Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	002	Finding:	The Department of Social and Health Services improperly charged about $4.1 million to multiple federal grants.
		Corrective Action:	The Department concurs with this finding. As of March 2017, the Department's Economic Services Administration (ESA) implemented a procedure to add the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS), the state's accounting system. Accounting staff are required to include MOS in the processing of all agency payments from AFRS. The Department utilizes the MOS to perform monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. This process has helped ESA identify and ensure transactions not directly processed by the administration, such as payroll and benefits, are charged to the appropriate grant year. Prior to the start of the fiscal year 2017 audit, the Department identified approximately $22 million in expenditures charged to grants for activities that occurred before the start of the grant period. The Department had subsequently reversed $17.6 million of the improper charges. This information was disclosed to the auditors during their audit planning work. As of November 2017, the Department moved the timing of updating the Cost Allocation System to coincide with the commencement of the federal fiscal year. This change enables automatic charging of costs to the appropriate grant year through cost allocation for the applicable federal fiscal year. As of June 2018, the Department corrected the remaining $4.1 million of expenditures to the proper grant year using the journal voucher process. When the grantor contacts the Department regarding questioned costs, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-002, 2015-003, and 2014-022.
		Completion Date:	June 2018, subject to audit follow-up
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Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	004	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with public assistance cost allocation plan requirements.
		Corrective Action:	The Department concurs with the finding. During the previous audit, the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services, Region 10, Division of Cost Allocation (DCA) was in possession of the Department's fiscal year 2012, 2013, and 2014 cost allocation plans. While DCA was in possession of those three plans, they were working with the Department to ensure the 2012 plan was approved. The Department was provided verbal directions from DCA's negotiator to stop submitting plans until DCA finished approving the previous years' plans. Therefore, the Department stopped submitting new cost allocation plans. Subsequent to the prior year's finding, the Department received written directions from DCA to ensure cost allocation plans are submitted by June 30 of each year. The Department has since submitted the following three cost allocation plans to DCA: • Fiscal Year 2016 plan on February 28, 2017. • Fiscal Year 2017 plan on April 28, 2017. • Fiscal Year 2018 plan on June 30, 2017. The federal partners are actively working with the Department on approvals of the previously submitted plans. The conditions noted in this finding were previously reported in finding 2016-004.
		Completion Date:	June 2017, subject to audit follow-up
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Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	012	Finding:	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.
		Corrective Action:	Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department: • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for establishing timely individual plans of employment (IPEs) and meeting documentation requirements for IPE extensions. • Updated the customer service manual to reflect the requirements for extending IPE beyond the 90-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day IPEs development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. As of July 2017, the case management system was updated to require both the counselor and client's signatures upon completion of an IPE. As of March 2018, the Department: • Reviewed and enhanced reports from the case management system to monitor critical deadlines. • Established standard operating procedures for the IPE extension process and provided training to staff. As of June 2018, the Department enhanced the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of IPE establishment. As of September 2018, the Department developed training modules to include the review of management reports. The conditions noted in this finding were previously reported in finding 2016-011.
		Completion Date:	September 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	013	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure client eligibility determinations were accurate and made within a reasonable period of time for the Vocational Rehabilitation program.
		Corrective Action:	Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. Nonetheless, the Department already implemented the following corrective actions: As of May 2017, the Department: • Director of Vocational Rehabilitation issued a directive to staff to communicate the expectations for timely client eligibility determinations with accurate supporting documentation. • Updated the customer service manual to reflect the documentation requirement for extending eligibility determination beyond the 60-day timeframe. • Enhanced a web-based report that refreshes daily to include cases that are approaching or have exceeded the 60-day eligibility or the 90-day individual plans of employment (IPEs) development timeframe. This feature enabled more effective monitoring of the timeliness of IPEs completion. As of March 2018, the Department: • Reviewed and enhanced reports from the case management system to monitor critical deadlines. • Established standard operating procedures for requesting extension of eligibility, including the supervisory review process. As of June 2018, the Department enhanced the Supervisory Case Review Module in the case management system to strengthen internal controls in the review process of eligibility determination. As of September 2018, the Department developed training modules to include the review of management reports. The conditions noted in this finding were previously reported in finding 2016-012.
		Completion Date:	September 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	014	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.
		Corrective Action:	The Department concurs with the finding. Due to the timing of the prior year audit finding, the Department did not have sufficient time to implement all corrective actions prior to the start of the fiscal year 2017 audit. As of May 2017, the Department implemented the following corrective actions: • Issued an agency directive outlining the expectations for timely completion of individual plan for employment (IPEs) that are supported by proper required documentation. • Issued directive to field staff communicating the federal requirements that client employment services must be included on the IPE along with the counselor and client signatures. • Completed updates to the employee procedure manual to incorporate the new agency directives. • Conducted quarterly internal compliance reviews to ensure services were included in appropriately approved IPEs. • Generated reports from the Service Tracking and Reporting (STR) system that identify authorizations that were not on the client IPE prior to processing payments. Supervisors are required to review the identified authorizations, respond, and document any actions taken. • Monitored compliance reviews on the SharePoint site by forwarding a summary spreadsheet to each office queue that has authorizations to address. All Regional Administrator and fiscal compliance managers have access to the site and receive electronic notifications to each review request and response. As of January 2018, the Department: • Developed staff training to include system enhancements and required processes to assist staff in ensuring IPEs are complete and properly approved before services are paid for. • Contacted the U.S. Department of Education and received confirmation that the questioned costs were waived. As of October 2018, the Department: • Enhanced the existing ad hoc reports in the STR system to generate a report every other month to identify services purchased that are not included on the client plans for employment. • Reduced the response time for supervisors to document these detailed reviews from 30 days to 15 days.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	014 (cont'd)	The Department will submit required summaries of supervisor review and responses to Department management on a regular basis. Management will evaluate the need for possible system enhancements or policy revisions to fully correct the issues identified in the finding. The conditions noted in this finding were previously reported in finding 2016-013. Completion Date: October 2018, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	015	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to ensure only eligible expenditures were earmarked as pre-employment transition services.
		Corrective Action:	The Department concurs with the finding. As of September 2017, the Department developed standard operating procedures to provide guidance to staff on how to determine allowable use of earmarked funds. As of October 2017, the Department updated the programming in the case management system to ensure payments for pre-employment transition services from the earmarked funds are only made for eligible students. Two parameters were added before the system will allow the case worker to select payments under the earmarked category: • The client's date of birth must meet the criteria. • A specific field must be checked by the caseworker indicating client is a student. As of February 2018, the Department: • Developed standard operating procedures for identifying and correcting payment errors related to earmarked funds. • Contacted the U.S. Department of Education and received confirmation that the questioned costs were waived.
		Completion Date:	February 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	016	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
		Corrective Action:	The Department concurs with the finding. As of February 2018, the Department's Office of Indian Policy has established procedures to document the following information in the Agency Contracts database: • The yearly federal expenditures of each tribal entity. • Dates of completion for each tribal entity's single audits. As of March 2018, the Department's Behavioral Health Administration (BHA) maintains a master contract list for sending audit verification forms and ensures staff involved in the process of subrecipient monitoring work from the same master list. As of May 2018, BHA developed additional internal control procedures to supplement existing management bulletins and improve monitoring of subrecipients. This included: • Verifying subrecipients submit required audits. • Following up on all audit findings and issue management decisions promptly. • Requiring subrecipients to develop corrective action plans for audit findings, which will be tracked by the Department. The Department also accessed the Federal Audit Clearinghouse to review and determined that no other tribal audits contained findings that involved Department funds. The conditions noted in this finding were previously reported in findings 2016-014, 2015-016, and 2014-019.
		Completion Date:	May 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	017	Finding:	The Department of Social and Health Services did not have adequate internal controls over requirements to ensure payments to child care providers for the Temporary Assistance for Needy Families program were allowable.
