711 956 768">Completion Date: Estimated December 2019</p> <p data-bbox="488 806 1156 991">Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO BOX 42525 Olympia, WA 98504-2525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	033	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.</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;">\$9,544,526</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>During the six-month period in which the auditor found semi-annual certifications were not completed, the Department’s immediate priority was to transition from the former Department of Early Learning (DEL) by the June 2018 deadline. Due to insufficient available resources, responsible staff were not able to complete the semi-annual certifications timely as required by Department policy.</p> <p>The Department concurs with the exceptions identified by the auditor that semi-annual certifications or timesheets were not completed for five employees to allocate their time as required. As of March 2018, the Department made retroactive adjustments to the payroll coding of affected employees to appropriately charge multiple cost activities. The employees were also reminded of the need to complete monthly timesheets as required by federal regulations.</p> <p>As of September 2018, the Department completed the semi-annual certifications for the second half of fiscal year 2018 for DEL and provided the information to the auditor as part of the program audit.</p> <p>While the Department concurs that semi-annual certifications, documentation, or timesheets were not completed as described in the finding, the cause of the issue was an isolated, exceptional circumstance that no longer presents an internal control issue going forward.</p> <p>The Department will:</p> <ul style="list-style-type: none"> • Implement preventative internal controls over allowable retroactive adjustments to ensure payroll charges are properly documented. • Continue to review position action requests and monthly payroll reports to ensure employees who charge to multiple cost activities complete timesheets as required. <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>Estimated September 2019</p>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$9,544,526	93.596	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$9,544,526								
93.596									

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	033 (cont'd)	Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	034	<p>Finding: The Department of Children, Youth, and Families 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;">\$5,894</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 partially concurs with the finding.</p> <p>The auditor found eight providers had not paid the correct rates based on their region. After further review, the Department confirmed the rates were correctly determined. As specified in state regulations, centers in four counties are assigned rates for a region not based on their geographic location in order to account for market differences in these counties. However, due to timing of the audit, the auditor was unable to reverse these exceptions.</p> <p>In response to prior audit findings, the Department had:</p> <ul style="list-style-type: none"> • Modified the Child Care and Development Fund Plan to align with federal and state regulations for fiscal years 2019 to 2021. • Improved internal controls and implemented preventative controls to assist in the detection of improper provider billings and reduce the risks of unallowable payments. • Implemented policies to include the Department’s definition of fraud, as well as the consequences for providers. • Initiated a risk-based approach to audit providers’ billings and payments that includes selecting providers’ billings in excess of licensed capacity and billings to the limit of the provider’s authorizations. The Department will continue to refine this approach. • Collaborated across agencies and divisions, through the Working Connection Child Care Reframe Workgroup and the Child Care Audit Committee, to align and clarify state rules and requirements with those of the Child Care and Development Block Grant Act. <p>The Department has also taken the following actions:</p> <ul style="list-style-type: none"> • As of October 2018, implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be providers. Upon approval, the Department assigns a vendor number which, together with the provider’s eligibility information, is communicated to the Department of Social and Health Services to create an authorization. This separation of duties strengthens internal controls and helps to reduce payment errors. By September 2019, the Department expects 		<u>CFDA #</u>	<u>Amount</u>		93.575	\$5,894		93.596	
	<u>CFDA #</u>	<u>Amount</u>									
	93.575	\$5,894									
	93.596										

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	034 (cont'd)	<p>all existing FFN providers to complete the transition to the PBC process.</p> <ul style="list-style-type: none"> • As of November 2018, implemented a process that allows subsidy auditors to provide technical assistance to providers who have been using incorrect billing practices. After the Department implements new program violation rules in July 2019, providers with repeat violations will be excluded from receiving child care subsidy payment. • As of December 2018, required all licensed providers who accept subsidy to use the Department’s electronic attendance system or an approved third party system to track attendance. In addition, new FFN providers are required to use the Department’s new electronic system within 90 days after being authorized to receive subsidy payment. The Department’s system: <ul style="list-style-type: none"> ○ Enables accurate, real-time recording of child care attendance, tracking of daily attendance, and capturing data on child care usage. ○ Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities. ○ Is capable of generating reports that allow the Department to conduct automated audits beginning in April 2019. <p>By November 2019, all FFN providers will be required to use the system, or an approved third party system for tracking attendance.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • Continue to improve the billing guides to help providers understand billing rules, authorization and the billing process. The billing guides will be available in April 2019. Prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union, the Department will update training curriculum. After the tentative agreement expires in 2021, training will become mandatory for all licensed homes and FFN providers. • Continue to research options for simplifying authorization and billing rules. • Develop rules defining provider program violations and establishing additional consequences for intentional violations. <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 finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p>

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	034 (cont'd)	Completion Date: Estimated June 2021 Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	035	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 548 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>93.575</td> <td></td> <td style="text-align: center;">\$1,678</td> </tr> <tr> <td>93.596</td> <td></td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In response to prior audit findings, the Department:</p> <ul style="list-style-type: none"> • Implemented new monitoring and compliance agreement policies and procedures to clarify: <ul style="list-style-type: none"> ○ Mandatory use of a full checklist every three years. ○ When a site visit is needed. ○ Acceptable methods of verifying compliance and the timelines for documentation. • Implemented a new electronic caseload management system, WA COMPASS, and provided training to licensing staff in using the system to manage licensing inspections and monitor visits. The system provides electronic reminders to licensing staff and supervisors, which has improved data integrity and streamlined staff work processes. • Provided training to all child care licensing staff regarding the new policies and procedures, including the 10-day health and safety recheck requirements and timely documentation of follow-up visits. Currently, supervisors are able to run a report to identify over-due cases and address concerns with licensing staff. <p>As of January 2019, the Department also clarified and implemented a policy revision to allow for “termination without notice” of a provider when an unsafe environment exists or when the provider becomes ineligible. The Department of Social and Health Services (DSHS) has already provided updated training to its staff on the revised Department policies. The Department is working on updating the Washington Administrative Code (WAC) language to be consistent with the policy revision.</p> <p>As of October 2018, the Department implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be a provider. Upon approval, the Department assigns a vendor number which, together with the provider’s eligibility information, is communicated to DSHS to create an authorization.</p> <p>By September 2019, the Department expects all existing FFN providers to complete the transition to the PBC process.</p>		<u>CFDA #</u>	<u>Amount</u>	93.575		\$1,678	93.596		
	<u>CFDA #</u>	<u>Amount</u>									
93.575		\$1,678									
93.596											

