State of Washington
Office of Financial Management

2016
Audit Resolution Report

Accounting Division
December 2016

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2016
Audit Resolution Report

ACCOUNTING DIVISION
DECEMBER 2016

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State of Washington
Status of Audit Resolution
December 2016

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State of Washington
Status of Audit Resolution
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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 43.88.160 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, 2015, and October 31, 2016.

The audit reports issued during that period include:

- 56 federal compliance findings
- 20 non-federal findings
- 4 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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State of Washington
Status of Audit Resolution
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Schedule 1 – Audit Findings by Agency

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2015 F = Statewide Single Audit Report

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	001	Finding:	The State's internal controls over Medicaid payments processed by ProviderOne are inadequate to ensure those payments are properly processed and recorded.
		Corrective Action:	The state recognizes the significance and priority of internal controls over recording and reporting financial transactions. Currently the ProviderOne vendor provides an independent service organization control audit every other year. The state has submitted a decision package requesting funding from the Legislature to contract for an annual report that covers the entire fiscal year.
		Completion Date:	Corrective action is expected to be complete by June 2017
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	002	Finding:	The State should improve internal controls over the processing and recording of Unemployment Insurance premium payment and wage information to ensure accurate reporting.
		Corrective Action:	As soon as the finding was received in September 2015, the Employment Security Department created a workgroup, including the Department's Commissioner, to review the recommendations identified in the finding to ensure all recommendations are addressed timely. By April 2016, the workgroup conducted a root cause analysis of all issues identified in the audit. As of September 2015, the Department implemented a process to ensure employer payments and tax and wage information identified for manual reviews are processed timely. The failed report and failed payment workflow queues are now being worked daily. As of January 2016, the Department began a process to ensure the nightly file received from the bank is available in the Next Generation Tax System (NGTS) and the bank reconciliation is performed on a daily basis. The Department's Tax Accounting unit manager reviews the reconciliation to ensure it is completed daily. Also in January 2016, the Department developed and implemented a new review and approval process for validating wage adjustment accuracy in the Department's Tax Accounting unit. Spreadsheets are used to track staff assignments, audits progress, and results of audits. As of March 2016, the Department manually corrected all errors identified in the audit related to NGTS incorrectly assessing tax rates for employer experience ratings when a business is purchased by a successor owner. The Department's Rates unit now receives a weekly spreadsheet to identify new successor employer accounts that are not applying the correct tax rate. If any discrepancies are found, the account is submitted for a rate review. Additionally, the Department made changes within NGTS, including correcting the coding formula, which has decreased the number of errors significantly. As of August 2016, the Department implemented a temporary work around process to reconcile NGTS with the state accounting system, Agency Financial Reporting System, for refunds. The temporary process addresses the defects within NGTS until permanent fixes are implemented. By December 2016, the Department will: • Implement system enhancements within NGTS to ensure all new tax and wage report and payment exceptions identified are assigned to department staff daily. Each unit manager is responsible for reviewing the exception queues daily to ensure exceptions are being processed timely.

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	002 (cont'd)	• Ensure all old tax and wage reports and payment exceptions are processed and corrected timely. By January 2018, the Department anticipates implementing the following actions: • Work with NGTS programmers to identify new reports needed and revise current accounting reports to ensure they are complete and accurate. • Prioritize and correct interfaces to ensure information transmitted is complete and accurate. • Correct coding within NGTS to ensure benefit charges are consistent with the benefit charge history. Completion Date: Corrective action is expected to be complete by January 2018 Agency Contact: Ben Hainline Director of Internal Audit Employment Security Department PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Department of Commerce — Agency 103