		Corrective Action:	The Department partially concurs with the finding. The Department acknowledges that adequate attendance records are necessary in the reconciliation process to determine allowable payments. Department of Early Learning (DEL) is responsible for authorizing child care payments and its policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made. DEL is implementing an electronic attendance system and intends to require all providers to use it effective July 1, 2018. Due to timing of the prior audit, the Department did not have sufficient time to address all audit recommendations within the fiscal year 2017 audit period. Nonetheless, the Department continues to conduct post-payment reviews of cases where an improper payment appears likely to have occurred. For these cases, staff review the case specifics and perform verification to include requesting attendance records to determine if an overpayment has occurred. The review also determines if it is a provider or a client overpayment, the amount of the improper payment, and establishes an overpayment if appropriate. The Department has established a Process Review Panel (PRP) comprised of three experienced staff from the Department's Economic Services Administration. The PRP was tasked with reviewing and evaluating audit findings, exploring options and recommending appropriate corrective actions. As of February 2018, the Department: • Developed and implemented internal controls including third-party reviews based on recommendations from the PRP. • Explored pre-authorization reviews on high-risk and/or high-cost cases based on trend analysis conducted by the PRP. These controls will help improve accuracy in eligibility and authorization determinations, which will reduce the risk for improper billings from providers. To appropriately and effectively initiate and implement these substantial changes while minimizing impact to our clients, the Department will seek 25 additional full-time employees and necessary resources to staff the business-process redesign and support the information technology initiatives necessary to improve our internal controls. 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.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	017 (cont'd)	The conditions noted in this finding were previously reported in finding 2016-019. Completion Date: February 2018, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	018	Finding: The Department of Social and Health Services did not establish adequate internal controls over and did not comply with federal requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues. Corrective Action: The Department partially concurs with the audit finding. As of March 2017, the Department fully implemented new procedures to ensure Temporary Assistance for Needy Families (TANF) benefits are reduced or denied timely and accurately for participants who do not cooperate with child support requirements. The new procedures: • Increased the priority of noncooperation cases referred to the Community Services Division (CSD) to ensure documents are examined timely. • Implemented an automated process to identify currently closed cases that involve noncooperation, in the event the case is reopened. • Established a monitoring process to ensure all notifications of noncooperation received from prosecuting attorneys are entered into the case management system. By August 2018, the Division of Child Support Program Integrity Team will conduct an additional spot check audit to ensure all notifications are properly referred to CSD. The new procedures were implemented in March 2017 to address the prior year finding. The auditors did not identify any exceptions that occurred after March 2017 for the fiscal year 2017 audit period, validating the effectiveness of the new procedures. The Department will continue to follow the current process. The Department concurs that seven of the 11 clients identified in the finding received more benefits than they were eligible to receive. As of February 2018, the Department reviewed the exceptions identified and had established overpayments as appropriate. The Department does not concur with the questioned costs of $623 associated with one client identified in the finding, which would reduce the known question costs to $1,691. The Department found a procedural error occurred for this client, but the benefit amount received by the client during the audit period was found to be correct. For the remaining three clients in question, the Department: • Imposed sanctions on one client and the overpayment was already established appropriately for prior months. • Found procedural errors in the processing of two cases that did not result in any overpayments to the clients.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	018 (cont'd)	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. The conditions noted in this finding were previously reported in findings 2016-015 and 2015-018. Completion Date: February 2018, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	019	Finding: The Department of Social and Health Services did not have adequate internal controls in place over maintenance of effort requirements for the Temporary Assistance for Needy Families grant. Corrective Action: The Department partially concurs with the finding. In response to the prior year's finding, the Department spent significant time and effort updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant. The Department created a workgroup comprised of staff from the Department's Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis (RDA) Division. As of February 2017, the Department developed manuals that outline collaborative procedures among the three divisions in report preparation. However, due to timing of the audit, the corrective actions implemented by the Department were not included in the fiscal year 2017 audit period. As of April 2018, the Department: • Developed Memorandums of Understanding (MOUs) including projection of expenditures with all partnering sources prior to the start of the federal fiscal year. These MOUs gave the Department an opportunity to discuss current program operations, as well as allowable activities and expenditures with the partnering sources. During presentation of the MOUs, the Department reviewed partners' methodologies and record management protocols, and offered training and assistance when needed. Based on MOUs received, the Department projects that it will exceed the level of effort requirement. • Implemented a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and adequately supported. The Department will continue to host weekly workgroup meetings to review and update existing policies and procedures as necessary. The workgroup will also focus on improving the Department's ability to forecast and monitor the level of TANF MOE expenditures throughout the year. The Department's RDA division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. Refer to finding 2017-020 for details. The conditions noted in this finding were previously reported in findings 2016-017 and 2015-020.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	019 (cont'd)	Completion Date: April 2018, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	020	Finding:	The Department of Social and Health Services did not have adequate internal controls in place for ensuring the accuracy of submitted quarterly reports for the Temporary Assistance for Needy Families Grant.
		Corrective Action:	The Department partially concurs with this finding. The Department currently has the following processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF): • Maintains extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and how custom software uses this data to comply with reporting requirements. • Runs a quality assurance (QA) process to review codes and results for each report to identify potential fatal and warning edits. Supervisors review results to determine if warning edits require correction and to monitor any changes in trend that may indicate an issue in the process. • Disseminates summary data to multiple partners for review prior to submission of quarterly reports to ensure they are accurate and complete. • As of January 2017, implemented a quarterly QA process, which selects a random sample from the case level 199 TANF Data Report and 209 SSP-MOE Data Report and checks the case data against the source data systems for accuracy. Supervisors review a summary of the QA results to confirm the validity of the sampling method and results, and determine any necessary follow-up actions. • Documentation on the new QA process was submitted to the auditor on September 5, 2017, for review as part of the 2017 Single Audit. The Department is monitoring, reviewing, and testing coding changes. While no version control software is used, staff maintain systematic copies of all code versions using filename conventions, duplicating most of the functionality of version control software. Archived versions are used to identify potential problems. The Department is not aware of any audit standard that requires version control software to be used by entities audited under the federal single audit. To improve internal controls to ensure accurate and complete reporting, the Department's Research and Data Analysis Division will: • Continue to perform quarterly QA testing using statistical sampling and document supervisor review of the sampling results. • Continue to update the written policies and procedures for this complex reporting process. The conditions noted in this finding were previously reported in finding 2016-016.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	020 (cont'd)	Completion Date: Corrective action is expected to be complete by March 2019 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	021	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. Corrective Action: The Department partially concurs with the finding. In response to the prior year's finding, the Department spent significant time and effort on updating policies and procedures to address the previously identified weaknesses in reporting of the Temporary Assistance for Needy Families (TANF) grant. The Department created a workgroup comprised of staff from the Department's Division of Finance and Financial Recovery, Community Services Division, and Research & Data Analysis Division. As of February 2017, the Department: • Developed manuals that outline the collaborative procedures among the three divisions in report preparation. • Developed and adopted additional written procedures to strengthen internal controls to ensure federal reporting requirements are met. Due to timing of the audit, the corrective actions implemented by the Department were not included in the fiscal year 2017 audit period. As of April 2018, the Department: • Developed a quarterly reporting schedule to review source documentation submitted by other state agencies' activities and expenditures in addition to participating in weekly meetings. • Developed Memorandums of Understanding (MOUs) with other state agencies prior to the start of the federal fiscal year. These MOUs gave the Department an opportunity to discuss current program operations, as well as allowable activities and expenditures, with the partnering agencies. • Offered training and guidance to state agencies on expenditures and TANF maintenance of effort report preparation. • Retained all supporting documentation electronically and in field offices for review. The Department will continue to improve internal controls and ensure policies and procedures are sufficient. By January 2019, the Department will initiate discussions and seek appropriate guidance regarding establishing procedures and controls for verifying expenditures reported by other state agencies. The conditions noted in this finding were previously reported in findings 2016-018 and 2015-021.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	021 (cont'd)	Completion Date: Corrective action is expected to be complete by January 2019 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	022	Finding:	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors.
		Corrective Action:	The Department concurs with the finding. As of August 2018, the Department reviewed guidance published by U.S. Department of Health and Human Services on the requirement for self-disclosing instances of fraud affecting federal awards. By January 2019, the Department will convene a workgroup to develop and implement sufficient procedures to ensure the Department reports, in writing, instances of fraud affecting grand awards. By March 2019, the Department will develop and provide training to staff regarding federal fraud reporting requirements.
		Completion Date:	Corrective action is expected to be complete by March 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

Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	023	Finding:	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.
		Corrective Action:	The Department concurs with the finding. Department policy requires employees who do not spend 100 percent of their time on a specific grant to complete timesheets that are used for allocating payroll and benefits cost proportionately to the proper funding sources. In state fiscal year 2017, the Department changed the cost allocation methodology inadvertently charging payroll and benefits to the Child Support Enforcement Grant. Upon discovery, the Department immediately took action to make correction to the allocation methodology. As of December 2017, the Department updated procedures to reflect the correct allocation methodology and communicated the changes to staff. As of February 2018, journal vouchers were processed to correct the accounting transactions and resulting cost allocation for state fiscal year 2017. 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.
		Completion Date:	February 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	026	Finding: The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund. Corrective Action: The Department partially concurs with this finding. The Department has been working on implementing major changes to improve internal controls over determining client eligibility for the Child Care Development Fund (CCDF) grant. Due to the timing of the prior audit, the Department did not have sufficient time to implement all corrective actions during the 2017 fiscal year audit. The Department thoroughly reviewed each of the 2017 audit exceptions which were grouped into three categories, and has the following comments: (1) Improper eligibility determinations The Department did not fully comply with eligibility determination requirements in 17 cases selected for audit testing. However: • Eight cases resulted from minor procedural errors that had no effect on the eligibility of the cases and the associated payments. • Seven cases resulted from benefit calculation errors that had no effect on eligibility determination. In those cases, a partial payment error occurred due to incorrect copayment or amount of care authorized. The Department will establish overpayments. • Two cases were the result of clients fraudulently reporting household composition at the time of application. The Department appropriately requested fraud investigators verify household composition, closed the cases, and established overpayments. (2) Inadequate supervisory reviews The Department partially concurs with this condition as described in the finding. Child care program policy, as established and maintained by the Department of Early Learning (DEL), does not require secondary review or approval when determining eligibility and authorizing benefits and payment. Nonetheless, the Department continues to employ the following internal controls to ensure child care subsidy payment authorizations are made correctly: • Supervisory review is required for payment requests that exceed certain parameters to determine eligibility and necessity. If approved, the payment with the authorization will be submitted to the Social Service Payment System. • As of July 2017, the Department added a monthly report which identifies authorizations that appear to be missing the required approvals. Administrative staff review the exceptions on this report to ensure payments are proper. This report has not only