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	035 (cont'd)	<p>The Department will:</p> <ul style="list-style-type: none"> • Continue to work on enhancements to the electronic caseload system for tracking and monitoring the due dates of health and safety rechecks. • Continue to prepare for the implementation of the new WAC on Family Home and Child Care Center in response to the demands of the legislature and the needs of the provider community. The new WAC is expected to become effective in August 2019. In preparation, the Department will: <ul style="list-style-type: none"> ○ Ensure all child care licensing staff are completing mandatory training on the updated WAC components and resulting policy, procedure, and task changes. ○ Develop new checklists to enable more focused monitoring. ○ Develop an inspection report that can clearly delineate the high-risk areas that would require follow-up visits. ○ Continue to revise licensing policies, procedures and tasks as needed to align with current state and federal rules and regulations. <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 finding 2017-025, 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 (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							
2018	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 Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to detect fraud in the Child Care and Development Fund program.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.575</td> <td>\$0</td> </tr> <tr> <td>93.596</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>The Department concurs with the audit finding.</p> <p>In response to prior audit recommendations, the Department took steps to include child care dollars as a risk factor in determining the priority of fraud referral investigations.</p> <p>In December 2017, the Department convened a workgroup to modify the Fraud Early Detection program (FRED) algorithm to address child care cases while not adversely affecting other medical programs that also use the FRED algorithm.</p> <p>In February 2018, the Office of Fraud and Accountability’s (OFA) Senior Director issued a directive to managers that all cases rated as 1 or 2 should be assigned for investigations within 90 days after referral.</p> <p>As of April 2018, an algorithm was implemented in the Barcode system to include child care benefit payments and household composition. This enhancement increases the assigned point values in child care cases, resulting in a higher priority level for investigation.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Maintain a goal of completing as many of the fraud cases with highest risk as staffing and workload allows. • Monitor the monthly status of all FRED cases by OFA managers to ensure high priority cases are assigned timely. • Review monthly performance measurement reports. <p>The conditions noted in this finding were previously reported in findings 2017-027, 2016-020 and 2015-025.</p> <p>April 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>	93.575	\$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					
2018	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 Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.</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;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>The Department will revise its reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and demonstration project.</p> <p>As of July 1, 2018, the Legislature created a new state agency that combined the Department's Children's Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth and Families (DCYF) and is now responsible for managing the Foster Care program.</p> <p>DCYF has already assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes will track payments made for the demonstration project, which is scheduled to conclude in September 2019.</p> <p>The Department will work with the grantor if revisions to prior reports are determined to be necessary.</p> <p>Estimated October 2019</p> <p>Stefanie Niemela Audit Liaison Department of Children, Youth and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.658	\$0						