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	005	**Finding:** The Department of Commerce did not have adequate internal controls to ensure HOME Investment Partnerships program income was used before requesting federal cash draws. **Corrective Action:** The Department conducted a Lean process improvement event for the program and accounting staff. The process involved documenting the current process and created a new process to ensure available program income is used prior to requesting federal cash drawdowns. The new process includes the following improvements designed to increase efficiency and strengthen internal controls to meet federal requirements: • As required by federal regulations, the Integrated Disbursement Information System (IDIS) is now updated at least once per week to include all program income received to date prior to any Federal drawdowns. Payments vouchers are created weekly after IDIS is updated to ensure all available program income is expended prior to creating federal draws. • Roles and responsibilities of program and accounting staff are now clearly defined and documented in procedures and in a process flow diagram that is prominently displayed. • Weekly meetings are held between program and accounting staff to coordinate and discuss the week's planned cash draws. • A checklist was developed to monitor each week's voucher payments, program income, and federal cash drawdowns. The checklist will be retained as supporting documentation for federal cash draws. • Backup documentation for federal cash drawdowns are now standardized and include documentation showing a review has been done to ensure there is no available program income before requesting federal cash draws. In addition, the Department determined interest earnings during the audit period were less than $100, so no reimbursement to the U.S. Department of Housing and Urban Development is required. **Completion Date:** October 2016, subject to audit follow-up **Agency Contact:** Shanna-Mae Cullen-Oden Internal Audit & Risk Manager PO Box 42525 Olympia, WA 98504-2525 (360) 725-4030 Shanna-Mae.Cullen-Oden@commerce.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	030	Finding:	The Health Care Authority did not perform semi-annual data sharing with health insurers as required by state law.
		Corrective Action:	State law requires the Authority to provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information, and requires health insurers to use this information to identify joint beneficiaries. The Authority does not have legal authority to compel insurers to comply with this law. The Authority meets the intent of the law by performing data matching with insurance carriers in the State of Washington on a regular basis, and by contracting with a vendor to supplement the Authority's data matching capabilities. To resolve system capacity issues, the Authority implemented changes to ProviderOne to enhance the accuracy and efficiency of the Payer Initiated Eligibility/Benefit Transaction format for data exchange. The Authority will continue to encourage health insurers to develop systems capable of participating in a data exchange. The Authority met with the Office of Financial Management in June 2016 to consider options for working with the Legislature to align state law to the current practice. Legislative changes may take several years to complete.
		Completion Date:	Corrective action is expected to be complete by June 2018
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	031	Finding:	The Health Care Authority did not collect application fees from prospective or re-enrolling Medicaid providers, resulting in non-compliance with Affordable Care Act provisions.
		Corrective Action:	The Authority implemented a process for collecting provider application fees for institutional providers that are newly enrolled or re-enrolling Medicaid providers.
		Completion Date:	June 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	032	Finding:	The Health Care Authority did not have adequate controls over its Medicaid service verification process.
		Corrective Action:	The Authority has resumed sending verifications to clients whose written language is other than English. The Authority now uses professional translation services to follow up on negative survey responses.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	033	Finding:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers and Rural Health Clinics.
		Corrective Action:	As noted by the auditors, in response to prior audit findings, the Authority has implemented new system edits, which will eliminate duplicate payments and will identify improper billings. However, these edits were not fully implemented during this audit period. The Authority has recouped the unallowable Federally Qualified Health Center and Rural Health Clinic payments identified by the auditor. The Authority consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	June 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	034	Finding:	The Health Care Authority did not have adequate internal controls to ensure it sought reimbursement for all eligible Medicaid outpatient drug rebate claims.
		Corrective Action:	The Authority has resubmitted the missed fiscal year 2015 claims. In December 2015, the Authority developed and implemented a system reconfiguration that reversed the Family Planning provider claims exclusion identified in the previous and current audits. The eight pharmacy claims described in the audit were identified by the Authority during routine monitoring and review. The Authority has since invoiced drug manufacturers for reimbursements. The Authority consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	May 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	035	Finding:	The Health Care Authority improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.
		Corrective Action:	The majority of the questioned costs identified by the auditors are routine monthly premiums paid in advance to the managed care organizations the clients were enrolled in. Once a client's death is verified, the Authority recoups the premiums through the normal recoupment process. The auditors conducted this test by comparing June 30, 2015, client data to the October 2015 Social Security Administration Death Master File. The timing difference resulted in a list of exceptions which included clients who died before June 30, but whose deaths were not recorded in the Social Security Administration Death Master File until after June 30. The auditors cannot determine which of the 835 client deaths were recorded before June 30 and which ones were recorded after June 30. The auditors are holding the Authority responsible for identifying and collecting, before June 30, all payments made on behalf of these clients, including those whose deaths were recorded after June 30. When provided the list of 835 clients, the Authority was able to quickly demonstrate that $259,865 had already been recouped through the normal process from 549 clients. The auditors acknowledged this in the finding, but continued to question the costs. The Authority concurred that costs had not yet been recouped for the remaining 286 clients when the audit concluded. Those costs have now been recouped. The Authority will discuss repayment of these costs with the U.S. Department of Health and Human Services.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	036	Finding:	The Health Care Authority made improper Medicaid payments for clients whose Social Security numbers and citizenship status were not verified and for unallowable non-emergency services.
		Corrective Action:	As the auditor noted, the Authority has continuously made improvements in its training and monitoring and has maintained adequate social security number and citizenship verification procedures. However, it is not possible to prevent or detect all unallowable payments. The Authority has terminated eligibility for the identified clients whose citizenship or social security numbers could not be verified. The Authority also consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	037	Finding:	The Health Care Authority overpaid Medicaid providers for dental services.
		Corrective Action:	The Authority has recouped the unallowable claims paid to dental providers. The Authority has consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	June 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	038	Finding:	The Health Care Authority made improper Medicaid inpatient high outlier payments to hospitals.
		Corrective Action:	As acknowledged by the auditors, the Authority corrected the Washington Administrative Codes (WAC) concerning the calculations of hospital high outlier payments. Relevant changes in the ProviderOne system logic were also made in July 2014. In the fiscal year 2016 audit, the auditors tested claims with admission dates after July 1, 2014, and confirmed that those claims were paid correctly. The exceptions included in this finding have admission dates prior to July 1, 2014, before the WAC and ProviderOne system changes, which cannot be applied retroactively. The Authority has consulted with the U.S. Department of Health and Human Services to discuss repayment of questioned costs.
		Completion Date:	July 2014, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

State Health Care Authority — Agency 107

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	039	Finding:	The Health Care Authority did not have adequate internal controls to ensure Children's Health Insurance Program federal funds were properly claimed as eligible Medicaid expenditures.
		Corrective Action:	The work performed by the auditors highlighted a process issue that caused eligibility determination errors to occur during the conversion to the Affordable Care Act. The Authority amended the eligibility determination process within the eligibility system to prevent those errors from recurring. The Authority has consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	September 2016, subject to audit follow-up
		Agency Contact:	Kathy E. Smith Audit & Accountability Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-0937 kathy.smith2@hca.wa.gov

Washington State Commission on African-American Affairs — Agency 119

Audit Report	Finding Number	Finding and Corrective Action Plan
1016309	2013-001	**Finding:** The Commission on African American Affairs diverted public funds to a private organization and could not demonstrate funds were spent in accordance with state law. **Corrective Action:** The issues identified in the finding occurred under different Commission leadership. Since October 2011, the current leadership has: • Established internal controls over Commission funds in accordance with state policy requirements. All donated funds received by the Commission are currently deposited into the Commission's state account which is overseen by the Department of Enterprises Services - Small Agency Financial Services (SAFS). • Ensured state laws and regulations are followed in the management of all public funds. • Ensured records are retained to support the business purpose of all purchases in accordance with the state records retention schedules. • Followed the guidance provided in Chapter 85 of the State Administrative and Accounting Manual for monitoring and approval of goods and services expenditures and disbursements. The Commission will promptly contact SAFS when assistance is needed. • Performed monthly review of financial reports and bank statements of all commission funds. • Ensured that the State Attorney General's Office is consulted when necessary to ensure conflict of interest or ethics laws are not violated. **Completion Date:** October 2011, subject to audit follow-up **Agency Contact:** Edward O. Prince Executive Director PO Box 40926 Olympia, WA 98504-0926 (360) 725-5663 eprince@caa.wa.gov

Consolidated Technology Services — Agency 163

Audit Report	Finding Number	Finding and Corrective Action Plan
1016159	2015-001	**Finding:** Consolidated Technology Services has not established adequate controls over setting and adjusting billing rates in order to ensure compliance with state law. **Corrective Action:** The Agency was created on July 1, 2015, with no initial financial management or analytical staff. Towards the end of the year, the Agency has dedicated staff and resources within the Agency's Finance Office to ensure compliance on an ongoing basis. The Agency developed an agency-wide approach to rate setting and submitted the first rate plan for the 2017-2019 biennium to the Office of Financial Management (OFM) on March 31, 2016. The Agency will continue to submit rate plans on March 31 of each year. A process has been implemented for developing the annual rate plans, which includes: • Review and assessment of risk areas to determine the services where rates are not sustainable or where rates exceed current competitive market rates. • Provide recommendations based on the outcome of the review, and work with OFM Budget staff in implementing rate adjustments to correspond with the biennial/annual budget cycle. • Provide adequate notification to client agencies of any rate changes, especially when increases may be necessary. **Completion Date:** March 2016, subject to audit follow-up **Agency Contact:** Wendi Gunther Chief Financial Officer Mail Stop 41454 Olympia, WA 98504-1454 (360) 407-8779 wendi.gunther@watech.wa.gov

