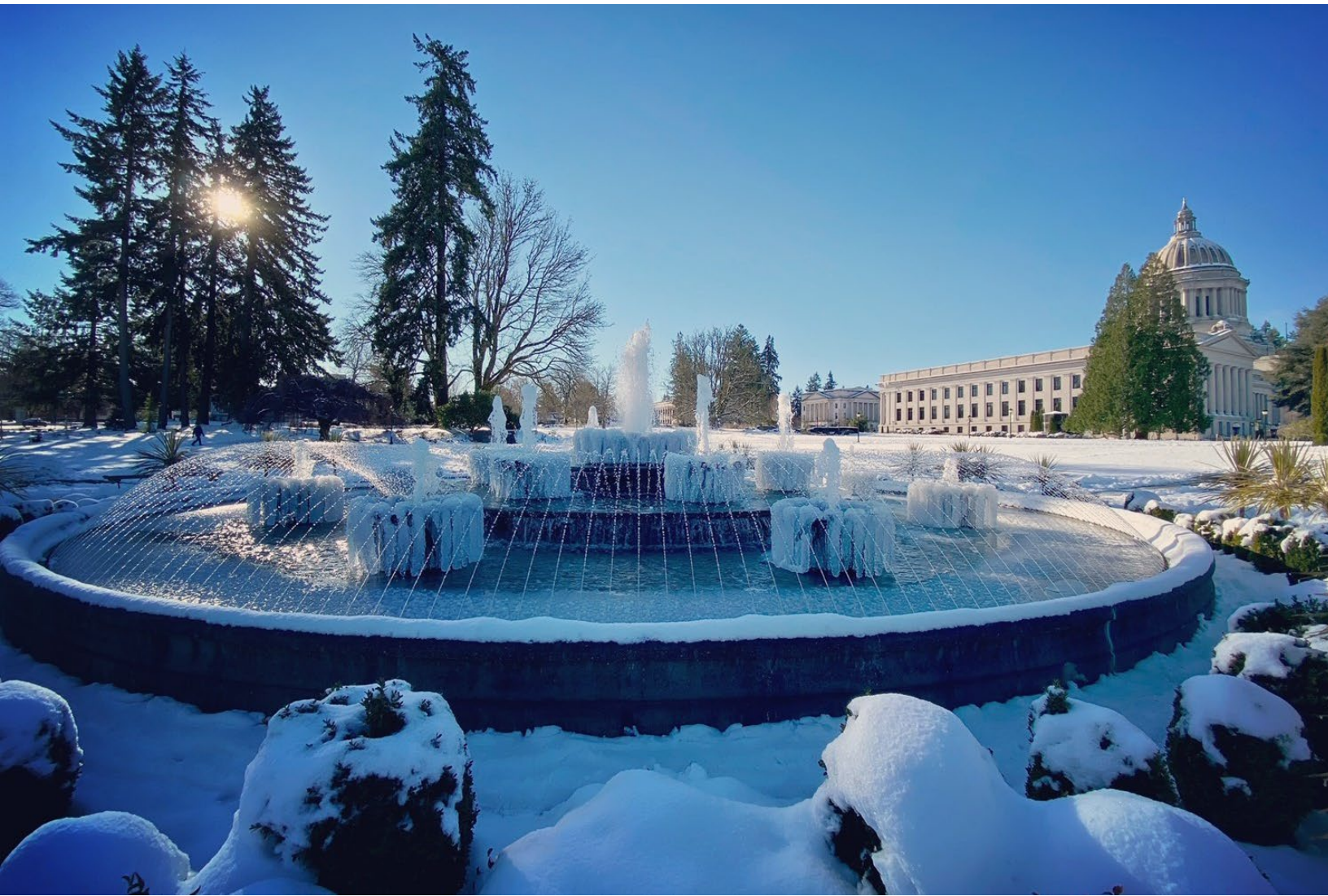
2022
Audit Resolution Report

FOR CALENDAR YEAR 2022

State of Washington
Office of Financial Management
December 2022



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2022
Audit Resolution Report

ACCOUNTING DIVISION
DECEMBER 2022

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THIS REPORT SUMMARIZES the status of corrective actions taken by state agencies, in conjunction with the Office of Financial Management (OFM), to resolve exceptions to specific expenditures or financial transactions reported in audits performed under RCWs 43.09.310 and 43.09.340.

Washington State laws require post audits of every state agency. As part of the audit process, exceptions to specific expenditures or financial transactions become a matter of public record. OFM is required to ensure that agencies take corrective actions to address exceptions and to annually report on the status of these audit resolutions.

This annual report is required by RCW section 43.88.160 (6)(d) which states, "The director of financial management shall annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services."

This report summarizes the status of resolution of audit exceptions reported in conjunction with individual agency post audits and the statewide single audit, as well as other special State Auditor's Office (SAO) reports. These reports were issued between November 1, 2021, and October 31, 2022.

The audit reports issued during that period include:

- 61 federal compliance findings
- 4 non-federal findings
- 2 findings of fraud

Agencies are required to submit corrective action plans to OFM within 30 days of issuance of audit reports in which exceptions are taken. OFM participates in the corrective action process, which is subject to a follow-up review by SAO.

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Schedule 1 – Audit Findings by Agency

Schedule 1 – Audit Findings by Agency

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status	
1029609	2021-001	Finding:	The State lacked adequate internal controls over financial reporting for ensuring accurate recording and monitoring of financial activity in its financial statements.
		Corrective Action:	The Office of Financial Management, with the collaboration of state agencies, strives for the highest standards in the preparation of the state's financial statements. Responses from each agency are listed below: ***State Board for Community and Technical Colleges (State Board)*** The State Board has taken the following actions to improve the process of reconciling college financial data timely and accurately with amounts recorded in the State's accounting system (AFRS): • Dedicated additional staff (a nearly full-time programmer, functional support, and accounting staff) to totally revamp the program that is utilized to crosswalk data from the new ERP system to AFRS. • Streamlined configuration for the automatic data upload process. • Finished converting all schools to the new ERP system. • Maintained monthly automated data uploads of State Board and all 36 colleges from the ERP system to AFRS. • Began working with reporting staff to create an automated reconciliation program that will compare AFRS reports to actual real-time data from the ERP system. The State Board is also working on creating an "in process" report for AFRS errors that will tie to the reconciliation program. By July 2023, the State Board will begin work on creating or modifying rules in the ERP system that will help reduce AFRS errors. The State Board will continue to build and enhance programming tools to help identify and reconcile variances between the two systems. While current monthly data is being reconciled in a timely manner from the ERP system to AFRS, the State Board continues to work on reconciling historical data from the beginning of system employment. Additional help will be required from the Office of Financial Management to make adjusting entries. In addition, the State Board began the conversion and crosswalk of data from ctcLink to the new system that the One Washington project is undertaking to replace AFRS. While this is new and additional work that was not part of the scope of this corrective action plan, it is an integral part of the effort to ensure accurate financial reporting in the long run.

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status
1029609	2021-001 (cont'd)	***State Health Care Authority*** The Authority recognizes the significance and priority of internal controls over recording and reporting financial transactions. Currently, the ProviderOne vendor provides an independent service organization control (SOC2) audit every other year. The estimated additional cost to purchase an annual SOC2 audit report is $470,000 each biennium. In 2020, the Authority requested funding from the legislature to contract for the additional SOC2 audit report. This request was not funded. The Authority will again submit a request for funds to obtain this report to resolve the audit finding. If the decision package is approved, the contract would be amended in July 2023 and audits would begin on a yearly basis. Completion Date: Corrective action is expected to be complete by June 2023 Agency Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (564) 999-1781 brian.tinney@ofm.wa.gov

Department of Commerce — Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-013	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to conduct fiscal monitoring of subrecipients and ensure payments were allowable and properly supported for the Coronavirus Relief Fund.
		Corrective Action:	**Rental Assistance Program** In response to the finding, the Department is implementing procedures to strengthen internal controls to ensure compliance with the subrecipient fiscal monitoring requirements and that payments are allowable and properly supported. This includes: The Homelessness Assistance Unit managing director will: • Update the unit reimbursement procedures to include a requirement for specific back-up documentation to accompany payment requests. • Cross walk updated procedures with 2 CFR 200.332 to identify any additional requirements for pass-through entities. • Review the updated procedures with the Department's internal control officer for review and feedback. • Audit the process during the next contracting cycle to ensure the procedure was followed. The Federal Team manager will train current staff on the updated procedures and include the training when onboarding new staff. **Local Government Assistance Program** The Local Government Assistance Program maintains that strong internal controls are in place. With the exception of the error identified during the audit, the program monitored and approved thousands of expenditures for approximately $406 million worth of services provided to Washington state citizens. The Program will continue to ensure current processes have adequate controls in place to verify expenditures reimbursed are eligible, allowable, and within the period of performance. For both programs, the Department is committed to complying with grant requirements. Since the Department received Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) funding through legislative appropriation, resolution of the questioned costs with the grantor will be managed by the Office of Financial Management.
		Completion Date:	September 2022, subject to audit follow-up
		Agency Contact:	Gena Allen Internal Control Officer PO Box 42525 Olympia, WA 98504-2525 (360) 480-5149 Gena.Allen@Commerce.wa.gov

Department of Commerce — Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-016	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Coronavirus Relief Fund received risk assessments.
		Corrective Action:	**Small Business Assistance Program** The Office of Economic Development and Competitiveness (OEDC), Small Business Assistance Program has developed strict procedures moving forward to assess risk and monitor subrecipients to ensure compliance with risk assessments and subrecipient monitoring. In response to the finding, the OEDC: • Completed new risk assessments for the 37 Associated Development Organizations that had an assessment originally completed in 2017. • Received a risk assessment from a new recipient that was contracted to provide the services to obtain documentation and disburse funding. • Evaluated current subrecipient monitoring procedures and implemented the following: o Perform desk monitoring on a monthly/quarterly basis based on the length of the contract and level of risk assessed. o Perform onsite monitoring prior to final payment and closeout of all federally funded contracts to ensure subrecipients meet all federal compliance requirements. • Established a process to review all federal award documents and subrecipient procedures based on the funding received to ensure compliance with applicable federal requirements. The OEDC also established new procedures for the OEDC contracting team to require a new risk assessment be completed prior to execution of new federally awarded contracts or initiating any reimbursement of funding. The contracting team: • Developed a contract checklist to ensure leadership has reviewed the risk assessment prior to contract execution. This review includes level of risk assessed, mitigation requirements, frequency of desk auditing, and the date onsite monitoring will occur. • Participated in five hours of training on desk monitoring and onsite monitoring. • Developed new onsite and desk monitoring forms based on federal requirements, which will be used for all subrecipient monitoring. The OEDC has registered two staff who primarily work on federally funded contracts to attend the upcoming Federal Acquisition Regulations System training. Upon completion of the training, the two staff will serve as OEDC contract team leads to provide internal training, as well as assisting with updating current procedures as needed.