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	038	<p>Finding: The Department of Social and Health Services improperly charged \$798,930 to the federal foster care grant.</p> <p>Questioned Costs: <u>CFDA #</u> 93.658 <u>Amount</u> \$798,930</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the audit finding.</p> <p>The auditors determined that \$797,740 of federal expenditures were not supported because this amount could not be reconciled between the Department’s provider payment system (SSPS) and the State’s accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.</p> <p>In response to the audit findings, the Department has:</p> <ul style="list-style-type: none"> • Communicated with accounting field staff to emphasize the requirement of reviewing proper documentation when making invoice payments to vendors. • Informed providers of the requirement of providing adequate supporting documentation to align with the Department’s internal procedure. <p>In addition, the Department will continue to:</p> <ul style="list-style-type: none"> • Strengthen the review process to ensure services are authorized prior to making payments. • Provide training to accounting field staff to reinforce their understanding of the invoice payment process. <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>As of July 1, 2018, the Legislature created a new state agency that combined the Children’s Administration of the Department and the Department of Early Learning. The new agency is called the Department of Children, Youth, and Families and is now responsible for managing the Foster Care program.</p> <p>The conditions noted in this finding were previously reported in finding 2017-028.</p> <p>Completion Date: Estimated August 2019</p> <p>Agency Contact: Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (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					
2018	039	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	<p>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> <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>93.659</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>In response to prior audit findings, the Children’s Administration of the Department had improved internal controls and developed written policies and procedures to ensure the federal level of effort requirements are met for the Adoption Assistance program.</p> <p>As of July 1, 2018, the Legislature created the Department of Children, Youth, and Families (DCYF) by combining the Children’s Administration and the Department of Early Learning. The new agency assumed the responsibilities of managing the Adoption Assistance program.</p> <p>To address the audit recommendations, DCYF will implement appropriate corrective actions, which will include:</p> <ul style="list-style-type: none"> • Establishing written procedures for staff to identify and accurately report adoption savings expenditures. • Reviewing quarterly reports to ensure reported expenditures are accurate and supported by adequate documentation. • Providing training to staff on the policies and procedures. <p>The conditions noted in this finding were previously reported in findings 2017-030 and 2016-026.</p> <p>Estimated September 2019</p> <p>Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.659	\$0						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	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 Department of Health did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies.</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>93.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>To ensure the Department complies with survey requirements, the Department will strengthen internal controls to ensure Statements of Deficiencies are sent to facilities within the 10-day required timeframe. This includes:</p> <ul style="list-style-type: none"> • Adding a field to the Integrated Licensing Reporting System to track the due dates of Statements of Deficiencies. • Generating a report for management to monitor and notify staff on Statements of Deficiencies that are coming due. • Sending written notification to the Centers for Medicare and Medicaid Services when a Statement of Deficiency is expected to be submitted late. <p>September 2019</p> <p>Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 Kristina.White@doh.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									
2018	041	<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 a state law requirement to perform semi-annual data sharing with health insurers.</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;">97.775</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>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. While it is not within the Authority’s scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability.</p> <p>The Authority has requested 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 legislation request and/or the decision of the legislative committees regarding resolution.</p> <p>The conditions noted in this finding were previously reported in findings 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.</p> <p>Estimated June 2020</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2018	042	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.</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>97.775</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 Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports.</p> <p>The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. 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 also noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. The Authority determined that there were approximately two dozen providers, out of 98,000, that met the specific criteria and required to be re-categorized as high risk. The Authority has implemented internal processes for divisions to notify the provider enrollment unit of any events related to provider overpayments, payment suspensions or new sanctions, which would trigger the need to adjust a provider’s risk level to high.</p> <p>As of December 2018, the Authority:</p> <ul style="list-style-type: none"> • Completed the process of re-categorizing current high-risk providers. • Updated procedures to include the new process of adjusting risk level when a qualifying event occurs. <p>By November 2019, the Department will send notification of the revalidation requirement to all providers who enrolled with the Authority prior to March 31, 2014.</p> <p>By March 2020, the Authority will implement the new fingerprint requirement and will conduct fingerprint-based criminal background checks on the high risk providers identified under the re-categorization process.</p> <p>The conditions noted in this finding were previously reported in finding 2017-033.</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
97.775	\$0									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	042 (cont'd)	Completion Date: Estimated March 2020 Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	043	<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 eligible nursing home 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;">97.775</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 complete</p> <p>To address the audit recommendation, 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 findings 2017-034, 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39.</p> <p>March 2018</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2018	044	<p>Finding: The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.</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>97.775</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>93.778</td> <td></td> </tr> </table></p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Authority is aware of the staffing turnover in the Medicaid Transformation Demonstration (MTD) Project and is in the process of filling vacant positions. Additionally, the Authority will develop policies and procedures describing the roles and responsibilities of staff within the project.</p> <p>The Authority is working on improving internal controls to ensure its federal draws for the MTD project are allowable and adequately supported. By September 2019, the Authority will contract with an independent external auditor to review the Designated State Health Programs (DSHP) expenditure reporting for calendar years 2017 and 2018, and to validate the accuracy of federal claims.</p> <p>The Authority is also working on documenting defined administrative costs for DSHP. Once established, the Authority will be able to provide guidance to DSHP entities to ensure defined administrative costs are excluded from certified public expenditure reports.</p> <p>DSHP entities include state agencies, cities and county governments that use different financial payment systems to generate expenditure reports. Therefore, the Authority finds it challenging to require DSHP entities to provide supporting documentation in a consistent manner. The Authority will work with DSHP entities to ensure adequate and consistent supporting documentation is provided on certified public expenditure reports.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding establishing a process for program integrity as appropriate.</p> <p>Completion Date: November 2019</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
97.775	\$0									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	045	<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 claimed Medicaid federal funds for Medicaid expenditures that exceeded the two-year time limit.</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;">97.775</td> <td style="text-align: right;">\$2,095,931</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>For the expenditures identified in this audit as outside the two-year claim period, the Authority will research to determine if they were in fact unallowable. When the Center for Medicaid and Medicare (CMS) sends award closeout data and initiates the closeout process, the Authority will make any needed adjustments and return the federal funds to CMS.</p> <p>The Authority will continue to explore options to ensure refunds will be processed more timely to return claimed federal funds that are outside the allowable period.</p> <p>Estimated September 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$2,095,931	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$2,095,931										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2018	046	<p>Finding: 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> <p>Questioned Costs:</p> <table border="0" data-bbox="673 548 1096 674"> <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;">97.775</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>Status: Corrective action in progress</p> <p>Corrective Action: The Authority currently has the follow processes in place to verify that providers have not been suspended or debarred:</p> <ul style="list-style-type: none"> • Conducts reviews of the List of Excluded Individuals/Entities (LEIE) and Excluded Parties List System/System for Award Management (EPLS/SAM) database checks during new provider enrollment and provider re-validation. • Conducts monthly LEIE database checks on Medicaid providers. • Managed Care Organizations conduct LEIE and EPLS/SAM database checks on network providers under the Authority’s Apple Health contract. <p>The Authority is not currently conducting monthly checks with EPLS/SAM. The system only has the ability to search a single individual and there is 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/SAM checks on providers.</p> <p>Last year, the Authority was approved as a pilot state to utilize the U.S. Department of Treasury’s Do Not Pay database system, which will allow the Authority to upload the volume of providers into EPLS/SAM and conduct the required checks on a monthly basis. However, this process has since stalled on the federal side.</p> <p>The Authority is exploring other opportunities to meet compliance. Although the Authority is not currently conducting EPLS/SAM database checks at the frequency required, there were no improper payments identified.</p> <p>The conditions noted in this finding were previously reported in findings 2017-037.</p> <p>Completion Date: Estimated December 2019</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
97.775	\$0									
93.777										
93.778										

