

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	018	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure the Coronavirus Relief Fund was used for allowable purposes and payments fell within the period of performance.</p> <p>In response to the COVID-19 pandemic, the Department’s Cost Allocation and Grants Unit was under resourced as a result of the Governor’s mandatory stay-home executive order, hiring freezes and staff furloughs. The applications that providers must fill out to apply for the Coronavirus Relief Fund (CRF) grants included the requirement for providers to keep all receipts and spending documentation, and submit to the Department upon request. Due to insufficient staff resources, there was not an established process to request supporting documentation from providers at the time of the audit.</p> <p>In October 2020, the Department received the request from the Legislature and the Office of the Financial Management to transfer expenditures previously paid to child care providers and other goods and services expenditures to the CRF. The Department processed an accounting adjustment, but did not have adequate time or resources to identify the detailed expenditures for this adjustment while performing year-end reconciliation and closing entries for fiscal year 2020.</p> <p>In response to the audit issues, the Department reversed the October 2020 accounting journal voucher adjustment totaling \$40.6 million. Additionally, the Department will review fiscal year 2020 expenditures to ensure charges to the CRF are allowable.</p> <p>Corrective action is expected to be complete by February 2022</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	036	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.</p> <p>The Department concurs with the finding.</p> <p>The Department continues to strengthen internal controls over processing changes to the cost allocation bases in the state accounting system, and has:</p> <ul style="list-style-type: none"> • Implemented processes for additional approval authorities to ensure cost allocation base workbooks are adequately reviewed and approved by management. • Established a workflow for segregating duties to strengthen internal controls over processing cost allocation base workbooks. <p>The conditions noted in this finding were previously reported in finding 2019-045.</p> <p>October 2020, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	037	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll changes paid by the Child Care and Development Fund cluster were allowable and properly supported.</p> <p>In response to the Covid-19 pandemic, the Washington State Governor issued directives to implement the Stay Home, Stay Healthy Order, hiring freezes, and staff furloughs. As a result, resources for the cost allocation and grants unit were prioritized to the most vital areas of managing the pandemic responses and funding-related tasks.</p> <p>The Department agrees that payroll certifications were not completed timely during the audit period but maintains that the charges to the grant were allowable.</p> <p>The Department has:</p> <ul style="list-style-type: none"> • Completed fiscal year 2020 payroll certifications for January 2020 through June 2020. • Researched the six employees not included on the payroll certifications. • Communicated and provided back-up documentation to the grantor to determine whether the questioned costs identified in the audit should be repaid. <p>The conditions noted in this finding were previously reported in findings 2019-036 and 2018-033.</p> <p>November 2021, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	038	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Child Care and Development Fund Cluster programs were allowable and properly supported.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The Department concurs that 39 out of the 40 payments identified as audit exceptions were partially or fully unallowable due to lack of adequate support, incorrect billing hours, missing signatures, and overtime and field trip fee billing rules. The Department will establish overpayments where appropriate and refer the overpayments to the Department’s Office of Financial Recovery for collection.</p> <p>The Department does not concur with the audit exception and questioned costs of \$1,250 related to a provider not having attendance records during a month covered by enrollment-based pay during the COVID-19 pandemic. During this time period, the Department passed emergency rules and updated the CCDF State Plan to allow provider billings based on enrollment without the requirement to submit attendance records to support the billings. These emergency rules covered the period from March 16, 2020 through August 31, 2020.</p> <p>In response to prior audit findings, the Department implemented an electronic attendance system that:</p> <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. • Generates reports that allows the Department to conduct focused audits beginning in April 2019. New and enhanced reports will also be developed by February 2022. <p>The Department has begun disqualifying providers convicted of fraud from receiving subsidy payments and subsidy benefits. In addition, the Department:</p> <ul style="list-style-type: none"> • Implemented a system of monthly units in July 2021 for licensed family homes to simplify provider billing process. • Received clarification from the federal grantor that will allow for automated rate changes for future rate change implementations. • Updated training curriculum and required all licensed homes and family, friend and neighbor providers to complete training as part of the 2021-2023 agreement with the Service Employees International Union (SEIU).