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	026 (cont'd)	helped in quality management efforts, it has also confirmed that the majority of the cases have been processed appropriately. • For authorizations for high cost special needs rates, the request and supporting documentation are reviewed by a panel of staff from the Department and DEL before payments are made. • One percent of the child care caseloads are reviewed monthly. In addition, new staff have 100 percent of their work audited by lead workers, either pre or post-authorization, until they achieve proficiency. (3) Verification of state median income level The Department does not concur with the condition as described in the finding. In September 2016, U.S. Department of Health and Human Services, Children and Families Administration adopted 81 FR 67438 regarding 45CFR 98.21which states in part: *"Some Lead Agencies currently use "look back" and recoupment policies as part of eligibility re-determinations. These review a family's eligibility for the prior eligibility period to see if the family was ineligible during any portion of that time and recoup benefits for any period where the family had been ineligible. However, there is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud. We strongly discourage such policies as they may impose a financial burden on low income families that is counter to CCDF's long-term goal of promoting family economic stability. The Act affirmatively states an eligible child will be considered to meet all eligibility requirements for a minimum of 12 months regardless of increases in income (as long as income remains at or below 85 percent of SMI) or temporary changes in parental employment or participation in education and training. Therefore, there are very limited circumstances in which a child would not be considered eligible after an initial eligibility determination. We encourage Lead Agencies instead to focus program integrity efforts on the largest areas of risk to the program, which tend to be intentional violations and fraud involving multiple parties."* To align with federal intent, DEL is planning to adopt rules regarding temporary income level increases. In response to the prior audit finding, the Department has implemented actions to ensure authorizations for child care are adequately supported with verified documentation based on DEL policy and procedures and the CCDF state plan. Specifically, the Department: • Finalized the verification desk aid and posted it to the Desk Aid SharePoint site.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	026 (cont'd)	• Reviewed, updated, and delivered systems navigation training for child care staff on the use of the Automated Client Eligibility System (ACES), Support Enforcement Management System (SEMS), and Electronics Jobs Automated System (eJAS) to confirm household composition and other eligibility criteria. • Automated the process for school-aged children in licensed care to have their authorization increased for July and August. The authorization will automatically revert to prior authorization at the start of a school year. • Adjusted the level of authorized care to 115 hours year-round for school-aged children in license-exempt family, friend, and neighbor care when the parent(s) are working 110 or more hours per month. To pay for additional hours of care needed by the school-aged child during school breaks or holidays, the provider can claim contingency hours on their invoice including summer months, with a maximum total of 230 hours during summer months. As of August 2016, DEL updated the state plan to clarify verification requirements concerning work schedules and new employment to support more family-friendly approaches. In addition, the Department has been collaborating with DEL to update policies and procedures, and make system enhancements: • As of December 2017, revised the applicable Washington Administrative Code (WAC) to allow more flexibility when calculating and verifying household income by removing the requirement that clients provide three months of wage information. • Revised applicable WAC to standardize authorization amounts for families across all provider types, including: o Parents participating in approved activities full-time and part-time, o Traditional, non-traditional, and variable working schedules, o School age and non-school age children. • Implemented system changes to minimize the risk of inaccurate reporting of household composition which can potentially lead to incorrect eligibility determinations and overpayments. Staff can now identify discrepancies in household composition reported by clients between the Child Care Subsidy Program and other programs within the Department. As of March 2018, the Department: • Confirmed the exceptions identified by the auditors and established necessary overpayments. • Requires clients to attest single parent status under penalty of perjury. • Requires clients to supply third party verification when household composition cannot be verified by reviewing Department records and systems.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	026 (cont'd)	• Implemented a child care process review panel by the Division of Program Integrity child care quality team. This system is based on the highly successful and established model currently in use by another federal program. The Department expects the review program will result in the same rigor and attention to eligibility determinations for child care subsidies. It will also identify cases with a high risk for errors, and enable the Department to make informed decisions regarding pre-authorization reviews. As of April 2018, the Department: • Ensured the language for the updated WAC is in place, and finalized the related handbook changes and staff training. • Communicated expectations to staff regarding the training requirements. • Added seven of the 25 requested full-time employees to assist with staffing the business-process redesign and support the information technology initiatives needed to improve internal controls. As of July 2018, the Department implemented a lead staff review of eligibility determinations that are not assigned through the automated workload assignment system. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previously reported in findings 2016-023, 2015-026, 2014-026, 2013-017, and 12-30. Completion Date: Corrective action is expected to be complete by July 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	028	Finding:	The Department of Social and Health Services improperly charged $1,544 to the federal foster care grant.
		Corrective Action:	The Department concurs with the finding. To address the audit recommendations, the Department has: • Strengthened the review process to ensure services are authorized prior to making payments. A provider is not allowed to provide service until an approved status referral is in place. • Communicated with accounting field staff to emphasize the requirement of reviewing proper documentation when making invoice payments to vendors. Providers have also been informed of this internal procedure. The Department will work with the grantor to discuss any necessary repayment of the known questioned costs.
		Completion Date:	July 2018, subject to audit follow up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	029	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with payment rate setting and application requirements for the Foster Care program.
		Corrective Action:	The Department concurs with the finding. During the 2017 fiscal year audit, the Department did not have a policy defining the frequency of a periodic review of foster care payment rates. As of February 2018, the Department updated its Operations Policy Manual specifying the methodology and review frequency of the basic maintenance payment rates. The reviews will occur every four years beginning in 2019. If an increase is necessary, the Department will submit a decision package for additional funding. The Department has also: • Amended the Title IV-E Plan and submitted to the U.S. Department of Health and Human Services (HHS) Administration of Children and Families. • Clarified policy that when a child is placed with a family residing and licensed in another state, the current rate of the applicable state will be paid. 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. The conditions noted in this finding were previously reported in finding 2016-024, 2015-028, and 2014-027.
		Completion Date:	February 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	030	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.
		Corrective Action:	Due to timing of the completion of the prior audit, the Department did not have sufficient time to make the required changes to the Agency Financial Reporting System, the state's accounting system, before the fiscal year 2017 audit period closed. As of October 2017, the Department: • Established new coding structure in the case management system, FAMLINK, to track state-funded spending. • Implemented written procedures on how to: o Reconcile the fiscal year maintenance of effort (MOE) amount to the amount reported by the Department. o Maintain adequate documentation to support the MOE calculations and that expenditures are used only for allowable purposes. As of January 2018, the Department developed written policies and procedures specifying how the adoption assistance savings amount will be determined. To ensure amounts reported to the federal grantor are accurate, financial information is extracted from FAMLINK to the Children's Administration Adoption Savings Calculation and Reporting Workbook. The amounts will be reviewed and certified before reporting to the grantor. As of February 2018, the Department sent the newly developed policies and procedures documenting implemented internal controls to the Administration of Children and Families for review. The conditions noted in this finding were previously reported in finding 2016-026.
		Completion Date:	February 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	042	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid intermediate care facilities.
		Corrective Action:	The Department concurs with the finding. The Department has an established log to track the receipt of Plans of Correction (POCs). However, the tracking log indicated a 10-working day review period instead of five working days as specified in the Department's policies and procedures. As of January 2018, the Department: • Communicated to staff about the requirement of reviewing POCs within five working days after receipt. • Corrected the tracking log to specify a five-working day review requirement. The Department agrees a facility was non-compliant with a condition of participation and did not submit a POC. Prior to the audit finding, the Department's Intermediate Care Facilities for Individual with Intellectual Disabilities unit was operating with the understanding a POC was not required for condition level citations. Therefore, the Department's initial correspondence to the facility requested a Letter of Credible Allegation of Compliance (LCAC) and made the POC optional. As of December 2017, the Department: • Developed standard operating procedures for the review and approval process of POCs, including the requirement of a POC for all condition level non-compliances. • Ensured facilities that are non-compliant with conditions of participation submit POCs in addition to the LCAC. This requirement will be included in the correspondence sent with the Statement of Deficiencies. • Sent official communication to facilities by the Policy Manager to inform them of the change in requirement. As of January 2018, the Department: • Conducted a revisit survey to the out-of-compliance facility and found it did not meet some of the standard level regulations but determined it complied with the conditions of participation. The Department has since requested a POC from the facility for the issues identified. The Department has kept the Center for Medicare and Medicaid Services informed and has not received any notification to revoke the certification of this facility. • Revised the correspondence to facilities to clearly state the requirement of a POC when deficiencies are identified in surveys. • Communicated the updated requirement to all staff.