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	047	<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, Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.</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;">97.775</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 auditor’s recommendations, the Authority will take actions to improve internal controls over monitoring provider case reviews to ensure suspected fraud cases are appropriately referred for investigation.</p> <p>The Authority will review current policies and procedures and update as necessary to include:</p> <ul style="list-style-type: none"> • Conducting secondary reviews of audits and findings to ensure they are accurate and supported. • Maintaining sufficient documentation to support case decisions. • Providing necessary and adequate training to staff to ensure all requirements to identify and investigate suspected fraud cases are met. <p>Estimated October 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$0										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	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 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 style="text-align: right;"><u>CFDA #</u></td> <td style="text-align: right;"><u>Amount</u></td> </tr> <tr> <td style="text-align: right;">97.775</td> <td style="text-align: right;">\$4,145</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 cause of condition of the finding.</p> <p>The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in the Authority’s federally approved verification plan, and the Authority does not agree that a material weakness in internal control exists.</p> <p>The condition that led to the \$3,293 in unallowable claims for additional CHIP funds was corrected in July 2017. The remaining \$852 in questioned costs represent claims that were not only eligible for additional CHIP funds, but also allowable at a higher rate than the Authority claimed.</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 2017-038, 2016-034, 2015-039, and 2014-037.</p> <p>Not applicable</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$4,145	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$4,145										
93.777											
93.778											

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	049	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage. <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;">97.775</td> <td style="text-align: right;">\$3,762,678</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 has implemented the following corrective actions:</p> <ul style="list-style-type: none"> • As of March 2016, developed an algorithm to identify Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare. • As of June 2018, went live with the enhancements to the ProviderOne system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare. • Ran the new algorithm for the period from the last algorithm run in November 2017 to the system enhancement in June 2018, and identified all PMPM premium duplicate payments. <p>The Authority has been working on recouping the duplicate payments, and 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 findings 2017-039.</p> <p>Estimated September 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$3,762,678	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
97.775	\$3,762,678										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2018	050	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 583 1104 703"> <thead> <tr> <th><u>CFDA #</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>93.775</td> <td>\$325,468</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 the finding.</p> <p>As stated in the background of this finding, the auditor could not determine in the fiscal year 2017 audit whether the duplicate expenditures identified were caused by billing errors of the individual providers, or the hospital or long-term care facility. For this reason, the auditor did not issue a finding.</p> <p>For the fiscal year 2018 audit, the auditor used the same audit methodology and issued a finding. However, the auditor failed to provide a rationale as to how they were able to determine the source of the billing errors or why those errors were attributed to the Department. It is not known whether the payments were incorrectly claimed by the individual provider, or the hospital or nursing facility.</p> <p>The Department had developed a process to research and remediate payments made to in-home providers while a client was either hospitalized or admitted to a long-term care facility:</p> <ul style="list-style-type: none"> • As of November 2018 , the Department: <ul style="list-style-type: none"> ○ Created a report to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility. ○ Hired an employee to perform payment analysis and coordinate remediation with field contacts. • As of January 2019, the Department began reviewing, processing and tracking the duplicate payments that were identified. <p>As of June 2019, the Department worked with the Health Care Authority to analyze the duplicate payments found and identified the ones that the Department is responsible for.</p> <p>By November 2019:</p> <ul style="list-style-type: none"> • The Department will begin the process of issuing overpayments to the providers for any unallowable payments. • The overpayment functionality in the Department’s Individual ProviderOne system is expected to be fully implemented. 	<u>CFDA #</u>	<u>Amount</u>	93.775	\$325,468	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$325,468									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	050 (cont'd)	<p>By January 2020, the Department will consult with the Department of Health and Human Services to discuss any remaining questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2016-048.</p> <p>Completion Date: Estimated November 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												
2018	051	<p>Finding: The Department of Social and Health Services, Developmental Disabilities Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.</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;">\$34,510</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 concurs with the finding. The Department is in the process of enhancing monitoring procedures for identifying unallowable payments.</p> <p>By November 2019:</p> <ul style="list-style-type: none"> • The overpayment functionality in the Department’s Individual ProviderOne system is expected to be fully implemented. • The Department will begin the process of issuing overpayments to the providers for any unallowable payments. <p>The Department will work with the federal grantor to determine if any questioned costs identified in the audit and associated costs need to be repaid.</p> <p>Completion Date: Estimated November 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>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$34,510		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$34,510												
	93.777													
	93.778													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	052	<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, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with survey requirements for Medicaid intermediate care facilities.</p> <table border="0"> <tr> <td><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <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> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The Department utilizes a survey-tracking tool to monitor survey due dates and completion, and has established internal controls to ensure survey requirements for Medicaid intermediate care facilities are met.</p> <p>The one recertification that was performed past its due date in April 2018 was not an indication of internal control deficiency, but rather a result of resource prioritization. The facility was non-compliant with a condition of participation from a prior recertification survey, and was imposed with a “Denial of Payment” penalty for new admissions. After receiving the facility’s credible allegation of compliance letter in January 2018, the Department conducted two re-survey visits and subsequently placed the facility back in compliance in March 2018.</p> <p>The facility’s recertification was performed in May 2018 due to the Department’s executive decision to prioritize a recertification survey of another facility that had been out of substantial compliance and placed clients’ safety and welfare at risk.</p> <p>As of April 2019, the Department requested assistance from:</p> <ul style="list-style-type: none"> • Certified surveyors of other units within Residential Care Services as needed. • The federal grantor’s contracted certified surveyors, if available, to meet compliance with survey intervals. <p>The Department will continue to ensure survey requirements are met.</p> <p>The conditions noted in this finding were previously reported in finding 2017-042, 2016-037, and 2015-045 which the auditors considered resolved, and 2014-046 as unresolved.</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	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status													
2018	053	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.</p> <table border="0" data-bbox="667 575 1094 699"> <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;">\$0</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 Department does not concur with the finding.</p> <p>In response to prior audit findings, the Department had implemented the Electronic Plan of Correction (ePOC), an electronic application that enables the Department to monitor compliance more effectively. The Department asserts that internal controls have been strengthened to ensure Statements of Deficiencies (SOD) are mailed by the tenth working day after survey exits, as evidenced by the steady decrease in audit exceptions since fiscal year 2016.</p> <p>The auditors reported two cases where the Department did not deliver SOD within ten working days as required. One case was due to the failure of the ePOC system on the provider end, resulting in the Department manually delivering the SOD to the provider on the eleventh day. The Department subsequently confirmed that the technical problem had been resolved for the provider in question.</p> <p>In the second case, an administrative review of the SOD caused a slight delay and resulted in the Department delivering the SOD to the provider on the eleventh day.</p> <p>In both cases, the SOD were delivered less than 24 hours beyond the federal requirement. The providers submitted their plans of correction timely with no impact from the one-day delay.</p> <p>System failures are beyond the control of the Department, and administrative reviews are essential to ensure SOD are complete and accurate. These should be considered acceptable reasons for providers not receiving their SOD within the required ten days.</p> <p>The Department will continue to use existing internal controls and quality assurance reviews to monitor the timeliness of SOD distribution to providers.</p> <p>The conditions noted in this finding were previously reported in finding 2017-043, 2016-036, 2015-044 and 2014-046.</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
2018	053 (cont'd)	Completion Date: In progress 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												
2018	054	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.</p> <table border="0" data-bbox="483 590 1096 709"> <tr> <td data-bbox="483 590 613 617">Questioned</td> <td data-bbox="672 590 768 617"><u>CFDA #</u></td> <td data-bbox="1003 590 1096 617"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 621 553 648">Costs:</td> <td data-bbox="672 621 748 648">93.775</td> <td data-bbox="1003 621 1079 648">\$8,315</td> </tr> <tr> <td></td> <td data-bbox="672 653 748 680">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 684 748 711">93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department concurs that there were 25 instances when a daily payment was not supported by an electronic timekeeping record. These payments were made to a home care agency that subsequently closed and did not respond to the request for documentation.</p> <p>However, the Department does not concur that payments with no attached task sheets or missing signatures on task sheets should be included in questioned costs. Task sheets are used to document what tasks were completed during the provider's shift, as required by the home care agency contract. They are not a federal or state requirement.</p> <p>As of June 2019, the Department:</p> <ul style="list-style-type: none"> • Modified the tool provided to the Area Agencies on Aging (AAA) for monitoring home care agency's compliance with electronic timekeeping contractual requirements. • Worked with AAA's contract management staff to request corrective action plans from home care agencies that are noncompliant with contractual requirements. <p>By September 2019, the Department will:</p> <ul style="list-style-type: none"> • Determine if an overpayment will be issued to the home care agency that did not respond to the request for electronic time keeping records to support the payment. • Determine if state funds will be used to reimburse federal questioned costs. <p>By December 2019, the Department will work with the federal grantor to determine if the questioned costs related to exceptions with task sheets need to be repaid.</p> <p>Completion Date: Estimated December 2019</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$8,315		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$8,315												
	93.777													
	93.778													