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	038 (cont'd)	<ul style="list-style-type: none"> • Established overpayments for substantiated audit exceptions related to questioned costs. <p>The Department will develop monitoring reports and system enhancements to verify:</p> <ul style="list-style-type: none"> • Providers are using an approved electronic attendance system after three months of authorized payments. Providers not meeting the requirement will be excluded from receiving child care subsidy until they meet compliance. • Providers are collecting all required attendance documentation in their electronic attendance system. The Department’s quality assurance staff will provide technical assistance to providers to resolve attendance record errors. <p>The Department continues to strengthen internal controls over payments to child care providers. The Department established program violation rules in WAC 110-15-0277, but its implementation was halted due to the demand to bargain with SEIU. Upon conclusion of the bargaining, the Department will:</p> <ul style="list-style-type: none"> • Issue provider program violation notices. • Exclude providers from receiving child care subsidy who have four or more program violations. <p>The Department is consulting with the regional office of the U.S. Department of Health and Human Services on the audit findings received. The audit resolution process includes conducting a case-by-case review and providing additional documentation to the grantor’s audit resolution team for consideration.</p> <p>The conditions noted in this finding were previously reported in findings 2019-035, 2018-034, 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 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	039	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.</p> <p>Corrective Action: The time period between the completion of fiscal year 2019 audit and the start of the fiscal year 2020 audit, Washington State was under a statewide lockdown in response to the COVID-19 pandemic. There were significant restrictions imposed, which required numerous emergency rules and subsequent policy and procedure changes to adjust to the impacts on clients and providers. The corrective actions outlined in prior year’s corrective action plan were stalled.</p> <p>In response to the current finding, the Department has obtained the necessary documentation to establish overpayments where appropriate and referred them to the Office of Financial Recovery for collection.</p> <p>The Department is consulting with the regional office of the Department of Health and Human Services on the audit findings received and has requested reconsideration of the questioned costs identified by the auditors. The audit resolution process includes conducting a case-by-case review and providing additional documentation to the grantor’s audit resolution team for consideration.</p> <p>The Department has continued to improve processes and internal controls as follows:</p> <ul style="list-style-type: none"> • In July 2020, <ul style="list-style-type: none"> ○ Created an overpayment review panel that meets semi-monthly to review assigned overpayments. This panel will ensure correct rule application and identify areas of program vulnerability. ○ Performed continued quality improvement reviews for procedural modifications related to household composition changes that were implemented late in the fiscal year to address the prior year’s audit finding. • In January 2021, began conducting monthly audit calibration meetings will all lead workers and internal audit staff to ensure agency audit standards are consistently followed. • In April 2021, hired a Quality Assurance Administrator to facilitate program integrity efforts based on audit findings and program needs. • In May 2021: <ul style="list-style-type: none"> ○ Established a centralized audit team to conduct program audits following the requirements of the statewide single audit in accordance with the Uniform Guidance. ○ Replaced the Audit 99 auditing system with an updated audit platform that includes a database for root cause analysis.