Department of Commerce **Agency 103**

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-016 (cont'd)	Corrective action was completed for the Small Business Assistance Program in September 2022. **Rental Assistance Program** In response to the reported deficiencies, the Department is implementing procedures to strengthen internal controls to ensure the program complies with the subrecipient risk assessment requirements. The Federal Team Manager: • Updated the unit risk assessment procedures to include a requirement that the risk assessment form must be completed prior to contract execution. • Completed a crosswalk of the new procedures and the updated risk assessment form with CFR 200.332 to identify requirements for pass-through entities. • Reviewed the procedure and form with the Department's central contract office. • Provided training to current staff and new hires on the new procedures and form. The Homelessness Assistance Unit Managing Director will audit the process during the next contracting cycle to ensure the procedures are followed and the form contains the required elements. Corrective action was completed for the Rental Assistance Program in September 2022. Completion Date: September 2022, subject to audit follow-up Agency Contact: Gena Allen Internal Control Officer PO Box 42525 Olympia, WA 98504-2525 (360) 480-5149 Gena.Allen@Commerce.wa.gov

Department of Commerce — Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-031	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with requirements to ensure it filed reports required by the Federal Funding Accountability and Transparency Act.
		Corrective Action:	The Low-Income Home Energy Assistance Program (LIHEAP) has added all current awards to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System and data entry for the sub-awardees was completed as of April 15, 2022. In response to the finding, the Department implemented the following procedures to strengthen internal controls and to ensure compliance with the reporting requirements: • Vetted award letters and funding allocations through the budget team and assistant director before issuing subawards to the LIHEAP network. • Added the FFATA reporting requirements to the obligation process for contracting funds, which includes an obligation memo that outlines the amounts the program intends to pass through to subrecipients and contractors. • Designated the LIHEAP program manager to be responsible for performing the FFATA reporting duties. • Established a procedure to monitor subawards upon receiving an award letter from the federal grantor, including reviewing incoming amendments and determining if the threshold for FFATA reporting has been reached. • Implemented a process to ensure prepared reports are reviewed and approved by the Community Economic Opportunities Unit managing director to ensure accuracy, prior to the program manager submitting them in the FFATA system. • Stipulated the due date of report submission to be 30 days after the assistant director signs the obligation memo to ensure that the program meets FFATA reporting deadlines. The Department will provide training to program staff before the annual technical assistance and training conference for sub grantees. The training will consist of a FFATA requirement overview and walkthrough of the Department's internal FFATA reporting procedures. The Department will review the FFATA procedures on an annual basis to ensure compliance with current federal requirements.
		Completion Date:	April 2022, subject to audit follow-up
		Agency Contact:	Gena Allen Internal Control Officer PO Box 42525 Olympia, WA 98504-2525 (360) 480-5149 Gena.Allen@Commerce.wa.gov

Department of Commerce — Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-032	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with reporting requirements for the Low-Income Home Energy Assistance Program.
		Corrective Action:	In a typical program year, October 1 thru September 30, the Low-Income Home Energy Assistance Program (LIHEAP) receives awards from one funding source. Six months into the program year, in April 2020, the Department received additional funds from additional sources. Since all LIHEAP database updates and changes were already made prior to the beginning of the program year, the additional funds were required to be tracked separately from the regular LIHEAP allotment. In order to distribute the funds to those in need, the Department made a program decision to track the funds in the Contract Management System (CMS) for the remaining six months of the 2020 LIHEAP program year. As a result, the funds were tracked with a combination of data from CMS and the LIHEAP database. In addition, during this time period, the database developer retired and the documentation for the Household Report was not saved. The Department made the following changes to the LIHEAP database for LIHEAP transactions for the 2021 program year. The changes were implemented on October 1, 2020, which included: • Adding contract numbers to the LIHEAP database. • Requiring all contractors to enter the contract number for every payment. • Adding reporting criteria to Household Report. The United States Department of Health and Human Services (HHS) provided annual training to update grantees on changes made to the reporting documents and procedures for reporting. The Department also established the following reporting process to be completed by the LIHEAP Team: • Program Manager pulls the necessary reports. • Managing Director (MD) reviews reports before submittal. • Program Manager submits reports once MD approval is received. • Program Manager receives notice that the report has been accepted by the funder. • Program Manager saves a copy of the report, documentation, and acceptance. The Program Manager worked with the HHS contractor APPRISE to revise the reporting submission.
		Completion Date:	October 2022, subject to audit follow-up

Department of Commerce **Agency 103**

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-032 (cont'd)	Agency Contact:	Gena Allen Internal Control Officer PO Box 42525 Olympia, WA 98504-2525 (360) 480-5149 Gena.Allen@Commerce.wa.gov