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Military Department — Agency 245

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	056	Finding:	The Military Department improperly charged grant expenditures after the end of the Emergency Management Performance Grants period of availability.
		Corrective Action:	The Department will be more diligent when reviewing payments to ensure expenditures do not occur outside the performance period. The questioned costs have been transferred to the fiscal year 2014 grant and the federal government has been reimbursed for the questioned costs pertaining to the fiscal year 2013 grant.
		Completion Date:	March 2016, subject to audit follow-up
		Agency Contact:	Rick Woodruff Contracts and Internal Control Officer Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-8068 rick.woodruff@mil.wa.gov

Military Department — Agency 245

Audit Report	Finding Number	Finding and Corrective Action Plan	
1017466	2015-001	Finding:	The Military Department did not establish adequate internal controls over payments for the Washington State Enhanced 911 county services program.
		Corrective Action:	The State E911 Coordinator's Office (SECO) has revised its county assistance directives to provide more specific guidance to the requirements of monitoring visits and how they will be performed. A Monitoring Visit Checklist and a County Visit Report Form were developed to document the monitoring process. SECO has established a three-year cycle for monitoring and staff assistance visits for counties and the Washington State Patrol, with the goal of covering one-third of the grantees per year. Regular contract monitoring visits have been resumed in fiscal year 2016 and continued into fiscal year 2017. Current scheduled monitoring visits will include reviewing supporting documentation from January 2015 to the end of fiscal year 2016. SECO will continue to perform vigorous reviews of county requests for reimbursement on a monthly basis before approval is given for payments. Several layers of contractual deliverables and cross check procedures are in place to ensure services billed and paid for include only services that can be reconciled to contract terms and conditions.
		Completion Date:	October 2016, subject to audit follow-up
		Agency Contact:	Rick Woodruff Contracts and Internal Control Officer Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-8068 rick.woodruff@mil.wa.gov

Military Department — Agency 245

Audit Report	Finding Number	Finding and Corrective Action Plan
1017466	2015-002	**Finding:** The Military Department did not have adequate internal controls over payments for the Washington State Enhanced 911 statewide services program.. **Corrective Action:** As a result of a previous audit, the Department implemented several corrective actions. However, the corrective actions were not fully implemented at the time of the current audit. The corrective actions implemented include: • Changing the desk procedures over the invoice review process in the Statewide Services Program Desk Manual. • Establishing a billing notification process for service changes or cancellation. • Reconciling individual service items with existing contract terms, pricing schedule, and/or tariff rates. Following the audit, it was determined that the payment rates determined to be incorrect during the audit, were in fact correct. The contract did not correctly list the optional lower payment schedule for reduced service charges. This administrative oversight was promptly corrected by the vendor. **Completion Date:** December 2015, subject to audit follow-up **Agency Contact:** Rick Woodruff Contracts and Internal Control Officer Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-8068 rick.woodruff@mil.wa.gov