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

For the Fiscal Year Ended
June 30, 2019

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	054 (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									
2018	055	<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 ensure the federal portion of uncashed Medicaid checks was returned to its grantor.</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;">\$237,078</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 the finding.</p> <p>The Department is implementing a process for the vendor to return uncashed checks to the Department. By October 2019, the Department and the vendor will:</p> <ul style="list-style-type: none"> • Complete the development of an interface to identify uncashed checks older than 180 days. • Develop a report listing the uncashed checks that need to be returned to the Department. • Request the vendor to return uncashed checks that were issued from April 2016 through December 31, 2017. Thereafter, the vendor is required to submit a monthly report with any uncashed checks. <p>By December 2019, the Department will return the federal share of all uncashed checks to the Center for Medicaid and Medicare Services.</p> <p>Estimated December 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	\$237,078	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$237,078										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status								
2018	056	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.</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>\$25,288</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 the finding.</p> <p>The Department asserts that adequate internal controls are in place to ensure all Medicaid individual providers had proper background checks. Centers for Medicare & Medicaid Services require a minimum of 86 percent proficiency statewide related to compliance with individual provider background checks. The Department has monitored this requirement for many years and has consistently achieved over 90 percent proficiency statewide.</p> <p>The audit identified:</p> <ul style="list-style-type: none"> • Five instances when fingerprint background check were not performed on Community First Choice (CFC) individual providers within the required timeframe. In all cases, the Department subsequently completed fingerprint background checks and found no disqualifying crimes. • One instance where a background check was not renewed after two years. Although this requirement is included in the Department policy, the State Plan does not require individual providers to complete background checks every two years to remain qualified. The State Plan only requires a state background check prior to contracting, and a federal background check, when required, within 120 days of being hired. <p>The Department agrees that two of the three Area Agency on Aging (AAA) proficiency improvement plans did not address how the AAA would correct a background check deficiency.</p> <p>To address the audit recommendations, the Department will continue to follow established internal controls to materially ensure CFC individual providers have timely background checks.</p> <p>As of June 2019, the Department revised its internal process for approving proficiency improvement plans to ensure accuracy and completeness.</p> <p>By August 2019, the Department will:</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$25,288	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>									
93.775	\$25,288									
93.777										
93.778										