Office of Financial Management — Agency 105

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-014	Finding:	The Office of Financial Management did not have adequate internal controls over and did not comply with reporting requirements for the Coronavirus Relief Fund.
		Corrective Action:	The Office concurs with the finding. As of May 2022, the Office has implemented corrective actions to strengthen internal controls to ensure compliance with federal reporting requirements for the Coronavirus Relief Fund (CRF). The Office: • Transitioned the primary responsibility for the centralized CRF reporting to the Statewide Accounting Division. • Hired a Budget and Grants Coordinator with experience in federal reporting to oversee the reporting process. The Office: • Closely monitored all state agency CRF expenditures and reporting timelines to ensure compliance with federal requirements. • Maintained all documentation submitted by each state agency in an electronic folder. In October 2022, the Office performed a full reconciliation of CRF expenditures to ensure the final report contained complete and accurate data.
		Completion Date:	October 2022, subject to audit follow-up
		Agency Contact:	Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (564) 999-1781 brian.tinney@ofm.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-046	Finding:	The Health Care Authority did not have adequate internal controls to ensure clients were eligible for the Children's Health Insurance Program.
		Corrective Action:	The Authority partially concurs with the finding. For the one instance where a client did not have a valid Social Security Number (SSN), the Authority consulted with the Department of Social and Health Services (DSHS) to understand the system issue that caused the absence of an alert on the case when the SSN verification needed follow-up. In October 2022, DSHS completed a system update to ensure SSN ticklers will not auto complete if the client is not verified. The system issue has been resolved and the Authority will reimburse the questioned costs to the federal grantor. The Authority concurs there were expenditures for two clients that needed to be moved from federal to state funding when Children's Health Insurance Program coverage had ended during their postpartum period. However, due to staff turnover on the finance team, the journal vouchers were not processed timely. The Authority followed up and confirmed the journal vouchers were complete, and also developed written procedures that outline staff roles for the post-partum JV process. The questioned costs have been repaid and this issue is resolved. The Authority does not concur that one client who aged out of the program should be removed from services. Over the course of the public health emergency, the policy guidance changed several times. The Authority has engaged with the Centers for Medicare & Medicaid Services and will work on obtaining a 1115 waiver to ensure clients who age out of the program are not removed from services. The waiver will be retroactive and when approved and implemented, will eliminate the questioned costs identified by the auditor.
		Completion Date:	Corrective action is expected to be complete by September 2023
		Agency Contact:	Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Kari.Summerour@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-047	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal provider eligibility requirements for the Medicaid and Children's Health Insurance programs.
		Corrective Action:	The Authority concurs with the finding. The Authority will: • Strengthen internal controls to ensure providers are adequately screened, licensed, enrolled, and eligible to provide and bill for services. • Update the automated notification system to ensure notifications are sent timely to allow the revalidations to be completed within the five-year deadline. The conditions noted in this finding were previously reported in findings 2020-046, 2019-048, 2018-042, 2017-033 and 2016-035.
		Completion Date:	Corrective action is expected to be complete by June 2023
		Agency Contact:	Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-048	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with managed care financial audit requirements.
		Corrective Action:	The Authority implemented policies and procedures and established a process to: • Collect audited financial reports annually from managed care organizations. • Conduct audits of encounter and financial data no less than once every three years. Additionally, the Authority amended managed care contract language to include the following: • Required managed care organizations to submit audited financial reports annually, beginning in fiscal year 2023. • Directed managed care organizations to follow the required timing and procedures for submitting audited financial reports. • Failure to submit reports is sanctionable. The Authority also conducted an encounter validation audit and has begun a financial report validation audit.
		Completion Date:	May 2022, subject to audit follow-up
		Agency Contact:	Kari Summerour External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-050	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it performed procedures to safeguard against unnecessary utilization of care and services for the Medicaid program.
		Corrective Action:	The Health Care Authority partially concurs with the finding. The Authority agrees that adequate internal controls are necessary to ensure compliance with utilization control and program integrity requirements. The Authority will evaluate its current processes and procedures related to utilization control requirements and update as needed to ensure effective monitoring of the Department's statewide surveillance and utilization control program. The Authority is implementing the Surveillance and Utilization Review System, a new fraud and abuse detection system which will include the capability to generate automated alerts. The Authority disagrees that the Medicaid state plan needs to be updated. The current plan includes methods and procedures that are sufficient to safeguard against unnecessary utilization of care and services. Similar conditions noted in this finding were previously reported in findings 2020-047, 2020-048, 2019-052, 2019-053 and 2018-047.
		Completion Date:	Corrective action is expected to be complete by May 2023
		Agency Contact:	Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-051	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it performed periodic audits of cost report data for rate setting, hospital billings and other financial and statistical records for inpatient hospital services.
		Corrective Action:	The Authority has implemented internal controls to ensure compliance with federal requirements over inpatient hospital facility audits. • In May 2021, the Authority implemented a procedure to determine when audits of cost reports are deemed necessary. • Effective February 2022, the State Plan was amended to reflect that, while audits may be performed by the Authority as it deems necessary, there is not a requirement to do so. The conditions noted in this finding were previously reported in finding 2020-049.
		Completion Date:	February 2022, subject to audit follow-up
		Agency Contact:	Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-052	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to report recoveries of fraudulent overpayments on the CMS-64 report.
		Corrective Action:	The Authority concurs with the finding. The Authority established a process to ensure information concerning the status of Medicaid Fraud Control Unit (MFCU) cases is communicated timely to the Authority from the Attorney General's Office. This will help ensure recoveries of fraudulent overpayments are reported on the CMS-64 report appropriately and any federal share is returned timely to the Centers for Medicaid and Medicare Services. The Authority had returned the federal share of unrecovered settlement amounts and reported them accurately on the CMS-64. The conditions noted in this finding were previously reported in finding 2020-050.
		Completion Date:	September 2022, subject to audit follow-up
		Agency Contact:	Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Kari.Summerour@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-055	Finding:	The Health Care Authority improperly charged $100,000 to the Block Grants for Prevention and Treatment of Substance Abuse.
		Corrective Action:	In response to the audit finding, the Authority: • Improved processes and internal controls for provider and contract payment review to include verifying grant closure dates. • Revised procedures to identify available period of performance reference documents, so reviewers can ensure payments meet the period of allowability. • Communicated the new process to all management, contract managers, and contract specialists. • Updated all contract terms and conditions to include specific billing timeline language, in accordance with the new policies. • Processed an adjustment moving the expenditures to State funding to resolve the questioned costs. A notification has been provided to all contracted providers to inform them about the upcoming changes to program policies and contract terms.
		Completion Date:	November 2022, subject to audit follow-up
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-056	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it met the earmarking requirement for the Block Grants for Prevention and Treatment of Substance Abuse.
		Corrective Action:	The Authority partially concurs with the finding. The Authority performs accounting adjustments as part of the grant reconciliation process. The exception identified in the finding was the result of adjustments not being performed timely due to staffing and workload issues, which the Authority hopes will be corrected with the current fully-staffed level. When the final SF-425 Federal Financial Report was submitted to the federal grantor, it properly reported the administrative expenditures. The Authority will re-evaluate the internal controls in place over the SF-425 reporting and earmarking requirement to address the timeliness issue. The Authority does not agree with or plan on repaying the questioned costs and will work with the federal grantor to determine resolution of this issue.
		Completion Date:	Corrective action is expected to be complete by March 2023
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-057	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure payments made under the Block Grants for Prevention and Treatment of Substance Abuse program met the period of performance.
		Corrective Action:	The Authority revised internal controls and updated procedures for payments made under the Block Grant programs to ensure: • Account coding is correctly applied to payments for the correct grant period. • Payments are made only for allowable activities and within the appropriate period of performance. • Staff do not charge costs to a grant after it has closed. The Authority will also improve internal controls for payments made under the Block Grant programs to ensure accounting adjustments are reviewed and approved for compliance with program and period of performance requirements. The Authority processed an adjustment to move the unallowable expenditures to state funding to resolve the questioned costs. The conditions noted in this finding were previously reported in finding 2020-059.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-058	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it filed reports required by the Federal Funding Accountability and Transparency Act.
		Corrective Action:	The Authority is working on finalizing formal policies and procedures across divisions to ensure there are established internal controls over the Federal Funding Accountability and Transparency Act (FFATA) reporting. A workgroup was established and has begun meeting to finalize the criteria for when FFATA reports are required. The policies, procedures, and requirements will be disseminated to applicable staff when complete. The Authority plans to initiate this process for all contracts beginning after July 1, 2022. The Authority will implement the following procedures to ensure compliance with the reporting requirements: • Contract Management will include a FFATA form as the last attachment in all contracts and will ensure it is complete prior to forwarding it to Grants Accounting. • Grants Accounting will enter agency information into the FFATA Subaward Reporting System (FSRS). • Management will run a report twice per month to reconcile the contracts entered into FSRS against all newly executed contracts to ensure FFATA reports are complete. • All staff involved in this process will receive training on the new policies and procedures
		Completion Date:	Corrective action is expected to be complete by May 2023
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-059	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with the reporting requirements for the Block Grants for Prevention and Treatment of Substance Abuse.
		Corrective Action:	The Authority partially concurs with the finding. The Authority agrees that the exceptions identified by the auditors were caused by account coding being erroneously opened and charges were processed. The authority disagrees that it resulted in inaccurate reporting and will work with staff to update processes to ensure the incorrect account coding will not be used for future reporting. In response to the finding, the Authority's program staff and cost allocation specialist implemented procedures to ensure account coding is closed after an award has ended. Additionally, a quarterly process was initiated to review unallowable costs and perform adjustments as needed, and promptly close out account coding in the accounting system. The Authority maintains that the expenditure amounts reported on the SF-425 federal financial reports for the Substance Abuse Prevention and Treatment Block Grant are accurate, allowable, and supported by accounting records. The large and complex nature of block grants require diligent management to ensure accurate and appropriate spending and reporting. The period of performance often overlaps for consecutive grant years, and the two-year window for payments under the grant further complicates the grant closeout process. It is not unusual to take months to balance and reconcile expenditures at closeout. The Authority is aware of the need to comply with cost allowability and period of performance. It is for this reason that staff spend considerable time on review, research, and adjustments to ensure that expenditures are charged to the appropriate award based on month of service and that reporting is accurate. The conditions noted in this finding were previously reported in finding 2020-062.
		Completion Date:	September 2022, subject to audit follow-up
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-060	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse program received required risk assessments.
		Corrective Action:	Since the Authority assumed responsibilities over the grant program in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients. Prior to conclusion of the audit, the workgroup had developed and approved an effective subrecipient risk assessment process. The Authority conducted training to applicable staff in the fall of 2021 and is continuing to identify additional staff for the training. The conditions noted in this finding were previously reported in finding 2020-064.
		Completion Date:	December 2021, subject to audit follow-up
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-061	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal subrecipient monitoring requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.
		Corrective Action:	The Authority has already taken the following steps to address audit recommendations from prior year's audit: • Established a multi-divisional subrecipient monitoring workgroup to develop internal controls and monitoring procedures for subrecipients. • Developed and is finalizing a consistent and uniform process across all units to track and monitor desk and site visits for subrecipients. In addition, the Authority's Office of Tribal Affairs undertook a formal consultation process with the Indian Nation representatives with the following results: • Established protocols to complete monitoring activities with each Indian Nation on a biennial basis. • Obtained consent from each Indian Nation in March 2021 for the monitoring tools developed. • Sent formal monitoring requests to each Indian Nation in April 2021. • Scheduled desk monitoring beginning in June 2021, which occurred within the fiscal year 2021 audit period. The Authority conducted monitoring on a majority of the subrecipients with the issues identified in the audit. Unfortunately, the monitoring work was not considered by the State Auditor's Office (SAO) due to review of this compliance area being performed late into the audit. Also, the staff who maintained the documentation was out due to illness at the time SAO requested the documentation; it was later provided but after the date. Going forward, the Authority's Internal Audit staff will include multiple staff members in the audit requests to ensure documentation is provided timely. The conditions noted in this finding were previously reported in finding 2020-065.
		Completion Date:	Corrective action is expected to be complete by January 2023
		Agency Contact:	William Sogge, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5110 william.sogge@hca.wa.gov

Military Department — Agency 245

Audit Report	Finding Number	Finding and Corrective Action Status	
1029377	2020-001	Finding:	The Military Department did not comply with state law and departmental policies for the Rental Lease Program.
		Corrective Action:	The Department agrees with the auditor's recommendations and will implement the following corrective actions: • As of March 2022, the Department reviewed and updated the Procurement, Contracting, and Leasing policy. • By January 2023, the Department will: o Establish inter-divisional procedures between the Finance Division and the Construction and Facility Management Office to implement the Rental Lease Program in accordance with policy, laws, and regulations. o Ensure management oversight and staff responsibilities align and support established internal controls. Monthly monitoring will be performed to validate the corrective actions. • By April 2023, the Department will provide procedural and internal controls training to building managers and staff engaged in the Rental Lease Program across the state.
		Completion Date:	Corrective action is expected to be complete by April 2023
		Agency Contact:	TJ Rajcevich Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 320-4437 timothy.rajcevich@mil.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-012	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure payments were allowable and properly supported, and did not comply with federal requirements to conduct fiscal monitoring of subrecipients for the Coronavirus Relief Fund.
		Corrective Action:	The Department partially concurs with the finding. The Department does not concur with the auditor's assertion that only "high-level" supporting documentation was required for subrecipient payments to ensure the expenditures met the Coronavirus Relief Funds (CRF) allowability requirements. The subrecipient performed eligibility determination which included verification of immigration status and self-attestations that the client had not received a federal stimulus payment or unemployment benefits. The subrecipient then provided the Department with a list of eligible clients and supporting documentation. To protect client confidentiality, the subrecipient assigned each client a unique client identifier with personal identifying information redacted. When the Department approved subrecipient payments, required supporting documentation were reviewed which included the unique client identifier, some demographic information, and the check number. To ensure the expenditures met CRF's allowability requirements, the unique client identifier was cross-matched to the list of eligible clients. The Department concurs that there was no documentation to support that fiscal monitoring for one of the subrecipients had occurred. The Department did request the required information from the subrecipient to review its eligibility determinations but found the subrecipient to be noncompliant with the request. By December 2022, the Department will update subrecipient monitoring procedures to: • Ensure contracts and monitoring plans clearly identify the required supporting documentation to be provided to the Department. • Establish procedures for corrective action in situations of noncompliance with contract requirements and monitoring plans. • Include language in the contract covering expectations for the subrecipient to provide adequate information prior to reimbursement.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	Richard 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	
1030978	2021-015	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subawards contained all required information and subrecipients received risk assessments for the Coronavirus Relief Fund.
		Corrective Action:	The Department concurs with the finding. The Washington COVID-19 Immigrant Relief Fund was a new program administered at the request of the Governor's Office with a budget of $40 million and an expedited timeline for implementation due to the pandemic. In response to the Governor's request, the Department's Office of Refugee and Immigrant Assistance (ORIA), under the Community Services Division (CSD), partnered directly with the Department's Central Contracts and Legal Services (CCLS) to ensure the contract was legally and technically appropriate. ORIA did not utilize CSD's internal contracts unit for contract monitoring and as a result, the program did not clearly identify the Washington COVID-19 Immigrant Relief Fund subawards as subrecipients, did not include all the required subrecipient special terms and conditions in the subawards, and did not complete risk assessments on the subrecipients. As of August 2022, the CSD Contracts Unit added a new field in their Contract Action Request Ticket System (CARTS) for the program manager to indicate if the contract requires an indication of subrecipient status. This will assist the CSD Contracts Unit to identify upfront the subrecipient requirements and ensure subrecipient language is included in the contract. By January 2023, the ORIA program will: • Work with the CSD Contracts Unit, as outlined in the CSD Procedures Handbook, to ensure the appropriate contract template is used and includes all the appropriate subrecipient information. • Establish a checklist for new program staff to follow that aligns with the CSD Procedures Handbook and includes identifying subawards as subrecipients, requiring subrecipient information in the subaward, and creating risk assessments in order to develop monitoring plans. • Work with the CSD Contracts Unit, which has written procedures and processes in place, to ensure the program completes a risk assessment and obtains a copy for retention. • Ensure all ORIA staff complete the subrecipient monitoring training recommended by the CSD Contracts Unit related to: o Subrecipient and contractor determinations (2 CFR 200.331) o Subrecipient information required to be included in the contract (2 CFR 200.332(a)) o Conducting a risk assessment for each subrecipient for the purpose of determining the appropriate level of subrecipient monitoring (2 CFR 200.332(b))