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	003	Finding:	The Department of Social and Health Services improperly charged $5.6 million to multiple federal grants.
		Corrective Action:	The Department concurs with this finding. As an immediate fix to rectify the existing issue, including questioned costs, the Department's Economic Services Administration (ESA) began to utilize a manual journal voucher process to ensure expenditures charged to federal grants are obligated in the period of availability. To address the root cause of the issue, the Department plans to establish, sponsor, and lead a cross-agency committee to review the processes involved and recommend implementation of changes to the existing Cost Allocation System methodology. The Department will also work with the appropriate federal agencies to discuss changing or updating the compliance supplement to better align with the state's business practices for cash draws and reporting of the federal grants. The Department will continue discussions with its federal partners regarding what, if any, of the questioned costs should be repaid and acceptance of its prospective corrections.
		Completion Date:	Corrective action is expected to be complete by February 2017
		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 Plan	
2015 F	016	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
		Corrective Action:	As of December 2015, the Department began conducting follow-up telephone interviews or on-site visits with subrecipient contractors when findings were reported to ensure corrective action plans were followed. Follow-up is documented in the subrecipient tracking system. The Department originally dedicated one staff person to monitor subrecipient audits, but the position was eliminated due to downsizing and turnover. By December 2016, the Department will re-evaluate the workload requirement and will: • Establish policies and procedures to ensure all required audits occur. Changes in procedures will likely include revised contract language and a clearly defined process for follow-up on findings and ensuring federal funds are properly reported. • Ensure all completed subrecipient audits are included in the subrecipient tracking system.
		Completion Date:	Corrective action is expected to be complete by December 2016
		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 Plan	
2015 F	017	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with its required collection of Data Universal Numbering System (DUNS) numbers from subrecipients under the Substance Abuse and Mental Health Services Projects of Regional Significance and Block Grants for Prevention and Treatment of Substance Abuse programs.
		Corrective Action:	In February 2015, the Department established policies, procedures, and internal controls to obtain Data Universal Numbering System (DUNS) numbers from subrecipients prior to making subawards in accordance with federal regulations. DUNS numbers are now recorded in the special terms and conditions of all applicable contracts. The new procedures include a requirement for program staff to reject contract forms received from a subrecipient that do not include the subrecipient's DUNS number. New procedures also include maintaining a list of, and annually reporting, DUNS numbers for all subrecipients.
		Completion Date:	February 2015, 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 Plan	
2015 F	018	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to sanction Temporary Assistance for Needy Families program participants who were not cooperative with the Department regarding child support issues.
		Corrective Action:	All issues identified by the auditors were for clients served by both Division of Child Support (DCS) and the Community Services Division (CSD). The root cause of this issue was a miscommunication between DCS and CSD. Once the issue was brought to the Department's attention, DCS and CSD collaborated to identify and resolve the system issue. In addition to the immediate correction, CSD and DCS have worked together to proactively identify and resolve any further systems communication gaps relative to sanctioning a shared client in noncooperation status. To further prevent another technical glitch, DCS made improvements to their release planning and implementation process in October 2015, which include a quality assurance process prior to new release implementations. In February 2016, CSD issued overpayments for the exceptions identified in the audit. All overpayments were referred to the Department's Office of Financial Recovery for processing. In March 2016, CSD leadership reminded staff to review each case record for noncooperation notices prior to approving Temporary Assistance for Needy Families payments. This communication was posted to the Economic Services Administration SharePoint site. Also in March 2016, CSD commissioned a workgroup to develop and recommend an automated solution for updating and/or flagging closed cases in noncooperation status to ensure these cases will be handled appropriately if the case is reopened. In June 2016, CSD reviewed and took appropriate actions on all cases with noncooperation sanctions during the audit period.
		Completion Date:	June 2016, 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 Plan	
2015 F	019	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements of its Temporary Assistance for Needy Families grant work verification plan.
		Corrective Action:	In March 2016, the Department's Community Services Division (CSD) staff created electronic reminders to request monitoring reports and schedules, as appropriate, from partner agencies. In April 2016, CSD initiated a workgroup that developed effective monitoring tools and schedules to ensure the Department is following its federally approved work verification plan. The schedule includes retroactively monitoring and taking appropriate action on the partner contracts for the audit period. This workgroup also recommended additional staffing to remedy workload issues. Program Managers assigned to monitor the contracts received training on the tools and schedules. CSD also created an internal quality assurance process to further ensure that staff continues to adequately monitor contracts. The Department would like to note that contract monitoring is not the sole activity quantifying the accuracy of the data used in calculating the work participation rates. The Department performs the following control procedures in accordance with the Work Verification Plan: • An extensive quality assurance process that the Department annually conducts for each of the three contracted agencies. • A review and verification process that the Department conducts monthly related to the integrity and accuracy of the data provided for the work participation rates.
		Completion Date:	June 2016, 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 Plan	
2015 F	020	Finding:	The Department of Social and Health Services did not have adequate internal controls in place to ensure compliance with the maintenance of effort requirements for the Temporary Assistance for Needy Families grant program.
		Corrective Action:	The Department concurs with the finding. The Department will improve its internal controls, policies and procedures. Specifically, the Department will require monitoring of expenditures at least quarterly to ensure that the minimum maintenance of effort (MOE) requirements will be met. These policies and procedures will also identify the steps and processes for staff to ensure that the MOE expenditures are accurate, allowable, and adequately supported. The Department will communicate the revised procedures to those individuals responsible for monitoring MOE to ensure compliance with federal requirements.
		Completion Date:	Corrective action is expected to be complete by February 2017
		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 Plan	
2015 F	021	Finding:	The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families Grant.
		Corrective Action:	The Department concurs with the overall findings of the auditors and appreciates the auditors' acknowledgement that they have verified the amounts reported by the Department were materially correct. The Department asserts that staff completing the reports reviewed documentation and analyzed costs to confirm that reported amounts met the federal maintenance of effort (MOE) requirements. This documentation, which includes a comprehensive matrix that identifies services and costs charged to the program, was reviewed by Department staff to ensure reported amounts were accurate, allowable, and supported prior to the MOE being reported to the federal government. The Department agrees that documentation should be immediately available, well organized, and updated as appropriate. The Department will develop written procedures and policies requiring yearly certifications for the MOE report prior to submitting to the federal government. The policies and procedures will identify the steps and processes for staff to ensure that the MOE report is accurate, allowable, and adequately supported. The Department will also develop and implement additional controls to ensure reporting requirements are met.
		Completion Date:	Corrective action is expected to be complete by December 2016
		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 Plan	
2015 F	022	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure only eligible refugees of the Refugee and Entrant Assistance program received cash assistance.
		Corrective Action:	The Department concurs with the finding. The Department takes seriously its responsibility to provide strong program oversight through appropriate internal controls. The Department's Office of Refugee and Immigrant Assistance (ORIA) implemented many action items aimed at resolving the finding. Unfortunately, the timing of the audit and subsequent findings allowed only three months for the corrective action plan to be fully effective. The majority of the clients identified as not referred to Work and Training (W&T) in the current audit were enrolled prior to the full implementation of the prior audit corrective action plan items. From the fiscal year 2014 to the fiscal year 2015 audit, the Department's accuracy rate increased and questioned costs decreased in both areas (eligibility and documentation). For this audit, the auditors determined that two applicants were improperly approved for Refugee Cash Assistance (RCA) benefits because they were eligible to receive Temporary Assistance for Needy Families funds, and 13 applicants lacked required documentation. As of January 2015, the Department's Community Services Division (CSD) introduced an RCA referral tool in the electronic Jobs Automated System (eJAS) to refer and track RCA recipients. The tool requires CSD staff to complete an employability screening for eligible clients and to create a referral to an authorized employment provider. This tool has significantly increased appropriate referrals, and the Department will provide continued staff training and monitoring to ensure this new automated system is functioning and that all eligible refugees are referred to W&T programs. During November 2016, ORIA has been working with the Economic Services Administration's Information Technology Solutions team to explore the feasibility of implementing a system edit, or "hard stop," to prevent financial workers from inappropriately enrolling a minor into RCA in the Automated Client Eligibility System (ACES). Since development and programming time in ACES can take months to years, CSD is also exploring alternative short-term solutions to ensure all enrollments of minors into RCA are received timely. By January 2017, CSD will ensure all Community Service Office staff receives annual training to facilitate accurate RCA eligibility determination and W&T referrals. Prior to this date, CSD staff will review all RCA processes and procedures to clarify and update all applicable RCA information. To complement the annual training, ORIA program managers will regularly visit local offices across the state to provide outreach and onsite technical assistance to ensure staff is appropriately trained and able to