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	039 (cont'd)	<p style="text-align: center;">○ Verified lead workers conduct coaching and auditing based on program needs to ensure consistency and compliance with program rules.</p> <p>In addition, the Department will continue to improve processes and internal controls, as follows:</p> <ul style="list-style-type: none"> • Create and deliver staff training on using data systems and performing income calculations, specifically the Division of Child Supports (SEMS) system and Employment Security Division (ESD) systems. • Add language to the Consumer’s Rights and Responsibilities Form to include the fraud penalty notice and the fraud reporting hotline number. <p>The conditions noted in this finding were previously reported in findings 2019-032, 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 2012-30.</p> <p>Completion Date: Corrective action is expected to be complete by April 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	040	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over matching, level of effort and earmarking requirements and did not comply with matching requirements for the Child Care and Development Fund Cluster programs.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>It should be noted that the Department was created as a new agency as of July 2018 and this audit was conducted in the second year of operations during a transitional period. There were also additional challenges during the COVID-19 pandemic under the Governor’s mandatory stay-home executive order.</p> <p>As of July 2019, the Department began processing and recording state expenditures used to meet matching requirements for the grant. The exceptions identified in the audit related to the federal fiscal year 2019 award which is still open.</p> <p>As of November 2021, the Department has reconciled the grant to ensure all matching, level of effort, and earmarking requirements were met prior to the end of the grant period.</p> <p>In response to the audit recommendations, the Department is working on strengthening internal controls to ensure program expenditures reported by the Department of Social and Health Services are properly supported. The Department will also develop written procedures to document the matching, level of effort, and earmarking processes.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the grantor and will take appropriate action.</p> <p>Completion Date: November 2021, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	041	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over period of performance requirements for the Child Care and Development Fund Cluster programs.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The expenditures that were found obligated after the grant’s period of performance resulted from incorrect coding and were not spent at the time. No federal funds were drawn from those expenditures and the Department was working on transferring the costs to other funding sources.</p> <p>It should be noted that the Department was created as a new agency as of July 2018 and this audit was conducted during the second year of operations. There were also additional challenges during the COVID-19 pandemic under the Governor’s mandatory stay-home executive order.</p> <p>The Department continues to work on documenting and refining internal controls, processes, and procedures. To address the auditors’ recommendations, the Department will develop written procedures to ensure expenditures are obligated only during the grant’s allowed period of performance.</p> <p>Completion Date: Corrective action is expected to be complete by April 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	042	<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 is strongly committed to ensuring the health, safety and well-being of all children in care, and is continuing to work on improving internal controls and processes. The Department:</p> <ul style="list-style-type: none"> • Established and implemented policies, procedures, and training on the new licensing standards for employees. • Communicated with supervisors and staff regarding required documentation for non-compliance follow-up. • Discontinued the practice of backdating payments after confirmation of a cleared background or fingerprint check as of March 2020. • Consulted with the grantor on accepting email confirmation in lieu of signature on the health and safety agreement for Family, Friends & Neighbors providers. The CCDF State Plan was subsequently updated to reflect the change. The updated plan was submitted to the grantor in July 2021. <p>The Department is consulting with the regional office of the U.S. Department of Health and Human Services on the questioned costs for this audit finding.</p> <p>The Department will:</p> <ul style="list-style-type: none"> • Continue to implement system changes and enhancements to assist with reporting on monitoring visits, background checks, and providers' applicable annual training requirements. <p>The conditions noted in this finding were previously reported in findings 2019-039, 2018-035, 2017-025, 2016-022 and 2015-024.</p> <p>Completion Date: Corrective action is expected to be complete by December 2022</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	044	<p>Finding: The Department did not have adequate internal controls over some Public Assistance Cost Allocation Plan requirements.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>As stated in the prior year’s audit response, the Department has processes and procedures in place for the monthly employee reconciliation of the Random Moment Time Study (RMTS) sampling universe. The headquarters’ cost allocation team follows procedures to create and communicate monthly employee reports to the RMTS Coordinators.</p> <p>The Department maintains that it complies with the federally approved Public Assistance Cost Allocation Plan (PACAP). The Department has also taken additional actions to address system limitations caused by high turnover rates of staff within the cost pools. There is no known deficiency with the integrity of the RMTS, nor are unallowable costs allocated to federal programs.</p> <p>The Department will continue to maintain internal controls over the monthly update process to ensure the RMTS sampling populations are complete. The Department will also work with the federal partners to ensure continued compliance with the PACAP.</p> <p>The conditions noted in this finding were previously reported in finding 2019-044.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
2020 F	045	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate the Adoption Assistance program expenditures to federal grants.</p> <p>The Department concurs with the finding.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Implemented processes for additional approval authorities to ensure cost allocation edit forms are reviewed and approved by management. • Established a workflow for segregating duties to strengthen internal controls over processing cost allocation edit forms. <p>October 2020, subject to audit follow-up</p> <p>Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>

Department of Children, Youth, and Families

Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	058	<p>Finding: The Department of Children, Youth, and Families improperly charged \$135,685 for salaries and benefits to the Maternal, Infant, and Early Childhood Home Visiting grant.</p> <p>Corrective Action: In response to the Covid-19 pandemic, the Washington State Governor issued directives to implement the Stay Home, Stay Healthy Order, hiring freezes, and staff furloughs. As a result, resources for the cost allocation and grants unit were prioritized to the most vital areas of managing the pandemic responses and funding-related tasks.</p> <p>The Department has established processes in place for program staff to review direct charges monthly. The Department agrees that payroll certifications for two employees were not completed timely during the audit period, but maintains that the changes to the grant were allowable.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Completed a journal voucher to correct the misapplied payroll charges of \$3,508. • Completed payroll certifications for January 2020 through June 2020. • Responded to the grantor’s request for documentation of completion of corrective action plan. <p>The conditions noted in this finding were previously reported in finding 2019-067 which the auditors determined to be resolved.</p> <p>Completion Date: June 2021, subject to audit follow-up</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov</p>