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

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-015 (cont'd)	Completion Date: Corrective action is expected to be complete by January 2023 Agency Contact: Richard 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	
1030978	2021-027	Finding:	The Department of Social and Health Services did not have adequate internal controls over Random Moment Time Samples and did not comply with some Public Assistance Cost Allocation Plan requirements.
		Corrective Action:	As of January 2021, the Department completed the following corrective actions in response to prior years' findings: • Implemented a process to ensure monthly staff reconciliations are performed when key personnel are out of the office. • Developed standard guidelines and procedures for updating the eligible staff list in Barcode. • Reviewed the Public Assistance Cost Allocation Plan with the Random Moment Time Sample (RMTS) auditors to ensure they are aware of when it is appropriate to modify an RMTS sample during an audit. In February 2021, the Department: • Implemented a process to conduct monthly reviews on a subset of the staff on the reconciliation report to ensure the RMTS coordinators are properly updating the eligible staff list in Barcode. • Updated current guidance to provide additional examples to staff on types of activities that are appropriate for each selection. As of February 2021, the Department implemented all the above corrective actions necessary to resolve the audit issues. The exceptions identified by the auditor occurred before February 2021. The Department also completed a one-time review of a subset of RMTS samples in June 2021 to conduct root cause analysis and determine whether additional training, procedure changes, or system changes are needed. The conditions noted in this finding were previously reported in findings 2020-006 and 2019-008.
		Completion Date:	February 2021, 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	
1030978	2021-029	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to reduce or deny assistance to recipients of the Temporary Assistance for Needy Families grant who did not cooperate with the child support program.
		Corrective Action:	The Department partially concurs with this audit finding. While one out of 12 referred cases of child support noncooperation did not have Temporary Assistance for Needy Families (TANF) assistance properly reduced, the Department does not concur with the State Auditor's Office (SAO) determination that a total population of 12 cases has a direct and material effect on the program. The Department's concern is around the SAO's objectivity in evaluating and reaching its audit conclusion. When the Department questioned the direct and material effect of 12 non-cooperation cases on the program, the SAO stated: *"For the TANF non-cooperation requirement, the team learned through meetings with staff that the (IV-D) program significantly changed its approach during the pandemic in how it chose to refer cases to CSD. With this significant procedural change along with the knowledge that DSHS staffing was negatively impacted by the COVID-19 pandemic, the team felt there was an increased risk to meeting federal requirements despite the prior years of no significant audit issues. These factors made the team consider the requirement material to the program and I [SAO management] agree with that assessment."* In response to the pandemic, the child support program implemented a Policy Clarification Memo changing the process on how the non-cooperation cases are determined. This policy change reduced the number of non-cooperation cases the child support program sent to the TANF program during the fiscal year. Although this is not relevant in determining if the TANF program complied with federal requirements and took appropriate actions upon receipt of the non-cooperation case, it did address the SAO's questions about the decrease in non-cooperation cases received by the TANF program. However, once the SAO learned that the decrease was not caused by any programmatic errors in the electronic notification process between the two programs, it did not objectively evaluate the likelihood of the small number of non-cooperation cases received to have a direct and material effect on the program. In addition, contrary to statements made in an email communication from SAO, the Department's TANF program never stated that staffing was negatively impacted by the COVID-19 pandemic or that it affected the program's ability to process non-cooperation notices. Public confidence is maintained by auditors' integrity which includes performing their work with an attitude that is objective and fact based.

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-029 (cont'd)	The Department also does not concur that adequate internal controls were not in place. When a non-cooperation case is received and good cause is not applicable, the worker takes action by updating the case status as "not cooperating" in the Automated Client Eligibility System which subsequently triggers a reduction in TANF assistance. The system has controls in place to alert the worker when there is no change to the client's benefit amount, which should prompt the worker to review the coding of the case. The worker who processed the single non-cooperation case in question was in-training at the time the error was made and did not have the full understanding that benefits should be reduced as a result of non-cooperation. Therefore, action was not taken to review the coding when prompted by the system alerts. As of April 2022, the Department: • Correctly coded the TANF program case as "not cooperating" which appropriately reduced the TANF assistance. • Processed an overpayment for the appropriate amount and sent an overpayment letter to the impacted household. As of May 2022, the Department's WorkFirst Program Manager alerted the staff who processed the case and the supervisor about the error and provided resource tools for training. As of July 2022, the Department sent draft revisions of manual language to the TANF policy team for review to ensure procedures are up to date. As of September 2022, the Department issued a statewide policy announcement to address the correct coding of noncooperation notices in the eligibility system. Completion Date: September 2022, subject to audit follow-up Agency Contact: Richard 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	
1030978	2021-030	Finding:	The Department of Social and Health Services improperly charged $224,752 for the Child Support Enforcement and Child Support Enforcement Research programs.
		Corrective Action:	The Department partially concurs with the audit finding. The Department concurs two bases originally intended to be used for administrative costs were inadvertently omitted from the Public Assistance Cost Allocation Plan (PACAP). Upon discovery of this error, the Department updated the PACAPs for state fiscal years 2021 and 2022 to include those bases for the Child Support Enforcement and the Child Support Enforcement Research Programs and resubmitted to the federal grantor. To strengthen internal controls, the Department implemented a quarterly review of all administrative expenditures, effective October 10, 2021, to confirm all bases are included in the PACAP. The Department does not concur that funds were improperly charged to the Child Support Enforcement and Child Support Enforcement Research Programs. This was strictly a technical error in the PACAP and the funds were used for their authorized purpose. If the grantor contacts the Department regarding the questioned costs, the Department will discuss the manner in which funds were used and will take additional action if appropriate.
		Completion Date:	October 2021, 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	
1030978	2021-049	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable and adequately supported.
		Corrective Action:	While the Department partially concurs with the finding and related questioned costs of $182,599, we respectfully dispute the remaining questioned costs ($251,390,482) identified in the finding. The State Auditor's Office (SAO) did not question all the costs from the first half of fiscal year 2021 that were associated with the 54 providers subject to the Developmental Disabilities Administration (DDA) payroll verification review. The Department agrees that the questioned costs determined by SAO for these 54 providers are reasonable. DDA has numerous internal controls in place which provide sufficient assurance that the services paid for were provided. These include: • Medicaid service verifications, • Allowable costs payment reconciliations, • Payroll verification processes, • Quality assurance reviews, • Duplicate payment reports, • Residential Care Services (RCS) certification processes, • Contract monitoring, • Reconciliation processes for rates, cost reports, and settlements, and • Segregation of duties and other verification and approval processes. SAO is questioning all costs associated with the 78 providers who did not receive a payroll verification review in the first half of the fiscal year and all reimbursements from the second half of the fiscal year. The DDA strongly disagrees that all these costs should be questioned. During the fiscal year, DDA had the same internal controls in place, performing provider payroll verifications in exactly the same way in the second half as the first half of the fiscal year. The reason why SAO did not consider the internal controls for the second half of the fiscal year is due to the timing of the audit cycle, rather than questioning the adequacy of the controls. DDA reconciles payments on a calendar year basis while SAO audits on a fiscal year basis and does not consider activities that fall outside of the audit period. Based on this understanding, DDA asserts that the questioned costs for this audit should amount to no more than $182,599. DDA has followed all requirements, including reconciling the settlement amounts that were issued to providers in the cost report settlement process. DDA has made significant changes to its processes and is interested in partnering with SAO to resolve disagreements. Unfortunately, SAO did not choose a more collaborative approach aimed at assisting DDA in its quality improvement efforts.

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-049 (cont'd)	DDA strongly believes its current oversight and monitoring activities provide adequate assurance that services received by clients meet the certification standards for supported living providers. DDA continues its efforts to bring quality services to clients who receive habilitative residential supports and intends to submit a request to CMS that the questioned costs imposed by the SAO be rescinded. As of October 2022, the Department communicated with the federal grantor regarding the Department's processes and the questioned costs identified in the finding. To address the portion of the finding the Department concurred with, the Department will continue to utilize numerous oversight and monitoring strategies consistent with the assurances in the waiver application. By December 2022, the Department will: • Hire additional staff for each of the three regions to conduct onsite quality assurance reviews and confirm providers are delivering support as outlined in individual person-centered service plans. • Review and amend the cost report instructions. • Reconcile provider payments to assure they accurately reflect the days of service provided to individual clients. This process will be performed again by June 2023. By January 2023, the Department will request legislation to add additional staff to complete a higher percentage of payroll verifications, with the goal of conducting payroll verifications on fifty percent of the providers by April 2023. The conditions noted in this finding were previously reported in findings 2020-051, 2019-054, 2018-058, 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038 and 2012-039. Completion Date: Corrective action is expected to be complete by April 2023 Agency Contact: Richard 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	
1030978	2021-053	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with nursing home survey statement of deficiencies and plan of corrections timelines.
		Corrective Action:	The Department partially agrees with the finding. The Department agrees that it was not in compliance with the procedures outlined in Management Bulletin 15-081, which stated staff will provide the Statement of Deficiency (SOD) report to the field manager and the field manager will review for any SODs that are not sent out within ten working days. However, since the implementation of the Electronic Plan of Correction (ePOC) system in April 2017, Management Bulletin 15-081 is no longer applicable. The implementation of the ePOC application for nursing homes at the Residential Care Services has strengthened internal controls and increased efficiency. The ePOC application: • Automated the distribution of the federal SOD via a secure website created by the Centers for Medicare and Medicaid Services. • Eliminated the need for staff to provide the SOD report to the field manager. • Automatically sends e-mail notifications daily to the regional administrator, field manager, and support staff when nine days past the exit date in the Automated Survey Processing Environment (ASPEN) and a SOD has not been sent to the nursing facility. The federal application thus made it unnecessary for a staff member to distribute the SODs. Even though the procedures outlined in the management bulletin were outdated during the fiscal year under audit, two of the three regions were still following the bulletin as a "double-check." The Department does not agree with the auditors' conclusion that internal controls were inadequate for compliance with home survey SOD and POC timelines. No exceptions were identified during the audit compliance testing. As of June 30, 2022, Management Bulletin 15-081 was rescinded. Field Managers will continue to follow up on all ePOC e-mail notifications to ensure compliance with deadlines. The conditions noted in this finding were previously reported in finding 2020-054.
		Completion Date:	June 2022, subject to audit follow-up