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	022 (con't)	make accurate RCA eligibility determinations and W&T referrals. ORIA will continue to review, track, and monitor RCA enrollments and employment referrals through a monthly report from the ESA Management Accountability and Performance Statistics unit. For those clients not referred to a W&T program, ORIA will work with CSD Operations staff to correct errors in eligibility determination and employment referrals. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. Completion Date: Corrective action is expected to be complete by January 2017 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	026	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Child Care Development Fund.
		Corrective Action:	The Department does not concur with this finding. The Department thoroughly reviewed each of the 34 cases in question, and maintains Department staff correctly determined eligibility in every single case. The Department must make "point in time" eligibility determinations based on the information available at the time of application. Per Washington Administrative Code, if a consumer does not provide all of the verification information requested, the Department is required to determine eligibility based on the information already available to the Department. While the Department made accurate initial eligibility determinations in 100 percent of the 399 cases reviewed by the auditors, the Department concurs that it is likely that in six cases improper payments were made to childcare providers, not 34 as identified in the finding. In five of the six cases in question, the clients failed to accurately report information in the initial application or failed to report changes in their circumstances as required by rule. The Department became aware of this information after making the initial, accurate eligibility determinations. In the sixth case, the Department had appropriately terminated the client's eligibility. However, a minor procedural error allowed child care to briefly continue. In all six cases, the Department was already aware of and actively addressing the client's change in circumstances prior to the auditor's review of the cases and associated payments. It is important to note that changes in a client's circumstances do not necessarily result in changes to a client's eligibility status. Minor changes may result in a slight fluctuation of co-payment or hours of care approved. The Department's calculation of total questioned costs is $2,919, not $12,967 as determined by the auditor. The Department has reviewed the cases in question and is pursuing overpayments as appropriate. The Department implemented monitoring protocols to establish appropriate separation of duties between staff who determine eligibility and staff who authorize payments. Specifically: • The Department's "universal caseload model" utilizes analytics to prioritize and randomly assign work activities to staff. This provides a process where case actions, such as eligibility determination and authorization for care, are highly likely to be completed by different workers. The assigned worker will review the case (a secondary review) each time they receive an assignment. This allows the worker to familiarize themselves with the case and confirm eligibility and payment information prior to completing the assignment.

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	026 (cont'd)	Approximately 140 staff process child care cases, and the probability of the same case being assigned to the same worker for two case actions in a row is less than one percent. • The Department modified the system so a staff member who activates a license-exempt provider cannot make any payment authorizations for that provider. This electronic process reduces the potential for fraudulent payment authorizations. • Quarterly, regional staffs review an integrity report which identifies cases where the same staff member has authorized four or more payments in a 15 month period without authorization activity from other staff. To date, the report has not identified any cases resulting in a finding of improper authorization activities. The Department also continues to perform the following child care authorization audits: • At least one percent of child care caseload monthly. • Exceptional payment authorizations are reviewed and approved by a supervisor before payment can be made. An example of an exceptional payment is when a child requires and is eligible for care six days per week due to parent work activity. • 100 percent pre/post authorization audits for all new child care workers. • Data provided by the Health Care Authority (HCA) and audit additional child care payments identified as potentially error prone. HCA has developed and runs algorithms which identify billing anomalies. Providers who over-bill or are paid an incorrect rate are identified and overpayments are established. All paid authorizations are reviewed on a scheduled basis or where immediate, ad-hoc policy clarification, training, or systems support may increase accuracy. • Cases identified by eligibility workers where it appears likely that an improper payment may have occurred and verification is requested. Specialized eligibility staff reviews the case specifics and verification documentation. Attendance records are requested to determine the amount of the improper payment. In March 2016, the Department updated the Working Connections Automated Program (WCAP) screens so the eligibility determination function and the benefit calculation function display on separate screens, therefore, requiring staff to process each function separately. In September 2016, Community Services Division staff prepared overpayments as appropriate. If the Department of Health and Human Services (DHHS) contacts the Department regarding questionable costs that should be repaid, the Department will confirm these costs with DHHS and will take appropriate action in the form of payment.