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	056 (cont'd)	<ul style="list-style-type: none"> • Identify associated costs related to unallowable payments for personal care services. • Work with the U.S. Department of Health and Human Services to return questioned costs. <p>The conditions noted in this finding were previously reported in finding 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41, and 11-34.</p> <p>Completion Date: Estimated August 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												
2018	057	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were properly revalidated or screened, and fingerprint-based criminal background check requirements were met.</p> <p>Questioned Costs:</p> <table border="0" data-bbox="673 611 1096 735"> <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;">\$0</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 concurs with the finding.</p> <p>As of November 2017, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurred within the five-year requirement.</p> <p>As of September 2018, the Department completed screening of all nursing facilities.</p> <p>As of October 2018, the Department implemented an automated process to screen providers in the Agency Contracts Database (ACD). The new process includes a built-in system edit in the ACD that prevents a new or renewal of Medicaid contract to be approved or signed unless the screening process has been successfully completed in ACD.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Verify and document proof of identity and authorization to work in the U.S. from individual providers before revalidating providers' contracts. • Perform quality assurance monitoring and remediation activities to ensure compliance with contracting requirements. <p>By September 2019, the Department will complete a workload impact assessment and cost analysis for:</p> <ul style="list-style-type: none"> • Monitoring provider risk levels for risk level reassignment due to overpayments or Medicaid fraud referral. • Implementing a process to conduct fingerprint-based criminal background checks for high-risk providers to meet additional fingerprint requirements. <p>Once workload impact and cost analysis is complete, the Department will determine the best course of action to comply with screening and fingerprint requirements.</p> <p>Completion Date: Estimated September 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													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2018	057 (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												
2018	058	<p>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> <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;">\$1,985,968</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 the finding.</p> <p>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>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><u>Cost Reports and Timesheets</u></p> <p>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>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 and does not take into consideration that the rate assessment is based on a client's daily, weekly and annual needs for support services.</p> <p>Support services are evaluated and spread out over the entire year. The algorithm encompasses and factors in these support hours to determine the</p>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$1,985,968		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$1,985,968												
	93.777													
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	058 (cont'd)	<p>daily rate. The staffing plan is not intended to be a reflection of the daily hours provided, but rather a snapshot of the client's average assessed needs.</p> <p>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> <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><u>Categorization of Employees</u> Department policy states that for staff who perform both administrative/non-staff functions and ISS, the service provider may include that portion of the employee's hours that are dedicated to ISS function. The Department relies on the function of the position, rather than the title of the position.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> • Follow current policy and monitoring activities to ensure individual client assessed support needs are met. • Use statistical sampling method and risk assessment to select a sample of agencies to verify that ISS cost information submitted by providers is accurate. • Grant exceptions to the payment rates if needed. • Work with the ProviderOne payment system partners to address system edits to prevent duplicate claims <p>As of July 2019, the Department will issue overpayments for the duplicate payments.</p> <p>By December 2019, the Department will:</p> <ul style="list-style-type: none"> • Increase the sampling size for cost report reviews to cover approximately one quarter of the supported living agencies.

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	058 (cont'd)	<ul style="list-style-type: none"> • Consult with the federal grantor as to whether the questioned costs identified by the audit should be repaid. <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> • Offer training to providers on maintaining adequate documentation to support ISS expenses. • Review a targeted sample of provider records to evaluate and determine whether supporting documentation is adequate. • Complete desk audits of selected providers and work with the providers to resolve any payment discrepancies identified. <p>The conditions noted in this finding were previously reported in findings 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39.</p> <p>Completion Date: Estimated July 2020</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												
2018	059	<p>Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</p> <table border="0" data-bbox="483 583 1122 705"> <tr> <td data-bbox="483 583 613 611">Questioned</td> <td data-bbox="672 583 764 611"><u>CFDA #</u></td> <td data-bbox="1003 583 1096 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="483 611 553 638">Costs:</td> <td data-bbox="672 611 748 638">93.775</td> <td data-bbox="1003 611 1122 638">\$1,362,413</td> </tr> <tr> <td></td> <td data-bbox="672 638 748 665">93.777</td> <td></td> </tr> <tr> <td></td> <td data-bbox="672 665 748 693">93.778</td> <td></td> </tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>While the Department agrees that person-centered service plans must be signed by the Department, client, and provider, the Department does not agree that improper payments can be assigned when a person-centered service plan is not signed by an individual responsible for its implementation.</p> <p>The Centers for Medicare and Medicaid Services (CMS) had previously provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed service plan does not render a client ineligible for services and therefore should not result in an improper payment.</p> <p>In January 2018, the Department updated the quality assurance procedures in monitoring compliance for obtaining client signatures on service plans. The Division's Quality Assurance team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance.</p> <p>The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures.</p> <p>Based on CMS guidance, effective December 2018, the Department changed its regulations to no longer require the termination of services should a client not return a signed service plan within 60 days of the completion of assessment. Since the previous rule was in conflict with</p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.775	\$1,362,413		93.777			93.778	
Questioned	<u>CFDA #</u>	<u>Amount</u>												
Costs:	93.775	\$1,362,413												
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Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	059 (cont'd)	<p>federal guidance and has subsequently been revised, the Department disagrees with the auditor's determination that:</p> <ul style="list-style-type: none"> • Improper payments resulted from seven service plans that were not signed by the clients within 60 days. • Seven Department signatures and two provider signatures received after 60 days were audit exceptions. The 60-day time frame for the Department and providers was not required by either federal or state regulations. <p>By July 2019, the Department will:</p> <ul style="list-style-type: none"> • Revise its policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process. • Implement technical upgrades in the Comprehensive Assessment and Reporting Evaluation assessment tool to allow clients to sign their service plans via an electronic method. • Provide training and outreach efforts to field staff on the new requirement and the alternatives for obtaining client's signature on person-centered service plans. <p>By November 2019, the Department will complete targeted reviews to measure compliance and determine additional actions needed to increase proficiency rate with this requirement.</p> <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> • Consult with CMS to clarify if person-centered service plans that are missing signatures should result in unallowable payments, and if applicable, the associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid. <p>The conditions noted in this finding were previously reported in finding 2017-045.</p> <p>Completion Date: Estimated January 2020</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									
2018	060	<p>Finding:</p> <p>Questioned</p> <p>Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>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 service plans were properly approved.</p> <table border="0"> <tr> <td data-bbox="672 575 764 604"><u>CFDA #</u></td> <td data-bbox="1003 575 1096 604"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 606 748 636">93.775</td> <td data-bbox="1003 606 1122 636">\$1,089,551</td> </tr> <tr> <td data-bbox="672 638 748 667">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 669 748 699">93.778</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department partially concurs with the finding.</p> <p>The auditors expanded the audit scope in fiscal year 2018 to include a review of provider signatures on person-centered service plans, in addition to Department and client signatures, for compliance with federal requirements.</p> <p>While the Department agrees that it must comply with federal regulations regarding obtaining signatures on clients' person-centered service plans, the Department does not agree that improper payments can be assigned when a service plan is not signed by an individual responsible for its implementation.</p> <p>The Centers for Medicare and Medicaid Services (CMS) had provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed person-centered service plan does not render a client ineligible for services or a provider unqualified to provide services, and therefore should not result in an improper payment.</p> <p>The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures.</p> <p>Based on CMS guidance, effective December 2018, the Department changed its regulations for the Community First Choice Program to no longer require the termination of services should a client not return a signed person-centered service plan within 60 days of the completion of assessment.</p> <p>The Department has quality assurance processes in place to monitor compliance in obtaining client and Department signatures on person-centered service plans:</p>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,089,551	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$1,089,551										
93.777											
93.778											

