

State of Washington
 Status of Audit Resolution
 December 2019

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	033	<p>Finding: 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> <p>Corrective Action: 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 has:</p> <ul style="list-style-type: none"> • Implemented preventative internal controls over allowable retroactive adjustments to ensure payroll charges are properly documented. • Continued 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>Completion Date: September 2019, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	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>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:</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 December 2019, the Department expects all existing FFN providers to complete the transition to the PBC process. • As of November 2018, implemented a process that allows subsidy auditors to provide technical assistance to providers who had been using incorrect billing practices. With the implementation of the new program violation rules in July 2019, providers with repeat violations are now excluded from receiving child care subsidy payment.

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2018 F	034 (cont'd)	<ul style="list-style-type: none"> • 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. • As of November 2019: <ul style="list-style-type: none"> ○ FFN providers are required to use the Department’s system or an approved third party system for tracking attendance. ○ The billing guides were updated to help providers understand billing rules, authorization and the billing process. <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • Update training curriculum, and require all licensed homes and FFN providers to complete training prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union. • 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> <p>Completion Date: Corrective action is expected to be complete by June 2021</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	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>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, and 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. • Enhanced reports generated from WA COMPASS for tracking and monitoring the due dates of health and safety rechecks. <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 Department of Social and Health Services (DSHS) to create an authorization. By December 2019, the Department expects all existing FFN providers to complete the transition to the PBC process.</p> <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. 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>The Department has been preparing for the implementation of a revised WAC on Family Home and Child Care Center in response to the demands of the legislature and the needs of the provider community.</p>

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