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	026 (cont'd)	Completion Date: September 2016, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	028	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with foster care payment rate setting and application requirements for the Foster Care program.
		Corrective Action:	The Department concurs with this finding. The settlement of the Foster Parents Association of Washington State lawsuit and subsequent funding by the Legislature beginning state fiscal year 2016 increased the basic maintenance rate paid to licensed foster care homes on July 1, 2015. The rate is based on an economic analysis of the cost of raising a child. The Department will review the maintenance payment rate again in 2019, based upon an economic analysis, to determine if the rate needs to be adjusted. If an increase is needed, the Department will submit a decision package for additional funding. Reviews after 2019 will occur periodically per federal regulation. The Department added the periodic review of the maintenance payments to the Title IV-E State Plan in February 2016.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.Meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	040	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls in place to ensure in-home care providers paid by Medicaid had proper background checks.
		Corrective Action:	The Department reviewed the six providers identified by the auditors to verify that the providers had no disqualifying crimes at any point in their employment. The providers were subjected to an initial Character, Competence and Suitability (CCS) review during the contracting process. There is no RCW or WAC that states that an individual provider becomes unqualified if a new CCS review is not completed at each bi-annual background check when there are no new crimes and they care for the same client, which is the case for these six providers. The Department will continue to strengthen processes to ensure CCS reviews are completed and adequately documented in accordance with Department policy. Clarification was provided to field offices via management bulletin in March 2015, providing clear direction on required forms and frequency of completion for CCS reviews. Annually, the Assisted Long-Term Services Administration's Quality Assurance (QA) unit selects a sample of individual provider files from each field office for review including evidence of background checks. In addition to these reviews, field office supervisors are required to complete quality assurance reviews on individual provider files. In 2015, a total of 386 files were reviewed by the QA unit and 1,293 files were reviewed by supervisors. Overall, internal quality assurance reviews showed 97 percent proficiency. This process will continue and will assist in evaluating compliance with the Department's policies and processes. The Department convened a workgroup of subject matter experts and had multiple meetings from March to August 2016 to discuss the feasibility of a data feed to ProviderOne interface. The outcome of these discussions confirmed the feasibility which would automatically stop payments to providers during periods of ineligibility. However, this is a long-term solution that could take one to two years to fully implement. The Department consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	August 2016, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	041	Finding:	The Department of Social and Health Services improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.
		Corrective Action:	This finding involved three administrations within the Department: the Aging and Long Term Support Administration (ALTSA), the Developmental Disabilities Administration (DDA), and the Behavioral Health Administration (BHA). Each administration has taken or will take corrective action. The audit identified 97 instances of payments made through the Social Service Payment System and ProviderOne for services provided after the client's date of death (ALTSA: 81; DDA: 8; BHA: 8). ALTSA has determined 20 of the 81 payments were for allowable services prior to the client's death. The Department has sent overpayment notices to the providers who received the 77 payments. The questioned costs will be returned to Centers for Medicare & Medicaid Services (CMS) and reported on the September 2016 CMS-64. The Department's goal for payment of services provided after the date of death is zero, and it seeks to reach that mark. Current practice includes ensuring staff follow policies and procedures to ensure the authorization of services is closed by the effective date of death. The Department continues to strengthen processes including utilizing a revised Long Term Care Client Payments After Death Report that identifies clients who have authorizations that were paid after their date of death. This report is analyzed monthly and post payment review will also occur to ensure that any authorizations or payments not prevented are identified and recovered. Where necessary, overpayments will be processed timely and federal funds returned to the U.S. Department of Health and Human Services. The Department will continue its partnership with the Health Care Authority to identify payments after the date of death.
		Completion Date:	July 2016, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	042	Finding:	The Department of Social and Health Services paid Medicaid benefits for clients who did not have valid Social Security numbers.
		Corrective Action:	The Department's Children's Administration (CA) will strengthen the process by reviewing social security numbers quarterly to further minimize the allocation of expenditures to Medicaid funding in error. CA will review the three clients identified in the finding and switch them to the correct non-U.S. citizen service pay code within the Department's payment system. The Department will work with the Health Care Authority, the state's lead Medicaid agency, to consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	Corrective action is expected to be complete by December 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	043	Finding:	The Department of Social and Health Services did not accurately claim the federal share of Medicaid payments for Presumptive Supplemental Security Income clients.
		Corrective Action:	All questioned costs were returned to the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services 30 days after the audit period. To correctly account for Presumptive Supplemental Security Income (PSSI), the Department developed new functional Recipient Aide Categories (RACs) within the ProviderOne payment system. The new functional RACs are now paired with one specific financial RAC separating out this group of clients, which allows the PSSI expenditures to be directly coded to the appropriate match rate. The new RACs were implemented when ProviderOne went live during January 2015 for 1099 reportable services. The 1099 reportable services were transitioned from the Social Service Payment System (SSPS) at that time. In addition, since SSPS only had one year remaining to pay W2 services, changes were not made in SSPS for these services. Instead reports were developed to identify PSSI expenditures and were corrected via journal voucher until the Individual Provider One (IPOne) system went live in March 2016. The new functional RACs were paired with the one financial RAC to directly code W2 expenditures correctly. The Department worked with the Health Care Authority through November 2016 to obtain reports to determine if any additional costs need to be moved.
		Completion Date:	Corrective action is expected to be complete by December 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	044	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have internal controls in place to ensure follow up on nursing home survey deficiencies were conducted in a timely manner.
		Corrective Action:	As of December 2015, the Department developed standard operating procedures (SOP) over the statement of deficiency and corrective action plan process. As of January 2016, to ensure statements of deficiency and correction plans are submitted timely, the Department implemented a statewide statement of deficiency and plan of correction tracking system. The Department will continue to enhance its formal tracking of statement of deficiency mailings and receipt of correction plans. In August 2016, the Department revised the SOP to include field protocol for contacting providers when the correction plan is not returned within 10 working days of receipt of the statement of deficiency.
		Completion Date:	August 2016, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	045	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls in place to ensure surveys for Medicaid nursing home and intermediate care facilities were completed in a timely manner.
		Corrective Action:	The Department will schedule and monitor surveys in accordance with the frequency and interval required by federal and state laws. As of January 2016, the Department filled two additional surveyor positions to conduct recertification surveys and complaint investigations. The Department has requested additional basic surveyor training classes be made available from the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) to enable new hires to function independently to conduct surveys and investigations. The Department was able to provide the training in June 2016. As of May 2015, the Department implemented a statement of deficiency (SOD) and plan of correction (POC) electronic tracking system. The Department staff use this system to monitor SOD mailings and POC receipts. Administrative support staff enters the dates of the SOD mailings and the POC receipts into the tracking system. Field managers are responsible for documenting their quarterly monitoring in the tracking system. In August 2016, the Department developed standard operating procedures for the electronic system which also addressed survey requirements.
		Completion Date:	August 2016, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	046	Finding:	The Department of Social and Health Services made improper payments for unallowable services provided to newly eligible Medicaid clients under the Affordable Care Act.
		Corrective Action:	To correctly account for the Alternative Benefits Plan (ABP), the Department developed new functional Receipt Aid Categories (RACs) within the ProviderOne payment system. The new functional RACs are now paired with one specific financial RAC separating out this group of clients, which allows the ABP expenditures to be directly coded to the appropriate match rate. The new RACs were implemented when ProviderOne went live during January 2015 for 1099 reportable services. The 1099 reportable services were transitioned from the Social Service Payment System (SSPS) at that time. In addition, since SSPS only had one year remaining to pay W2 services, changes were not made in SSPS for these services. Instead reports were developed to identify ABP expenditures and were corrected via journal voucher until Individual Provider One (IPOne) system went live in March 2016., The new functional RACs were paired with the one financial RAC to directly code W2 expenditures correctly. The Department will return all questioned costs to the U.S. Department of Health and Human Services.
		Completion Date:	March 2016, subject to audit follow-up
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	047	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure complaints of abuse and neglect of clients at Medicaid residential facilities were responded to properly.
		Corrective Action:	The Department concurs with this finding. The Department has implemented plans to strengthen internal controls and ensure complaints are responded to and investigated timely, as required by federal regulation and state law. In January 2015, the Complaint Resolution Unit (CRU) implemented procedures requiring Nurse Consultants to review complaints prior to assignment for Nursing Home and Intermediate Care Facilities/Individuals with Intellectual Disabilities (ICF/IID). During November 2015, to ensure investigations begin within two working days of receipt, the CRU implemented the online reporting system for providers. This reporting option assists the Department to meet required timelines and streamline the complaint processing by reducing manual transcription time. Monthly reports and quality assurance reviews are in process and are ongoing. A lead position is being piloted with the primary duties of monitoring workflow, process, and progress. In January 2016, the Department hired additional field investigators to improve the timeliness of investigations of non-immediate jeopardy Nursing Home and ICF/IID complaints. The Tracking Incidents of Vulnerable Adults (TIVA) database was redesigned to add information fields to improve the existing complaint process. These information fields were added to TIVA in April 2016 and have expedited priority assignments by clearly identifying dates of knowledge and dates to initiate a response. In May 2016, the Department authorized overtime, as an interim solution, to ensure that complaints are responded to within 24 hours of knowledge. The Department is also in the process of hiring two staff to help with responding to complaints/reports generated over weekends and holidays.
		Completion Date:	May 2016, subject to audit follow-up