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2017 F	042 (cont'd)	The conditions noted in this finding were previously reported in findings 2016-037, 2015-045, and 2014-046. Completion Date: January 2018, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	043	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure compliance with survey requirements for Medicaid nursing home facilities.
		Corrective Action:	The Department concurs with the finding. As of April 2017, the Department implemented the federal electronic tracking application, called the Electronic Plan of Correction (ePOC), which enables the Department to monitor compliance more effectively. The system can electronically track and date-stamp the following: • Completion of Survey • Distribution of Statements of Deficiency (SOD) • Receipt of Plans of Corrections (POCs) from providers • Review of POCs by the Department • Approval of POCs by the Department By eliminating the mailing process through certified mail, the new system ensures nursing homes receive their SODs within 10 working days. The ePOC sends emails to provider staff regarding tracking updates. As of February 2018, the regional administrators and field managers conduct weekly meetings to identify SODs nearing the 10-day distribution requirement and POCs nearing their 5-day review requirement. The weekly communication also allows field managers to assess workload and inform regional administrators if any additional support is needed to meet requirements for distributions and reviews. The conditions noted in this finding were previous reported in findings 2016-036, 2015-044, and 2014-046.
		Completion Date:	February 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	044	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.
		Corrective Action:	The Department does not concur with the finding. 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. 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. *Cost Reports* 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 support that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client. The direct hours reported in the cost reports do 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. 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 the cost reports. The Department will take the following actions: • By January 2019, provide training to providers to reinforce the requirement of maintaining adequate documentation to support ISS hours. • The Rate Unit will continue to: o Review a targeted sample of provider records to evaluate whether supporting documentation is adequate.