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

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-053 (cont'd)	Agency Contact:	Richard 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	
1030978	2021-054	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 timely investigation of complaints of client abuse and neglect at Medicaid residential facilities.
		Corrective Action:	The Department partially agrees with the finding. The Department agrees that not all complaint investigations were initiated within the required timeframes. However, the Department does not agree that noncompliance was due to inadequate internal controls. Residential Care Services (RCS) has effectively used current internal controls since fiscal year 2017 when we received the State Auditor's Office Stewardship Award related to this audit area. Compliance with required investigation timeframes decreased due to an increase of almost 3,200 complaints from the previous fiscal year that were assigned for investigation. In addition, the effects of the COVID-19 pandemic increased staff vacancy rates to 24% due to exposure, illness, and staff resignation caused by vaccination mandates. In general, a 2-day response is required for allegation of a life-threatening situation that has caused, or is at risk of causing, substantial harm of such consequence that urgent intervention is necessary. The Department assigned all COVID-19 complaints related to the pandemic to the 2-day response category in the Tracking Incidents of Vulnerable Adults case management system, which further impacted workload. Since all COVID infection activities are categorized using the 2-day priority system for tracking purposes, it appeared the Department was out of compliance with intakes of immediate jeopardy cases. As of July 2022, 2-day immediate jeopardy intakes related to abuse and neglect were in compliance. Once the state of emergency rules are lifted, the Department will use the system for abuse and neglect immediate jeopardy intake tracking only, as it was intended. RCS will continue to use current internal controls to ensure timely investigation of complaints of client abuse and neglect at Medicaid residential facilities. Additional staff will be hired and trained to fill the vacant positions. The Department anticipates: • Compliance with immediate jeopardy related to COVID activities case intakes by December 2022. • Compliance with non-immediate jeopardy case intakes by June 2023.
		Completion Date:	Corrective action is expected to be complete by June 2023
		Agency Contact:	Richard Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

Department of Health — Agency 303

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-004	Finding:	The Department of Health did not have adequate internal controls over and did not comply with requirements to ensure provider payments were allowable and met cost principles for the Special Supplemental Nutrition Program for Women, Infants and Children.
		Corrective Action:	The Department partially agrees with the finding. As a result of the Department's review, there were only five payments/exceptions that did not contain any support from the subrecipient, for a revised total known questioned costs of $273,614. To address the control weakness identified, an additional control was implemented. In July 2021, the program hired a quality assurance position to create another layer of review of A19 payment requests. This position reviews payment documentation to ensure compliance with the Department's internal policies. The Department respectfully disagrees with the number of exceptions and questioned costs identified. While the level of support did not meet our internal policies, which are held to a higher standard than federal requirements, the totality of our subrecipient monitoring processes and level of documentation received from the subrecipient accounting system provided assurance that many of the provider payments in question met federal cost principles for allowability. By July 2023, the Department will consult with the grantor and obtain resolution on whether the questioned costs identified in the audit should be repaid.
		Completion Date:	Corrective action is expected to be complete by July 2023
		Agency Contact:	Jeff Arbuckle External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 701-0798 Jeff.Arbuckle@doh.wa.gov

Department of Health **Agency 303**

Audit Report	Finding Number	Finding and Corrective Action Plan	
1029637	2020-001	Finding:	The Department of Health lacked adequate internal controls for ensuring compliance with state regulations for providing meals to employees and training attendees.
		Corrective Action:	The Department concurs that not all meals provided during meetings were within per diem guidelines established in the State Administrative and Accounting Manual (SAAM). However, the Department disagrees that internal controls and documentation are inadequate to ensure compliance with state regulations for meal purchases. The Department has a policy in place that established sufficient internal controls for meals with meetings under normal business operations. The Governor's proclamation during the COVID pandemic required the Department to provide appropriate personnel for conducting necessary and ongoing incident-related assessments. As a result, the Department's priority was to ensure the safety of the response-activated employees over creating additional policies and procedures. To address the audit recommendations, the Department will: • Draft an addendum to its current Meals with Meetings policy for leadership review and approval. The amended policy will include protocol for response activities during an emergency. • Strengthen its review process to ensure purchased meals follow SAAM guidelines and requirements.
		Completion Date:	Corrective action is expected to be complete by July 2023
		Agency Contact:	Jeff Arbuckle External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 701-0798 Jeff.Arbuckle@doh.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-028	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 paid with Temporary Assistance for Needy Families funds were allowable and properly supported.
		Corrective Action:	The Working Connections Child Care (WCCC) program was previously managed by the Department of Social and Health Services (DSHS) and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other grant requirements. The Department allocated the Temporary Assistance for Needy Families (TANF) and Child Care Development Fund grants to eligible clients and allowable activities in compliance with federal regulations outlined in 45 CFR 98.67. The Department's grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200. In response to the auditor's recommendations, the Department will: • Update the service level agreement language with DSHS. This will include additional internal control language related to TANF expenditures to ensure the Department follows the agreed upon Payment Allocating Model process and that payments are traceable to the expenditure level. • Review options available for processing adjustments to include transaction-level data that is sufficient to comply with federal regulations.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-033	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.
		Corrective Action:	The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements. The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department's grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200. In response to the auditor's recommendations, the Department has submitted a budget request for staffing to the Legislature for the 2023-2025 biennial budget. The staff will process adjustments to include transaction-level data. The conditions noted in this finding were previously reported in findings 2020-038, 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.
		Completion Date:	Corrective action is expected to be complete by December 2023
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-034	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll charges paid by the Child Care and Development Fund cluster were allowable and properly supported.
		Corrective Action:	The Department agrees that payroll certifications were not completed timely during the audit period but maintains that the charges to the grant were allowable. As of October 2021, the Department has completed fiscal year 2021 payroll certifications. The conditions noted in this finding were previously reported in findings 2020-037, 2019-036 and 2018-033.
		Completion Date:	October 2021, subject to audit follow-up
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-035	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over client eligibility requirements for the child care services funded with the Child Care and Development Fund.
		Corrective Action:	The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements. In response to the finding, the Department established the overpayment for $32 and referred it to the Office of Financial Recovery for collection. During the audit period, the Department continued to improve processes and internal controls by implementing the following: • In July 2020: o 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. o 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 August 2020, replaced the Audit 99 auditing system with an updated audit platform that includes a database for root cause analysis. • In January 2021, began conducting monthly audit calibration meetings with all lead workers and internal audit staff to ensure agency audit standards are consistently followed. • In April 2021: o Hired a Quality Assurance Administrator to facilitate program integrity efforts based on audit findings and program needs. o Verified lead workers conduct coaching and auditing based on program needs to ensure consistency and compliance with program rules. • In May 2021: o Established a centralized audit team to conduct program audits following the requirements of the statewide single audit in accordance with the Uniform Guidance. • In February 2022, created and delivered staff training on using data systems and performing income calculations, specifically the Division of Child Supports (SEMS) system and the Employment Security Division (ESD) systems. • In August 2022, added language to the Consumer's Rights and Responsibilities Form to include the fraud penalty notice and the fraud reporting hotline number.

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-035 (cont'd)	The Department has continued to simplify rules for workers to establish eligibility and for families to be approved for child care. The Fair Start for Kids Act was enacted October 2021, which included several components to simplify the rules and expand eligibility: • Increased the income threshold to 60% of State Median Income (SMI) for applications and 65% of SMI for reapplications. • Created four copayment amounts based on a consumer's household income range. • Standardized the provider payment rates to be paid at the State rate only. The conditions noted in this finding were previously reported in findings 2020-039, 2019-032, 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 2012-30. Completion Date: August 2022, subject to audit follow-up Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-036	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls and did not comply with matching, level of effort, and earmarking requirements for the Child Care and Development Fund Cluster.
		Corrective Action:	The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements. The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department's grant adjustments for the Direct Services earmark were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200. The audit period covered expenditures related to grant award years 2018, 2019, 2020, and 2021. It should be noted that level of effort and other earmarking expenditures were not affected by journal vouchers processed for child care expenditures paid through the Social Service Payment System. We disagree with the auditors' assertion that these compliance areas could not be audited due to those JVs being processed, as noted in the Effect of Condition section of the finding. To address the audit recommendations, the Department will: • Establish written procedures for matching, level of effort, and earmarking requirements, and for fiscal monitoring of these areas. • Review options available for processing adjustments to include transaction-level data that is sufficient to comply with federal regulations. The conditions noted in this finding were previously reported in finding 2020-040.
		Completion Date:	Corrective action is expected to be complete by July 2023
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-037	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with period of performance requirements for the Child Care and Development Fund.
		Corrective Action:	The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements. The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department's grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200. In state fiscal year 2022, the Department processed corrections for all expenditures identified as questioned costs, as allowed per federal regulations. To address the audit recommendations, the Department will: • Establish written procedures for complying with federal period of performance requirements and fiscal monitoring of these areas. • Review options available for processing adjustments to include transaction-level data that is sufficient to comply with federal regulations. The conditions noted in this finding were previously reported in finding 2020-041.
		Completion Date:	Corrective action is expected to be complete by July 2023
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-038	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with financial reporting requirements for the Child Care and Development Fund Cluster.
		Corrective Action:	The Child Care and Development Fund (CCDF) program was previously managed by the Department of Social and Health Services and the Department of Early Learning. Since the program transitioned in 2019, the Department has been making efforts to strengthen internal controls over payments to child care providers and other CCDF grant requirements. The Department allocated the CCDF grants to eligible clients and allowable activities in compliance with federal regulation outlined in 45 CFR 98.67. The Department's grant adjustments were processed based on eligible clients and allowable activities. However, the adjustments did not include child-level data as suggested in the federal regulations contained in 2 CFR 200. In response to the auditor's recommendations, the Department has submitted a budget request for staffing to the Legislature for the 2023-2025 biennial budget. The staff will process adjustments to include transaction-level data that supports the ACF-696 reports.
		Completion Date:	Corrective action is expected to be complete by December 2023
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-039	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.
		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. In September 2020, in response to the COVID-19 pandemic, the grantor approved the revised CCDF State Plan to allow the Department to conduct annual, announced virtual monitoring visits of licensed providers rather than typical unannounced onsite visits. In July 2021, the Department consulted with the grantor on accepting email and verbal 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 this change and the signature requirement was removed. The Department will continue to implement system changes and enhancements in WA Compass to assist with reporting on monitoring visits and health and safety rechecks. The conditions noted in this finding were previously reported in findings 2020-042, 2019-039, 2018-035, 2017-025, 2016-022 and 2015-024.
		Completion Date:	Corrective action is expected to be complete by May 2023
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-040	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls to ensure payments to providers for travel and family visits were allowable and adequately supported for the Foster Care program.
		Corrective Action:	The Department is committed to strengthening internal controls and complying with grant requirements. In response to the auditor's recommendations, the Department will work with the Financial and Business Services Division and Foster Care Program to review the fiscal monitoring procedures to ensure payments to providers for travel and family visits are allowable and adequately supported.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-041	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with federal requirements to ensure indirect costs charged to the Foster Care program were allowable.
		Corrective Action:	As of July 1, 2018, the Legislature created the Department of Children, Youth, and Families (DCYF) by combining the Department of Social and Health Services Children's Administration and the Department of Early Learning. The new agency assumed the responsibilities of managing the Foster Care program and created a Public Assistance Cost Allocation Plan (PACAP) to comply with federal regulations. During the time period when the original PACAP was established, the Cost Allocation and Grants Unit was under resourced due to vacancies and a hiring freeze. The six bases used to allocate costs to the program were inadvertently omitted on the submitted plan. As a newly established agency, the Department continues to work on documenting and refining internal control processes and procedures. As of June 2022, the Department: • Verified all bases were included in the PACAP. • Updated and resubmitted the SFY21 PACAP to the Department of Health and Human Services.
		Completion Date:	June 2022, subject to audit follow-up
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-042	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan requirements.
		Corrective Action:	The Department does not concur with the finding. As stated in 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. The Department maintains that it complies with the RMTS instructions that are included in 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. 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. The conditions noted in this finding were previously reported in findings 2020-044 and 2019-044.
		Completion Date:	Not applicable
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-043	Finding:	The Department of Children, Youth, and Families improperly charged $1,850 in benefits to the Foster Care Title IV-E program.
		Corrective Action:	The Department concurs with the finding. In April 2022, the Department: • Updated the source of funds in the FamLink application for the child identified in the audit exception to ensure future payments would be made with state funds. • Researched all payments made on behalf of the child and returned the federal portion to the grantor.
		Completion Date:	April 2022, subject to audit follow-up
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-044	Finding:	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.
		Corrective Action:	In October 2020, the Department took the following corrective actions in response to the prior year's audit finding: • 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. The three instances noted by the auditor during the current audit were all changes made on one edit form entered in September 2020, prior to the new processes and workflow being implemented. All other samples reviewed by the auditors were processed after October 2020 and substantiated the required documentation of review and approval per the new process. The conditions noted in this finding were previously reported in finding 2020-045.
		Completion Date:	October 2020, subject to audit follow-up
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504-0970 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Children, Youth, and Families — Agency 307