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	047 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	048	Finding:	The Department of Social and Health Services improperly claimed federal Medicaid reimbursement for non-emergency services provided to nonqualified aliens.
		Corrective Action:	The Department concurs with this finding. This finding involved three administrations within the Department: the Aging and Long Term Support Administration, the Children's Administration, and the Developmental Disabilities Administration. The Children's Administration will work to strengthen the review of these cases to help minimize the possibility of funds being allocated to Medicaid in error. The Aging and Long Term Support and the Developmental Disabilities Administrations agree some clients were assigned the wrong Medicaid Recipient Aid Category (RAC) within ProviderOne, but the services were provided correctly. ProviderOne was implemented on January 1, 2015, and all case managers were provided training prior to this date. In the winter of 2015, the Department provided additional training to some staff on how to select the correct RAC for these clients. Since the services were provided appropriately under the state only program, but the Medicaid RAC was assigned in error, the Department will not be recovering the questioned costs from the clients. The questioned costs are being corrected through ProviderOne and will be reported on the December 2016 CMS-64 report.
		Completion Date:	Corrective action is expected to be complete by December 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	049	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate controls to ensure Medicaid payments to supported living service providers were allowable.
		Corrective Action:	The Department does not concur with this finding. Using the annual cost report process (Developmental Disabilities Administration (DDA) Policy 6.04), the Department verifies the Instruction and Support Services (ISS) hours provided are equal to or exceed the total hours of service the Department has authorized. Through this verification system, if the actual ISS hours reported in the annual cost report are less than the total authorized hours for all clients served by the Supported Living (SL) provider or are not supported by documentation that shows that the reported hours were actually worked, the Department seeks recovery of any overpayment through the cost report settlement process (DDA Policy 6.04 (III)). The system is designed to allow for resource flexibility by the SL provider throughout the year to enable the provider to meet the changing needs of the individual client. The Department requires, over a year's time, that clients within the agency receive all authorized ISS hours. Providers are given the calendar year to maintain the flexibility needed to address client instruction and support needs. Any audit finding that considers a limited time frame does not accurately capture the entire delivery of service, or any corresponding annual underpayment or overpayment. SL providers are required to complete an annual cost report, but policy allows providers to settle their cost reports over a two-year period. The cost report reconciles hours and ISS dollars authorized to hours and ISS dollars provided. The SL provider attests to the accuracy of the cost report. A settlement is issued to any SL provider who fails to meet either standard (delivery of hours or expenditure of dollars). The Department will propose eliminating the two-year period policy during the next contract negotiations. These negotiations will not begin until July 2017. The Department believes the audit has erred in treating cost settlements in the same way as overpayments. Overpayments are the result of human or systemic errors or omissions in specific instances whereas cost settlements are based on reimbursement methodologies defined in policy, federal regulations, and contracts. Cost settlements are typically done in the aggregate on an annual basis and not on a client by client or case by case basis. The Department has additional measures in place to further review or audit the provider cost reporting: • The Department's Enterprise Risk Management Office (ERMO) periodically audit selected providers.

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	049 (cont'd)	• The Department's Aging and Long-Term Support Administration, Residential Care Services (RCS), performs a cursory review of hours provided as part of the certification evaluation process. • If concerns are identified in the RCS certification evaluation, the Department will conduct an additional review of the SL provider. The audit recommends the Department continue to improve internal controls to ensure SL providers maintain adequate documentation to support payments claimed against payroll records. Current Department policy requires additional schedules to report ISS hours in a format reconcilable to payroll records. Currently, reviews are being conducted on roughly 20 percent of residential provider's ISS hours. The scope of this compliance review includes reconciliation of hours in the contract by households compared to employee payroll records delivered within the household. Consultation and training to service providers related to the tracking and documentation of ISS hours is provided at the time of the review. Through policy revision, the Department has clarified the expectations that the service provider's payroll system must adequately document ISS hours delivered. Additionally, Department policy outlines acceptable margins of flexibility of ISS hours delivered. Training on these new policies occurred over the summer and fall of 2015. The recovery of funds has been processed through the ProviderOne system and will be returned to the U.S. Department of Health and Human Services through the normal settlement process. The Department consulted with the U.S. Department of Health and Human Services regarding resolution of questioned costs. Questioned costs were returned to Centers for Medicare and Medicaid Services in October 2016. Completion Date: Corrective action is expected to be complete by July 2017 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	050	Finding: The Department of Social and Health Services, Developmental Disabilities Administration, made overpayments to Medicaid supported living providers who did not ensure staff, with access to developmentally disabled clients, received a proper background check. Corrective Action: The Department partially concurs with this finding. The one staff with a disqualifying result worked for two supported living agencies. During a renewal background check, one of the two agencies received a disqualifying result. That agency terminated the employee appropriately. As the employee did not self-report, the second agency was not aware the employee had a new disqualifying crime. The employee resigned prior to the required renewal background check. Both agencies were in compliance with the law, rules, policies, and contractual requirements. In regards to the other three employees identified in the finding, the Department has demonstrated substantial improvement in background check compliance. This has been achieved through: • Updating the Background Authorization policy and providing training to supported living providers and Department employees on the policy change. • Training for providers occurs regularly within each region. • Continual monthly reviews conducted by the Department's Enterprise Risk Management Office (ERMO) to ensure providers are in compliance with background check laws, rules, and policies. The Department will take the following actions to ensure ineligible individuals do not have access to vulnerable Medicaid clients and background checks are renewed timely: • Continue its efforts to inform, educate, and train providers on background check policy and Washington Administrative Code. • Dedicate a Department headquarters position to provide direct support and consultation to providers on interpretation of background check results letters. • Monitor for background check compliance through reviews conducted by ERMO and Residential Care Services certification reviews. • Continue to partner with the Background Check Central Unit on developing processes for background check renewals and disqualifying results. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	050 (cont'd)	Completion Date: Corrective action is expected to be complete by April 2017 Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	051	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not adequately monitor Adult Family Home providers to ensure Medicaid providers and their employees had proper background checks.
		Corrective Action:	In response to the fiscal year 2014 audit, the Department implemented several processes that continued through the fiscal year 2015 and remain ongoing. It is the Adult Family Home (AFH) provider's responsibility to ensure background checks are being submitted timely. In addition, AFH home licensing regulations only require the provider to keep the background check for two years after the date an employee resigns or is terminated which further complicates the Department's ability to verify if the background checks are valid. Due to the Department's allotted resources and lack of access to employment and payroll records of AFH staff, the Department believes its current Management Bulletin, which requires licensors to examine all employee background checks while conducting their on-site visits, is meeting its regulatory obligation. Since November 2015, the Department has required licensors conducting their on-site visits to conduct background checks of anyone who worked in the AFH home since the previous inspection, even if they no longer work in the home. The Department believes this further strengthens the monitoring of AFH providers and staff. In April 2016, the Department created a workgroup to research the steps and resources needed to create a report to identify AFH providers that do not have a valid background check or will have a background check expire within a determined time frame. By June 2016, the Department: • Updated standard operating procedures to require licensors to review the last two background checks if an issue is identified with an AFH employee. • Developed a standard operating procedure addressing Character, Competence, and Suitability (CCS) reviews, including processing a CCS at the time of application. • Provided an educational slide show to AFH industry on requirements around background checks and CCS reviews. This included developing a training resource to post on a public website. By August 2016, the Department's: • Quality Assurance Unit within the Aging and Long Term Services Administration conducted annual reviews to identify if licensors