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	060 (cont'd)	<ul style="list-style-type: none"> • The Administration’s Quality Compliance Coordination team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance. • Case Manager Supervisors perform monthly monitoring of all staff for compliance with signature requirements. <p>By October 2019, the Department will:</p> <ul style="list-style-type: none"> • Consult with CMS to determine if person-centered service plans that are missing signatures should result in an unallowable payment. If necessary, the Department will identify associated costs related to any unallowable payments. • Work with the U.S. Department of Health and Human Services to determine if any costs identified by the audit should be repaid. <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> • Update policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process. • Develop and implement a training specifically designed to provide support and guidance to staff in obtaining required signatures on service plans in alignment with CMS guidance. <p>By September 2020, the Department will enhance the quality assurance process to monitor compliance with the signatures requirement.</p> <p>The conditions noted in this finding were previously reported in finding 2017-046 and 2016-043.</p> <p>Completion Date: Estimated September 2020</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>

Military Department

Agency 245

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	061	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The 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> <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;">97.036</td> <td style="text-align: right;">\$0</td> </tr> </table> <p>Corrective action in progress</p> <p>In response to prior year’s finding, the Department has been working on implementing process changes as outlined in the corrective action plan.</p> <p>As of November 2018, the Department updated the existing subrecipient monitoring policy to clearly outline roles and responsibilities for divisions and grant programs.</p> <p>The Finance Division maintains the Department’s Audit Tracker system and is responsible for collecting audit data from subrecipients across the Department. As of March 2019, the Division has mostly completed documenting all relevant audits for subrecipients that received grant funds in 2017 and 2018.</p> <p>After all audit data has been collected, the Finance Division will:</p> <ul style="list-style-type: none"> • Verify all required audits occurred. • Ensure all subrecipient audit findings related to the program were followed up on. • Ensure management decision letters were issued promptly where necessary. • Continue to add new subrecipients to the Audit Tracker system as new grants are awarded in 2019 and beyond. • Monitor audit status in the system and follow up as required. <p>The program will continue to perform program monitoring activities. Upon receipt of an audit finding notification, the program performs an extensive review of the finding and issues management decision letters as needed.</p> <p>The conditions noted in this finding were previously reported in finding 2017-052.</p> <p>Estimated October 2019</p> <p>TJ Rajcevich Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 timothy.rajcevich@mil.wa.gov</p>	<u>CFDA #</u>	<u>Amount</u>	97.036	\$0
<u>CFDA #</u>	<u>Amount</u>						
97.036	\$0						

Department of Health

Agency 303

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	003	<p>Finding: 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> <p>Questioned Costs: <u>CFDA #</u> 10.557 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department partially concurs with the finding. 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:</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. • Began providing staff training on the risk assessment process through regular work group meetings and advisements from the Fiscal Monitoring Unit. <p>Completion Date: June 2018</p> <p>Agency Contact: Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 kristina.white@doh.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="672 583 764 611"><u>CFDA #</u></td> <td data-bbox="1003 583 1096 611"><u>Amount</u></td> </tr> <tr> <td data-bbox="672 615 748 642">17.225</td> <td data-bbox="1003 615 1036 642">\$0</td> </tr> </table> <p>Corrective action complete</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>As of July 2018, the results of the assurance engagement were finalized and reported to Department management.</p> <p>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="667 577 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>84.126</td> <td></td> <td>\$0</td> </tr> </table> <p>Corrective action complete</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 		<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>October 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>As of February 2019, the Department updated sections of the Vocational Rehabilitation Procedures Manual including IPE development and related requirements, which occurred in tandem with the implementation of a new case management system. The updated procedure manual reflects 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, which the auditors considered as resolved in fiscal year 2018.</p> <p>Completion Date: February 2019</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	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 complete</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>June 2019</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 Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	022	<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 report fraud affecting multiple federal programs to grantors.</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;">93.558</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="text-align: right;">93.575</td> <td></td> </tr> <tr> <td style="text-align: right;">93.596</td> <td></td> </tr> </table> <p>Corrective action in progress</p> <p>The Department concurs with the finding.</p> <p>As of July 2018, the Department reviewed guidance published by U.S. Department of Health and Human Services (HHS) on the requirement for self-disclosing instances of fraud affecting federal awards. The Department also sent a letter to HHS asking for, and subsequently received clarification on the report formats and definitions.</p> <p>As of June 2019, the Department convened a workgroup to develop and implement sufficient procedures to ensure the Department reports, in writing, instances of fraud affecting grand awards.</p> <p>By August 2019, the Department will develop and provide training to staff regarding federal fraud reporting requirements.</p> <p>Estimated August 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>	93.558	\$0	93.575		93.596	
<u>CFDA #</u>	<u>Amount</u>										
93.558	\$0										
93.575											
93.596											