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Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	044 (cont'd)	o Complete desk audits throughout the year and work with providers when discrepancies are identified on payment rates or amounts. • Continue to perform review of provider payments using sampling procedures to verify accuracy of information submitted by providers and request additional supporting documents as needed. • Continue to improve monitoring protocol by establishing consistent activities for monitoring providers to ensure they comply with cost report instructions. *Settlements* 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: • 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. 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. It is the Department's priority to ensure individual client assessed support needs are met, and the Department will continue to use its authority to consider provider circumstances, as necessary, when calculating appropriate settlement amounts. Current policy and monitoring activities will remain in place to ensure individual client assessed support needs are met. *Cost of Care Adjustments* By December 2018, the Department will provide training to reviewers of Cost of Care Adjustment requests to ensure they follow Department policies and procedures. *Duplicate Payments* By December 2018, the Department will work with the Health Care Authority to review the duplicate payments identified in this audit. If duplicate payments are confirmed, overpayments will be processed. By June 2019, the Department will consult with the U.S. Department of Health and Human Services regarding whether the questioned costs identified by the audit should be repaid.

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2017 F	044 (cont'd)	The conditions noted in this finding were previously reported in finding 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2014-043, 2013-036, 2013-038, and 12-39. Inadequate internal controls over cost reports was not reported as a condition in any of the previously stated findings. Completion Date: Corrective action is expected to be complete by 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

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	045	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.
		Corrective Action:	The Department does not concur with this finding. 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. However, a signed person-centered service plan is not necessary nor required by the 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. 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. As of January 2018, the Department provided training to staff on the applicability of the federal regulations relating to signature requirements on person-centered 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. As of June 2018, the Department issued a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.
		Completion Date:	June 2018, subject to audit follow-up

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2017 F	045 (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

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	046	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.
		Corrective Action:	The Department does not concur with this finding. 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. However, a signed person-centered service plan is not necessary nor required by 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 that 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. 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. As of January 2018, the Department provided training to staff on the applicability of the federal regulations relating to signature requirement on person-centered 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. As of July 2018, the Department initiated a monthly monitoring process to track and monitor efforts to obtain signed service plans. Supervisors and the Department's Quality Compliance Coordinators will monitor to ensure compliance with federal and state requirements. The Department will continue to provide staff training on procedures to obtain client signatures on service plans, including the requirement of a witness' signature when a client is unable to sign. The Department will work with the federal grantor to determine if any questioned costs are required to be repaid. The conditions noted in this finding were previously reported in finding 2016-043.