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-045	**Finding:** The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with level of effort requirements for the Adoption Assistance program. **Corrective Action:** To address the audit finding and recommendations, the Department took the following corrective actions: • In February 2022, hired a new position to manage the adoption savings program. • In May 2022: o Corrected the federal fiscal year 2020 annual adoption savings report and submitted to the Administration for Children and Families (ACF). o Reviewed ACF's reporting instructions and guidance with staff involved in the preparation and submission of the financial report. o Reviewed written procedures for tracking and monitoring adoption savings expenditures to ensure compliance with level of effort requirements. o Established meetings with impacted staff prior to and after the submission of the financial report to improve processes between program and fiscal staff in monitoring and verifying adoption savings expenditures. The Department will continue to take the necessary steps to improve internal controls and accuracy in reporting adoption savings spending. **Completion Date:** May 2022, subject to audit follow-up **Agency Contact:** Stefanie Niemela Audit Liaison PO Box 40970-0970 Olympia, WA 98504 (360) 725-4402 stefanie.niemela@dcyf.wa.gov

Department of Corrections — Agency 310

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-017	Finding:	The Department of Corrections did not have adequate internal controls over and did not comply with requirements to ensure it used State and Local Fiscal Recovery Funds for allowable purposes and for costs incurred within the period of performance.
		Corrective Action:	The Department concurs that the questioned costs identified by the auditors occurred prior to the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) start date of March 3, 2021. The Department has processes in place to ensure there is accurate documentation to support costs charged to federal grants. However, the Department was not aware that the period of performance of the grant was specified in the US Treasury Interim Final Rule which was issued on May 17, 2021. In May 2022, when the State Auditor's Office shared the period of performance exceptions for the audit, the Department realized costs incurred from July 1, 2020, through March 2, 2021, were outside the grant's period of performance. The Department immediately reviewed active grants to ensure costs charged to the grant were incurred within the grant period. The Department is committed to ensuring compliance with federal grant requirements. In response to this audit finding, the Department will: • Review internal processes that identify eligible costs and ensure all applicable federal guidance is reviewed and documented in the grant files. • Review documentation requirements for each grant and ensure only eligible costs that occur within the period of performance are transferred. • Review record retention practices to improve organization of grant documentation for more effective responses to audit requests. The review will result in a more robust planning and documentation process for federal grants. Since the Department has had insignificant federal grant funding prior to the Coronavirus Relief Funds and the CSLFRF, this work will strengthen our systems of internal control and compliance with federal regulations. Since the Department received CSLFRF funding through legislative appropriation, resolution of the questioned costs with the grantor will be managed by the Office of Financial Management.
		Completion Date:	October 2022, subject to audit follow-up

Department of Corrections **Agency 310**

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-017 (cont'd)	Agency Contact:	Anita Kendall Senior Director, Business Services PO Box 41106 Olympia, WA 98504-1106 (360) 480-7915 Anita.kendall@doc.wa.gov

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-002	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with suspension and debarment requirements for the Child Nutrition Cluster program.
		Corrective Action:	In response to prior year's audit finding, the Office: • Developed and implemented a new Child Nutrition Programs Agreement template in December 2019. The template includes information and attestation to suspension and debarment requirements. • Updated the internal process for review and approval of program applications. In September 2020, at the request of the U.S. Department of Agriculture (USDA), implementation of the new agreement template was paused to address the civil rights assurance statement in the agreement. The Office received clarification from USDA on June 7, 2021, and Child Nutrition Services subsequently resumed collection of permanent agreements. The Office continues to send, receive, and process permanent agreements, and expects to conclude in December 2022. The conditions noted in this finding were previously reported in findings 2020-003 and 2019-004.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504-7200 (360) 725-0410 Leanne.eko@k12.wa.us

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-003	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over accountability of USDA-donated foods.
		Corrective Action:	The Office has taken the following corrective actions to strengthen internal controls over accounting for USDA-donated foods: • Implemented the internal policies and procedures established in August 2020 for the USDA-donated foods reconciliation process. • Established adequate internal controls to ensure physical inventory is reconciled with inventory records. Annual physical inventory will be conducted in June at each warehouse. The Office will follow up on any discrepancies identified to ensure the system accurately reflects the current physical inventory. In September 2021, the Office completed the documentation of system requirements for a new/updated electronic food distribution system that includes tracking and reporting capabilities to assist with the reconciliation process. In May 2022, the Office posted a Request for Proposal for the procurement of a new/updated electronic food distribution system. By November 2023, the new system is expected to launch. The conditions noted in this finding were previously reported in findings 2020-004 and 2019-005.
		Completion Date:	Corrective action is expected to be complete by November 2023
		Agency Contact:	Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504-7200 (360) 725-0410 Leanne.eko@k12.wa.us

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-021	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with federal requirements to ensure Local Education Agencies implemented testing security measures.
		Corrective Action:	It is important to note the unusual circumstances of the statewide assessment during the spring of 2021. General assessments on mathematics, language arts, and science were deferred to a fall test administration. The other alternate assessment allowed the option for either a spring or fall timeframe. Therefore, this audit period only covered part of the test administration, with the remainder of the testing completed in the fall of 2021. The Office monitors and ensures all school districts implement school testing security measures. All districts are required to submit a District Administration and Security Report (DASR) at the conclusion of the testing cycle to document the security training and that protocols have been followed. Monitoring has been in place and ongoing. During the 2020-21 school year, which fell within this audit period, the Office communicated broadly and regularly regarding the DASR requirement, and followed up with due diligence on districts that had not submitted their reports. It should be noted that collection of DASRs and district monitoring/audits are separate activities due to the nature and timing of each activity. DASR submission is an activity that is completed at the end of a school district's test administration. For most districts in the State, DASRs are completed in June after spring testing. The other alternative assessment also concluded in June 2021. In the last two weeks of June, the Office had begun follow-up with districts that had not yet submitted DASRs. The Office originally planned to implement new onsite and desk monitoring protocols of school districts in the spring of 2020, but full implementation has been delayed due to the pandemic. Beginning with the spring 2022 assessments, the Office has resumed onsite and desk monitoring of a rotating sample of districts. The Office will continue to: • Regularly communicate with districts regarding the DASR requirements. • Send follow-up communications if completed submissions are not timely. • Provide districts with all required training materials to help ensure appropriate protocols are in place for the security of the tests. The conditions noted in this finding were previously reported in finding 2020-026.

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status
1030978	2021-021 (cont'd)	Completion Date: Corrective action is expected to be complete by July 2023 Agency Contact: Christopher Hanczrik Director, Assessment Operations and Select Assessments PO Box 47200 Olympia, WA 98504-7200 (360) 485-3580 Christopher.Hanczrik@k12.wa.us

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-022	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to ensure payments to subrecipients were adequately supported for the Special Education programs.
		Corrective Action:	In response to prior year's audit finding, the Office took the following corrective actions to improve subrecipient monitoring: • Implemented a monthly expenditure reporting process for the Local Education Agencies (LEAs). • Provided instructions to LEAs within the grant application and included in Special Education Monthly Updates. • Used the fiscal risk assessment results to identify LEAs for onsite and desk reviews. Onsite and desk reviews are being accomplished during the 2021-22 school year, with final monitoring of selected LEAs to be completed by December 2022. The Office's Operations Division will coordinate with the Washington Integrated System of Monitoring team to monitor LEAs during the 2022-23 school year through onsite and desk reviews. The conditions noted in this finding were previously reported in finding 2020-028.
		Completion Date:	Corrective action is expected to be complete by December 2022
		Agency Contact:	Tania May Executive Director of Special Education PO Box 47200 Olympia, WA 98504-7200 (360) 725-6075 Tania.May@k12.wa.us

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-023	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over requirements to perform risk assessments for subrecipients of the Special Education program.
		Corrective Action:	The Office has taken the following corrective actions to strengthen internal controls over performing risk assessments for subrecipients. In April 2022, the Office: • Revised and expanded the form package Educational Service Districts (ESDs) are required to submit as part of yearend reporting to include documentation related to the activities identified in the Coordinated Services Agreement (CSA), and factors for timely completion of form package and submission of yearend reporting. This included: o Providing documentation that supports the implementation of the approved CSA activities. o Submitting fiscal year expenditure report to the Office for review to determine if expenditures were allowable and in alignment with the ESD's approved CSA. o Providing list of contractor names and services received in the yearend reporting package. This information will be utilized by the Office in selecting contracts for review as part of the ESDs' risk assessment process. • Updated fiscal/program monitoring guidance to reflect the above changes. In June 2022, the Office provided professional development/training to ESDs on the new process. The Office also plans on implementing a revised process to review all submitted documentation for compliance in the 2022-2023 school year.
		Completion Date:	June 2022, subject to audit follow-up
		Agency Contact:	Tania May Executive Director of Special Education PO Box 47200 Olympia, WA 98504-7200 (360) 725-6075 Tania.May@k12.wa.us