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>The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.</p> <table border="0" data-bbox="665 514 1476 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 complete</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 State 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>The Authority has contacted CMS on two occasions to find out if the audit finding is closed. As of June 2019, the Authority has not received a confirmation.</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>		<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 Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	032 (cont'd)	Completion Date: June 2018 Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@hca.wa.gov

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status													
2017	035	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>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="667 548 1476 674"> <tr> <td></td> <td style="text-align: center;"><u>CFDA #</u></td> <td style="text-align: center;"><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td></td> <td style="text-align: right;">\$23,955,658</td> </tr> <tr> <td>93.777</td> <td></td> <td></td> </tr> <tr> <td>93.778</td> <td></td> <td></td> </tr> </table> <p>Corrective action complete</p> <p>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>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"> (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. (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"> • Removing the grouping configuration • Reviewing the current list of codes • Maintaining codes individually (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. 		<u>CFDA #</u>	<u>Amount</u>	93.775		\$23,955,658	93.777			93.778		
	<u>CFDA #</u>	<u>Amount</u>													
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: January 2019</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Keri.kelley@hca.wa.gov</p>

State Health Care Authority

Agency 107

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 complete</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>January 2018</p> <p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Keri.kelley@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	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 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;">\$1,945</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>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>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Keri.kelley@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><u>CFDA #</u></td> <td><u>Amount</u></td> </tr> <tr> <td>93.775</td> <td>\$4,268,059</td> </tr> <tr> <td>93.777</td> <td></td> </tr> <tr> <td>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 was originally hoping to have recoupments done by June 2019. However, due to issues related to claims from providers outside the recoupment window and client concerns over being billed for past services, the recovery process was temporarily put on hold.</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>Estimated September 2019</p> <p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@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>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@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 complete 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. March 2019 Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 keri.kelley@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	045	<p data-bbox="483 422 1464 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="483 737 963 768">Status: Corrective action complete</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 1356">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 1388 1458 1640">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 1671 1464 1818">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 1850 1032 1881">As of June 2018, the Department:</p> <ul data-bbox="699 1892 1464 1986" style="list-style-type: none"> • Issued a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging. 	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)	<ul style="list-style-type: none"> • Sent a letter to the CMS Regional Administrator asking if questioned costs, which were made to qualified providers, needed to be repaid. The Department has not received a response to-date. <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: June 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 complete</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>As of June 2018, questioned costs identified in the finding were repaid to the federal grantor.</p> <p>As of September 2018, the Department developed 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>	<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: 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: 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> <p>Questioned Costs:</p> <table border="0" data-bbox="487 577 1096 703"> <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;">\$98,399</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 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 that 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 exceptions regarding the missing national fingerprint background checks for the two providers. The providers in question had both applied in 2011, which was prior to Washington Administrative Code 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>In July 2018, the Department sent a letter to the Centers for Medicare and Medicaid Services (CMS) inquiring about the questioned costs.</p> <p>In November 2018, the Department held a telephone conference with CMS and the Healthcare Authority (HCA).</p> <p>As of June 2019, neither the Department nor HCA has received a response from CMS.</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													

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	048 (cont'd)	<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>Completion Date: Estimated December 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	050	<p>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> <p>Questioned Costs:</p> <table border="0" data-bbox="673 548 1096 674"> <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;">\$9,778</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 does not concur with the finding.</p> <p>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>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>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>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 Washington Administrative Code 388-114-0120 to address claims that exceed a provider’s work week limit.</p> <p>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>		<u>CFDA #</u>	<u>Amount</u>		93.775	\$9,778		93.777			93.778	
	<u>CFDA #</u>	<u>Amount</u>												
	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>In July 2018, the Department sent a letter to the Centers for Medicare and Medicaid Services (CMS) inquiring about the questioned costs.</p> <p>As of June 2019, the Department has not received a response from CMS.</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>Completion Date: Estimated December 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>

State Health Care Authority

Agency 107

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	033	Finding: Questioned Costs: Status: Corrective Action: Completion Date: Agency Contact:	The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals. <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;">\$358,754</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 has implemented additional internal controls in the annual rate setting process to: <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. As of May 2018, the Authority amended Washington Administrative Code (WAC) 182-550-3830 to eliminate the contradiction between it and WAC 182-550-3800. The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. Estimated December 2019 Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-9586 Keri.kelley@hca.wa.gov	<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	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"> <thead> <tr> <th data-bbox="672 548 764 575"><u>CFDA #</u></th> <th data-bbox="1003 548 1096 575"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="672 579 748 606">93.775</td> <td data-bbox="1003 579 1122 606">\$1,258,250</td> </tr> <tr> <td data-bbox="672 611 748 638">93.777</td> <td></td> </tr> <tr> <td data-bbox="672 642 748 669">93.778</td> <td></td> </tr> </tbody> </table> <p>Status: Corrective action complete</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 provider in question filed for bankruptcy in March 2019. The Department worked with OFR to follow the federal and state rules for financial recovery that pertains to bankruptcy proceedings, and submitted the required information received from the bankruptcy court for the amount owed.</p> <p>As of March 2019, the Department forwarded all court records to the U.S. Department of Health and Human Services.</p> <p>Completion Date: March 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>	<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"> <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>As of November 2018, the Department developed 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 November 2019, 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 November 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											

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 complete</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>November 2016</p> <p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 360-725-9586 Keri.kelley@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											

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 complete</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 considered resolved.</p> <p>Completion Date: July 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>