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2017 F	046 (cont'd)	Completion Date: Corrective action is expected to be complete by November 2018 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	047	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.
		Corrective Action:	The Department partially concurs with this finding. 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. 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. 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. The Department and the Health Care Authority have been engaging in a continuous process improvement, which includes: • 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. 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. 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.
		Completion Date:	September 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	048	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.
		Corrective Action:	The Department partially concurs with this finding. The Department agrees that one background check was not renewed timely. As of November 2017, the Department implemented an internal reporting tool which alerts staff to send a reminder notice to a provider when the current background check of an employee is expiring in 60 days. If the provider does not complete the background check by the required due date, a complaint investigation will be initiated. The Department does not concur with the two exceptions regarding the missing national fingerprint background check for the two providers. The providers in question had both applied in 2011, which was prior to WAC 388-76-10165 becoming effective and requiring a fingerprint check. 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. 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. As of October 2018, the Department consulted with the U.S. Department of Health and Human Services regarding disagreement with the questioned costs and is currently awaiting a formal response. The conditions noted in this finding were previous reported in findings 2016-044, 2015-051, 2014-048, and 2013-037.
		Completion Date:	Corrective action is expected to be complete by January 2019
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	049	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration did not ensure all Medicaid Community First Choice individual providers had proper fingerprint background checks.
		Corrective Action:	The Department concurs with this finding. For the one individual provider that did not complete a fingerprint background check as state law requires, the Department terminated the provider effective March 2018. The Department will continue to follow established internal controls to materially ensure Community First Choice individual providers have proper background checks. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. The conditions noted in this finding were previous reported in findings 2016-040 and 2015-040, 2014-049, 2013-040, 12-41, and 11-34.
		Completion Date:	March 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	050	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.
		Corrective Action:	The Department does not concur with the finding. 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. 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. The Department's process complied with the 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. The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. However, the Department does follow the post-payment procedure outlined in WAC 388-114-0120 to address claims that exceed a provider's work week limit. 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. 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.

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2017	050 (cont'd)	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. 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. The Department will continue to: • Follow procedures to identify providers who have excess claims over the work week limit. • Issue necessary contract actions according to Department policy. If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action. Completion Date: April 2018, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
2017 F	051	Finding:	The Department of Social and Health Services charged payroll costs to the Disability Insurance/SSI Cluster that were not adequately supported.
		Corrective Action:	The Department concurs with the finding. The Department acknowledges that payroll certifications for the period from October 2016 to March 2017 were not submitted in a timely manner as required by Department administrative policy. As of October 2017, the Department: • Obtained the required certifications for the employees identified in the audit exceptions. • Reviewed the certifications and reconciled to the actual costs incurred to ensure that all the positions were charged accurately to the applicable federal programs. The Department also enhanced the monitoring process to ensure compliance. As of November 2017, the fiscal manager created recurring calendar reminders of the semi-annual certification due dates for the fiscal unit and supervisor. The review conducted by the Department showed that the $557,743 questioned costs were indeed allowable, and therefore no adjusting entries were required. The Department will work with the U.S. Social Security Admininstration if they contact the Department regarding the repayment of questioned costs.
		Completion Date:	November 2017, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Status	
1021987	2017-001	Finding:	The Department of Social and Health Services was unable to ensure payments made to a vendor were properly accounted for and adequately supported.
		Corrective Action:	The Department partially concurs with the finding. As acknowledged by the auditor, the Department has been monitoring the contract and communicating regularly with the vendor and its parent corporation. Prior to the start of the audit work, multiple attempts were made to resolve the issues. The Department does not agree with the auditor's conclusion that $987,088 of the overpayment to the vendor was for calendar year (CY) 2017. The vendor provided the Department with a reconciliation covering from April 2016 through the first quarter of 2018. However, the auditor only verified the information for CY2017. The amount of overpayment calculated by the auditor included only the CY2017 portion of the Federal Insurance Contributions Act (FICA) refunds. Based on the reconciliation period from April 2016 through the first quarter of 2018, the auditor did not consider the payments paid by the vendor in CY2016 and funding the Department provided in CY2018 when calculating the net FICA refund due for the period spanning three calendar years. By excluding the payments made by the vendor in CY2016 and funding the Department provided in January 2018, the net FICA refunds were overstated. As a result, the amount of overpayment reported in the finding was inflated. The Department agrees it has been unable to obtain adequate payment reconciliations from the vendor and has taken the following actions: • Initiated processes to obtain information directly from the taxing entities and trusts to verify payments. • Requested monthly bank statements and copies of quarterly reconciliations from the vendor to perform its own reconciliation. As of June 2018, the Department received $847,591 from the vendor for the overpaid employer portion of the FICA refunds for CY2016 to CY2018. In July 2018, the Department began meeting with the vendor on a regular basis to continue the reconciliation process and resolve the remaining FICA refund discrepancies; which they expect to complete by December 2018. The vendor is also taking actions to improve their accounting and reporting processes: • Drafting policies and procedures for FICA refunds and return of uncashed checks.