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-025	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to ensure it monitored Education Stabilization Fund program subrecipients and that payments to them were allowable and adequately supported.
		Corrective Action:	In response to the audit recommendations, the Office included the Elementary and Secondary School Emergency Relief (ESSER) programs in the fiscal subrecipient monitoring plan for the current cycle. The reviews were performed in the 2021-22 school year and included a review of 2019-20 and 2020-21 school year expenditures for these programs. The Office will continue to include new and existing federal awards for the ESSER programs in future fiscal subrecipient monitoring plans, through the end of the respective grant periods.
		Completion Date:	January 2022, subject to audit follow-up
		Agency Contact:	Amy Harris Director of Federal Fiscal Policy and Grants Management PO Box 47200 Olympia, WA 98504-7200 (360) 688-0485 Amy.Harris@k12.wa.us

Office of Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-026	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Education Stabilization Fund programs.
		Corrective Action:	When the risk assessment was developed for the fiscal year 2021 audit period, the Office was not aware that the Education Stabilization Fund programs were required to be included in the risk assessment. Upon discovering the requirement, these federal awards were included in the risk assessment and the results did not indicate material issues. The Office has taken the following corrective actions: • Updated the risk assessment to include the Education Stabilization Fund programs. • Modified the risk assessment process to incorporate new and high-risk federal awards for the year they are awarded to determine the appropriate level of monitoring for each subrecipient. The Office will continue to: • Improve internal controls to ensure risk assessments are performed for each subaward issued. • Document the results of each completed risk assessment for management evaluation to demonstrate compliance with federal requirements.
		Completion Date:	February 2022, subject to audit follow-up
		Agency Contact:	Jason Miller Executive Director, Elementary Education, Early Learning, Special Programs & Federal Accountability PO Box 47200 Olympia, WA 98504-7200 (360) 764-6079 Jason.Miller@k12.wa.us

Washington State University — Agency 365

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-020	Finding:	Washington State University did not establish adequate internal controls over and did not comply with federal requirements to conduct risk assessments of student information security for the Student Financial Assistance programs.
		Corrective Action:	In response to prior year's audit finding, the University revised and improved the tools and processes for conducting information security risk assessments. The University: • Used the refined tools to perform comprehensive assessments of risks against the control environment. • Maintained documentation to support both the results of the assessment and the activities implemented to monitor and assess threats to information security. The conditions noted in this finding were previously reported in finding 2020-021.
		Completion Date:	March 2022, subject to audit follow-up
		Agency Contact:	Heather Lopez Chief Audit Executive PO Box 64122 Pullman, WA 99164-1221 (509) 335-2001 hlopez@wsu.edu

Washington State University — Agency 365

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-024	Finding:	Washington State University did not establish adequate internal controls over and did not comply with federal requirements to monitor its third-party servicer for compliance with Federal Perkins Loan Program recordkeeping and record retention requirements.
		Corrective Action:	The University has established the following procedures to monitor ECSI, the third-party service provider, to ensure compliance with Perkins Loan recordkeeping and record retention requirements: • Request the Service Organization Controls (SOC) compliance audit report from ECSI in August/September each year for review of compliance with federal requirements. • Review and confirm that ECSI is in compliance with regulatory requirements, and sign and date the SOC audit report. Additionally, the University: • Assigned the Bursar's Collection Manager to be responsible for overseeing the monitoring process, with the Bursar as the backup. • Provided training to staff who manage these duties and will continue to evaluate and provide training as needed to address changes in personnel or requirements. • Requested and reviewed the 2021 SOC report and noted no exceptions.
		Completion Date:	January 2022, subject to audit follow-up
		Agency Contact:	Heather Lopez Chief Audit Executive PO Box 64122 Pullman, WA 99164-1221 (509) 335-2001 hlopez@wsu.edu

Department of Transportation — Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status

1030978	2021-008	**Finding:** The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to conduct program monitoring of subrecipients of the Highway Planning and Construction Cluster.
		
		Corrective Action: The Department is committed to ensuring that our grant programs comply with federal regulations related to subrecipient monitoring.
		
		In response to prior years' audit findings, the Department took the following corrective actions:
		• In September 2021, the Department received concurrence from the Federal Highway Administration (FHWA) for a risk-based monitoring approach for Project Management Reviews (PMRs) for both the 2020 and 2021 calendar years. This includes:
		  o Performing a PMR once a project is substantially complete or complete.
		  o Not performing a PMR on projects with minimal risk.
		• In June 2021, the Local Agency Guidelines (LAG) Manual was updated to reflect changes to the Project Reviews section. The changes included the selection of projects for PMRs based upon assigned risk level and the option to complete PMRs via an electronic file review.
		
		FHWA is currently working to modify the Stewardship and Oversight (S&O) Agreement template, which would allow the Department to update language in the agreement to align with standards and/or best practices, including those for PMRs. Since the update of the modified agreement template is taking FHWA longer than anticipated, the Department sought an extension of the concurrence memo with FHWA's Washington Division to allow completion of PMRs on a risk-based schedule, which they received from FHWA on July 6, 2022.
		
		Since FHWA has concurred with the Local Program's risk-based PMR approach that superseded the language in the S&O Agreement, Local Programs will:
		• Finalize testing of the electronic (remote) based PMR process.
		• Design and implement a risk-based approach to completing PMRs.
		• Continue to update the LAG to reflect the risk-based approach to complete PMRs.
		• Communicate changes to policies and procedures to Local Program staff and stakeholders.
		
		The conditions noted in this finding were previously reported in finding 2020-016 and 2019-015.
		
		Completion Date: Corrective action is expected to be complete by March 2023

Department of Transportation **Agency 405**

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-008 (cont'd)	Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov

Department of Transportation — Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-009	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.
		Corrective Action:	The Department is committed to ensure that our grant programs comply with federal regulations regarding required risk assessments. In response to prior years' audit findings, the Department took corrective actions to address the audit recommendations, as follows: • As of June 2019, established a risk assessment program to inform required monitoring activities. • Developed a risk assessment form to document assessments performed. • Communicated information on the risk assessment program to appropriate headquarters and regional staff. • Reviewed initial risk assessment forms completed by regional staff to ensure they were completed properly. • As of June 2022, updated the risk assessment form to allow documentation of multiple obligations during a project's phase. When the Governor issued the Stay Home, Stay Healthy order, regional staff's focus was redirected to project shut down, safety, and reopening plans, which slowed completion of some risk assessments. The Department will: • Continue to maintain ongoing communication with regional staff to ensure risk assessments are performed and properly documented in accordance with the risk assessment program guidelines. • Work with regional management to modify staff's position descriptions to include performing required monitoring activities, such as completing risk assessments timely. This is in process and will take place as part of the annual performance evaluation cycles with the regional Local Program's engineers over the next year. • Communicate changes to the risk assessment approach to appropriate Local Program's staff and stakeholders. The conditions noted in this finding were previously reported in findings 2020-014, 2019-016 and 2018-012.
		Completion Date:	Corrective action is expected to be complete by June 2023
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov

Department of Transportation — Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-010	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to issue management decisions for audit findings to subrecipients of the Highway Planning and Construction Cluster.
		Corrective Action:	The Department is committed to ensuring that our grant programs comply with federal regulations related to subrecipient monitoring. The Department's Local Programs Division had a different understanding of the requirement to issue Management Decision Letters (Decision Letters). The Division typically issues Decision Letters to subrecipients that receive single audit findings related to WSDOT federal grant awards. For the subrecipients in question, the Division assessed risk of noncompliance and elected to forgo a formal Decision Letter since the subrecipient's response in the audit report reflected corrective action was complete. The Department understands the State Auditor's Office's (SAO) recommendation to issue Decision Letters for all subrecipient single audit findings related to federal grant awards by the Department. The Department will: • Review subrecipient single audit findings for fiscal year 2020 that were received during fiscal year 2022 and ensure the Local Programs Division issues all required Decision Letters. • Continue to review all single audits issued for subrecipient agencies and send Decision Letters based on SAO recommendations. The conditions noted in this finding were previously reported in findings 2020-015 and 2019-017.
		Completion Date:	December 2022, subject to audit follow-up
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov

Department of Transportation — Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-011	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conformed to approved plans and specifications, and that only qualified personnel performed testing for projects funded by the Highway Planning and Construction Cluster.
		Corrective Action:	The Department is committed to ensuring that our grant programs comply with federal regulations related to quality assurance (QA) requirements, safeguarding materials, and ensuring workmanship conform to approved plans and specifications through testing, inspections, or certifications. To address the audit recommendations, the Department's Construction Division will examine current policies and procedures/practices related to the audit issues. The Department will: • Update policies and procedures, including the Department's Construction Manual (M46-01), as needed to ensure staff practices meet federal regulations. Update will also include other clarifications needed to address practices and documentation to evidence materials testing, inspections, certification, and acceptance. • Obtain approval of updates to the Construction Manual from the Federal Highway Administration. • Communicate changes in policies and procedures to Division staff and stakeholders. • Provide training to the Project Engineering Office to emphasize QA program requirements. Similar conditions noted in this finding were previously reported in findings 2020-017 and 2019-019.
		Completion Date:	Corrective action is expected to be complete by June 2023
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov

Department of Transportation — Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
1030899	2021-001	Finding:	The Department of Transportation did not comply with state law regarding its responsibilities to administer Commute Trip Reduction programs.

		Corrective Action:	In response to the finding, the Department will implement the following corrective actions:
			
			By December 31, 2022:
			• Hire staff and provide training on managing and delivering the state agency Commute Trip Reduction (CTR) program.
			• Research practices and document the current operations of CTR programs at state agencies in Thurston County.
			• Review and assess documentation associated with state agency CTR goals.
			• Review current CTR program guidance with the Office of Financial Management and the Interagency Board to identify opportunities to improve:
			  o Consistency.
			  o CTR goals and goal setting methodology.
			  o Program performance measurement, and program financial and policy reporting.
			
			By June 30, 2023:
			• Develop updated state agency CTR performance targets.
			• Update guidance for state agency CTR policy implementation and reporting.
			• Notify state agencies of updated guidance and require agencies to update internal policies to align with state guidance within 90-120 days.
			• Provide technical assistance to agencies during implementation of the new guidance.
			• Collect agency CTR program financial reports, policy updates and review documents to ensure compliance with statewide guidance.
			• Notify agencies regarding exceptions identified during review of the CTR program.
			
			By December 31, 2023, the Department will produce and publish state agency CTR results and distribute to the Governor and the Legislature.