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Audit Report	Finding Number	Finding and Corrective Action Status
1021987	2017-001 (cont'd)	• Developing an automated financial reconciliation report, which is expected to be completed by April 2019. By December 2018, the Department will: • Implement an IPOne system process to administer overpayment adjustments. • Work with the vendor to ensure all state unemployment tax returns are filed and payments are made for the CY2017 unemployment taxes. By April 2019, the Department will develop a process with the vendor to refund the uncashed checks to the Department and return to the federal grantor any portion of the uncashed checks that need to be repaid. The Department will continue to work with the vendor to complete reconciliation of all payments made to the vendor and monitor the contract to ensure all obligations are met. Completion Date: Corrective action is expected to be complete by 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 Social and Health Services **Agency 300**

Audit Report	Finding Number	Finding and Corrective Action Status
1021987	2017-002	Finding: The Department of Social and Health Services did not have adequate internal controls to ensure backgrounds checks were performed and documented in accordance with Department policy. Corrective Action: The Department does not concur with this finding. The Department has established adequate internal controls to ensure background checks are completed timely and that applicant's character, competence and suitability (CCS) assessments are properly documented. The Department is concerned that this finding inaccurately portrayed its current established process, specifically: • One employee whose subsequent background check was performed seven months late. o The Department conducted the initial background check of this employee timely with no record found. This one instance of late background check renewal should be viewed in the context in which eight background checks were performed on the employee within 15 years with no issues. • 23 instances when the CCS assessment was not documented to show why the staff or volunteers were approved to work with youths. o Department staff informed the auditors that prior to the administrative policy that was effective for calendar year 2011, it was the normal practice for the Superintendent or Community Facility Administrator (CFA) to conduct a verbal CCS assessment about any crimes committed. If a decision was made to hire an applicant after the verbal assessment, the record letter with the date and signature of the Superintendent or the CFA would be retained on file to show an assessment was performed. This verbal assessment process continued through December 2016. Since January 2017, CCS assessment forms are used for all employees with a criminal offense. It has been the Department's policy that as long as it is not a disqualifying crime, employees with records are allowed to be employed. The Department will continue to use the CCS assessment forms for all employees with a criminal offense. The Department will also continue to ensure background checks are performed and documented in accordance with its policy. 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

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
1021987	2017-003	Finding:	The Department of Social and Health Services Developmental Disabilities Administration did not have adequate internal controls to ensure residential allowance requests were allowable and supported.
		Corrective Action:	The Department partially concurs with this finding. The Department did not agree that the eight reimbursement payments the auditors identified as missing documentation were not adequately supported. It is the Department's position that they were fully reviewed and appropriately approved, and that the payments were essential to meet client needs. For the other two reimbursement payments that were found unallowable, one was later confirmed to be for an allowable expense. The other payment was found to have a miscalculation which led to a higher reimbursement than the client needed. The $140 overpayment will be deducted from subsequent reimbursement requests. For the ten payments included in the finding, the Department determined that no further action is required. As stated in the fiscal year 2015 corrective action plan, the Department planned to develop training for providers. Since then, training has been provided at the quarterly regional providers meetings and was made available to all providers and department staff throughout 2016. Supported living providers also received agency-specific training when requested. To strengthen internal controls in the processing of residential allowance requests, the Department has taken the following corrective actions: • As of July 2017, the Department updated its policies on residential allowance requests. • As of July 2018, the Residential Allowance Request form, instructions and process were reviewed, updated and distributed to supported living providers. The Department will continue to evaluate the adequacy of the request forms and determine if revisions are needed. Furthermore, the Department will continue to offer relevant training to supported living agencies.
		Completion Date:	July 2018, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
1021987	2017-004	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure overtime at Green Hill School was properly authorized and supported.
		Corrective Action:	The Department does not concur with this finding. The Department has an established process to manage overtime at Green Hill School: • Overtime requests during business hours are approved by three Associate Superintendents at the school who are responsible for their own respective unit. • If overtime is needed after business hours, unit staff call the security office located at the school and speak to the Administrative Officer of the Day (AOD), who is the designee to approve overtime during non-business hours. All communication and correspondence related to these overtime requests, including approvals, are entered in the AOD log. The AOD performs the following procedures prior to approving any overtime: • Contacts other units to find out if they may have available staff who could fill in, therefore avoiding overtime charges. • Contacts on-call employees to find out if they can report to work, therefore avoiding overtime charges. • Approves overtime requests if the first two options are not available. • Records the approval in the AOD log book. Entries from the log are reviewed every Monday. After overtime approvals, additional requirements are in place to provide supporting documentation for overtime worked: • All approved overtime are required to be entered into the agency's timesheet system (Leave Tracker). • If an employee has reported over 40 hours worked for the week in Leave Tracker, the supervisor is required to reconcile the employee's timesheet with the unit's log book where the overtime occurred to confirm the employee was onsite. • Once the overtime work is verified, the employee's timesheet is approved. All overtime performed can be found in the AOD logs or on individual employee timesheets. The Department believes the current process in place is sufficient to ensure all overtime worked is properly approved and adequately documented.
		Completion Date:	Not applicable

Department of Social and Health Services **Agency 300**

Audit Report	Finding Number	Finding and Corrective Action Status	
1021987	2017-004 (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