		Completion Date:	Corrective action is expected to be complete by December 2023
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov

Department of Agriculture — Agency 495

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-018	Finding:	The Department of Agriculture did not have adequate internal controls over and did not comply with federal requirements for procurement or suspension and debarment.
		Corrective Action:	The Department is committed to ensuring grant programs comply with federal regulations regarding procurement and suspension and debarment. In response to the audit finding, the Department is taking the following corrective actions to address the audit recommendations: • Effective with the fiscal year 2023 contract period, the federal suspension and debarment language will be added to each contract and referenced in each amendment. • Contractors will be required to include suspension and debarment language in all lower tier agreements. • Program staff will check the federal System for Award Management (SAM.gov) prior to the contract execution date. The contractor verification documentation will be maintained in each contract file. • Review and update policies as needed to ensure procurement of goods and services comply with state and federal policies and procedures. • By June 30, 2023, develop agency policies and procedures for procurement and suspension and debarment, and provide training to staff on the federal requirements. Due to the audit finding being issued late in the fiscal year 2022 audit cycle, the Department was not able to fully implement corrective actions during the 2022 audit period. The Department anticipates full compliance with the procurement and suspension and debarment requirement by fiscal year 2023. Since the Department received Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) funding through legislative appropriation, resolution of the questioned costs with the grantor will be managed by the Office of Financial Management.
		Completion Date:	Corrective action is expected to be complete by June 2023
		Agency Contact:	Natasha Roberts Chief Financial Officer PO Box 42560 Olympia, WA 98504-2560 360-870-6217 nroberts@agr.wa.gov

Department of Agriculture — Agency 495

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-019	Finding:	The Department of Agriculture did not have adequate internal controls over and did not comply with federal requirements to ensure it issued all required subawards, included all required information in the subawards issued, and performed risk assessments for subrecipients of the Coronavirus State and Local Fiscal Recovery Funds.

		Corrective Action:	The Department is committed to ensuring grant programs comply with federal regulations regarding issuing subawards and performing risk assessments.
			
			In response to the audit finding, the Department is taking the following corrective actions to address the audit recommendations:
			• By February 28, 2023, update current federal contracts that will be active in fiscal year 2023 to include:
			  o The 14 federal subaward elements as referenced in 2 CFR 200.332.
			  o Subrecipient or contractor designation.
			  o A link to the 2022 Compliance Supplement for the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF).
			• For fiscal year 2023 contracts, perform risk assessments for each contractor by February 28, 2023. All future contracts will have a risk assessment completed when reviewing the application and/or prior to contracting and establishing risk-based monitoring processes.
			• By June 2023:
			  o Develop agency policies and procedures for subawards and risk assessments and provide training to staff on the requirements.
			  o Implement process to perform risk assessments of subrecipients and evaluate the results to determine the required level of monitoring for each subrecipient in accordance with federal requirements, policies, and processes.
			
			Due to the audit finding being issued late in the fiscal year 2022 audit cycle, the Department was not able to fully implement corrective action during the 2022 audit period. The Department anticipates full compliance with all required internal controls on subawards, including risk assessments, by the end of fiscal year 2023.
			
			Since the Department received CSLFRF funding through legislative appropriation, resolution of the questioned costs with the grantor will be managed by the Office of Financial Management.

		Completion Date:	Corrective action is expected to be complete by June 2023

Department of Agriculture **Agency 495**

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-019 (cont'd)	Agency Contact:	Natasha Roberts Chief Financial Officer PO Box 42560 Olympia, WA 98504-2560 360-870-6217 nroberts@agr.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-005	Finding:	The Employment Security Department did not have adequate internal controls over and did not comply with federal requirements to conduct case reviews for the Benefit Accuracy Measurement program of the Unemployment Insurance program in a timely manner.
		Corrective Action:	The Department has addressed the staffing shortages in the Benefit Accuracy Measurement (BAM) program and the unit is currently fully staffed. The Department anticipates the new staff will complete internal training and the National Association of State Workforce Agencies training within twelve months after their hire date. Historically, the BAM unit has been challenged to maintain full levels of staffing. Staff turnover, long training requirements, and unique skill sets make these positions difficult to maintain. While fully staffed, the Department will have sufficient resources to ensure case reviews are conducted in a timely manner in accordance with federally mandated timelines. The conditions noted in this finding were previously reported in finding 2020-011.
		Completion Date:	April 2022, subject to audit follow-up
		Agency Contact:	Jay Summers External Audit Manager PO Box 9046 Olympia, WA 98507-9046 (360) 529-6718 Joshua.Summers@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-006	Finding:	The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure subrecipients of the Workforce Innovation and Opportunity Act program only used funds for allowable purposes.
		Corrective Action:	Employment Security Department (ESD) does not concur with this finding. The State Auditor's Office recommended the Department strengthen its monitoring of Local Workforce Development Boards (LWDBs) to ensure they are using federal funds only for allowable purposes. The Department believes it has established strong procedures for monitoring LWDBs, which include mandatory annual onsite monitoring and a risk-based assessment process. During monitoring visits of the Department, the U.S. Department of Labor also cited the Department's practices in subrecipient monitoring as promising. In March 2022, prior to this finding being issued, the Department received the Final Determination Letter for the fiscal year 2020 audit findings. The grantor confirmed that the Department provided adequate supporting documentation of the monitoring and risk assessments process for LWDBs and determined that finding 2020-013 was resolved. The conditions noted in this finding were previously reported in findings 2020-013 and 2019-012.
		Completion Date:	Not applicable
		Agency Contact:	Jay Summers External Audit Manager PO Box 9046 Olympia, WA 98507-9046 (360) 529-6718 Joshua.Summers@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-007	Finding:	The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure it submitted complete and accurate quarterly performance reports for the Workforce Innovation and Opportunity grant.
		Corrective Action:	In response to the finding, the Department is in the process of developing a comprehensive system and set of protocols to strengthen internal controls over the completion and submission of quarterly performance reports for the Workforce Innovation and Opportunity Act (WIOA) grant. The Department: • Updated the scripts in the Participant Individual Record Layout (PIRL) reporting system to reflect zero blank elements and only allowable values. • Executed a Workforce Integrated Technology Replacement Project that focuses on improving case management and data management internal controls. The Department estimates the project will be completed by December 2024. • Initiated and is in the process of a statewide implementation of the U.S. Department of Labor (DOL) Quarterly Report Analysis data integrity and data quality internal controls system. The Department will: • Continue to execute the Data Element Validation policy update for the PIRL report per DOL expectations. • Continue to provide technical assistance, training, and one-on-one coaching for the local areas, which cover WIOA Title I and WIOA Title III, PIRL reporting, data management, validation, quality, and integrity systems and processes. The conditions noted in this finding were previously reported in finding 2020-012.
		Completion Date:	Corrective action is expected to be complete by December 2024
		Agency Contact:	Jay Summers External Audit Manager PO Box 9046 Olympia, WA 98507-9046 (360) 529-6718 Joshua.Summers@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-062	Finding:	The Employment Security Department did not have adequate internal controls to ensure it submitted accurate weekly reports for the Presidential Declared Disaster Assistance to Individuals and Households program.
		Corrective Action:	The Department agrees the State Auditor's Office recommendation would improve internal controls. However, the weekly program status report is no longer required as the grant is in its closeout phase. We consider this issue resolved.
		Completion Date:	Not applicable
		Agency Contact:	Jay Summers External Audit Manager PO Box 9046 Olympia, WA 98507-9046 (360) 529-6718 Joshua.Summers@esd.wa.gov

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Schedule 2 – Fraud Findings by Agency

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Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Resolution	
1029365	001	Finding:	The Department's internal controls were inadequate to detect and prevent occupational misappropriation and safeguard public resources, resulting in a misappropriation of unemployment insurance benefit funds between January 2020 and December 2020.
		Fraud Amount:	$315,282
		Amount to be Recovered:	$330,282
		Recovery to date:	$0
		Resolution /Status:	The Employment Security Department (ESD) partially concurs with this finding. A complete secondary review of all claims would not be manageable and would essentially require that claims be worked twice, which would negatively impact our ability to pay legitimate claimants in a timely manner. As of November 2021, the Department implemented a review process which consisted of an ongoing sampling of employee case work by the Claim Center. The Department will also take the following actions: • Provide training sessions to employees to educate staff on negative impacts of internal fraud and possible consequences, to enhance and protect Department's value and mission. • Work with the prosecutor to ensure that if the Specialist is convicted, restitution is imposed so that a mechanism is in place to recover any funds possible.
		Personnel Action Taken:	The employee was in a non-permanent position. Upon the fraud discovery, the Department immediately ended the non-permanent appointment.
		Criminal Action Taken:	The Department is cooperating with various law enforcement agencies where any actions taken will be determined.
		Agency Contact:	Jay Summers External Audit Manager PO Box 9046 Olympia, WA 98507-9046 (360) 529-6718 Joshua.Summers@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Resolution	
1030927	001	Finding:	The Department's internal controls were inadequate for safeguarding public resources, resulting in questionable time reporting and compensation paid to an employee.
		Fraud Amount:	Undetermined
		Amount to be Recovered:	$0
		Recovery to date:	Not applicable
		Resolution /Status:	The Employment Security Department (ESD) thanks the State Auditor's Office (SAO) for their work and commitment towards detecting and mitigating fraud. However, ESD respectfully disagrees with this report. ESD identified several critical factual errors and issues with the report, which include: • ESD, the U.S. Department of Justice (DOJ), and the U.S. Department of Labor (USDOL) all concluded there was not sufficient evidence to support moving forward with their investigations. ESD does not agree with the SAO's assertion that the time worked wasn't adequately supported. • The report draws conclusions about the validity of time worked based on assumptions about the individual's job duties, and the report fails to consider key information provided by ESD about their job duties that would impact the conclusions drawn in the SAO's report. • It is unclear in the SAO report that the amount of time the individual worked, which SAO deemed "unreasonable," was averaged over both jobs. Not only is this confusing but ESD cannot attest to the work done by the individual outside of ESD. • The conclusion that ESD does not have adequate controls to verify work performed by employees is at odds with the State Administrative & Accounting Manual – which provides the requirements state agencies must meet relative to control and accountability over financial and administrative affairs. ESD reported this suspected fraud as soon as we became aware of it. Two federal offices concluded there was not enough evidence to move forward. ESD's internal controls were in place and performing as intended. Considering these factors, ESD has no corrective action based upon this report. ESD remains committed to combating fraud in every way. ESD hired an internal fraud investigator, who is developing a program that will strengthen existing processes to monitor for internal fraud and abuse within ESD.

Employment Security Department **Agency 540**

Audit Report	Finding Number	Finding and Resolution	
1030927	001 (cont'd)	Personnel Action Taken:	Contract with the employee was ended.
		Criminal Action Taken:	Referred to SAO, USDOL and DOJ
		Agency Contact:	Jay Summers External Audit Manager PO Box 9046 Olympia, WA 98507-9046 (360) 529-6718 Joshua.Summers@esd.wa.gov