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Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	051 (cont'd)	followed the standard operating procedures for background checks. • Headquarters staff provided training to the field staff and providers on the updated standard operating procedures. Not all corrective actions from the 2014 audit were completed before the auditor's sample was pulled for the current audit. Therefore, the Department believes the results from this audit period may not reflect the effectiveness of all actions taken or implemented. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs. Completion Date: August 2016, subject to audit follow-up Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

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Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	052	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls to ensure Medicaid payments to supported living service providers for cost of care adjustments were allowable.
		Corrective Action:	The Department partially concurs with this finding. As of February 2015, the Department modified the cost of care adjustment form and related policy. The Department provided in-depth training for both staff and providers after policy and the required forms were updated. Most of the sampled forms for Cost of Care Adjustments (COCA) contained justification per Department policy requirements. The Resource Managers who reviewed the services made recommendations and the Resource Administrators, who approved the services, based their decisions on the justifications that were provided on the forms. The Department will continue to monitor COCA for accuracy and compliance with the requirements. The Department will also continue to offer trainings at the regularly scheduled Regional Provider and Resource Managers meetings. The Department will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.
		Completion Date:	Corrective action expected to be complete by January 2017
		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 Plan
2015 F	053	**Finding:** The Department of Social and Health Services did not have adequate internal controls in place and did not comply with the level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse. **Corrective Action:** The Department concurs with this finding. In April 2015, the Department: • Started developing policies and procedures that incorporate internal controls to ensure monitoring and documentation of level of effort requirements are performed. • Began active monitoring of the state-funded spending. Specifically, the Department's accounting section started producing monthly reports showing the status of the state-funded spending. The Department's budget section is reviewing the monthly reports in order to monitor the capability of meeting the minimum required amount each year. By January 2017, the Department will: • Formalize procedures to monitor and document level of effort for pregnant women, women with dependent children, and tuberculosis services. • Ensure procedures include the frequency for monitoring expenditure levels appropriate to meet level of effort requirements. This will include collaboration with state partners, determining what documentation is necessary, and what actions will be implemented if level of effort is below the required levels. • Develop procedures to track compliance with level of effort on a quarterly basis, or more often if the level of spending seems low. • Communicate to the Department of Health and Human Services Substance Abuse Mental Health Services Administration (SAMHSA) if the appropriated level of funding is insufficient to meet the level of effort requirements or if the state spending levels are trending low. Communication with SAMHSA will be documented. **Completion Date:** Corrective action expected to be complete by January 2017 **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 Plan	
2015 F	054	Finding:	The Department of Social and Health Services did not have adequate internal controls in place and did not comply with requirements to ensure treatment service providers spending Block Grants for Prevention and Treatment of Substance Abuse funds were peer reviewed.
		Corrective Action:	The Department concurs with this finding. In January 2016, the Department established an internal policy over the peer review process. This policy includes requirements to ensure all disclaimer forms are filled out completely before they are submitted from each peer reviewer and that at least 5 percent of treatment providers receive a peer review annually. The new policy was provided to each peer reviewer during the peer reviewer recruitment phase which began February 2016. The disclaimer forms will be reviewed by staff for completeness and to certify the peer reviewer's independence.
		Completion Date:	February 2016, 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 Plan	
2015 F	055	Finding:	The Department of Social and Health Services made improper payments to providers for medical evidence records.
		Corrective Action:	Medical evidence record payments are reimbursed in accordance with an established fee schedule based on the number of medical record pages. Medical Claims Unit (MCU) staff manually count each page to determine the amount of the reimbursement. The issues identified in the finding were due to staff incorrectly counting the number of medical record pages. In November 2015, the Department's Division of Disability Determination Services (DDDS) leadership: • Met with DDDS MCU staff and communicated the appropriate business process for medical evidence record payments. The meeting also covered the use of the Department's DDDS fee schedule. • Emailed all MCU staff reiterating the appropriate business processes and associated expectations. The Social Security Administration is developing a new Disability Case Processing System (DCPS), which the Department believes will offer increased capacity for accurately counting the number of pages contained in the medical evidence records. The Department plans to implement the new DCPS system as soon as it is available, which will likely be in September 2017. The Department will consult with the U.S. Social Security Administration regarding the resolution of questioned costs.
		Completion Date:	Corrective action is expected to be complete by September 2017
		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 Plan	
1016129	2013-001	Finding:	The Department of Social and Health Services' Children's Administration is not following state law, or policies and procedures designed to ensure the safety of children and family members being transported by volunteers.
		Corrective Action:	The Department's Children's Administration is working with the Department's Human Resource Management System team to create department wide policies and procedures, which will include monitoring, maintaining adequate documentation, and meeting record retention requirements. The Department will incorporate running background checks into the volunteer process every three years.
		Completion Date:	Corrective action is expected to be complete by July 2017
		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 Plan
1016129	2013-002	**Finding:** The Department of Social and Health Services Children's Administration lacks internal controls over approval, oversight, payments and supporting documentation for travel payments to volunteers. **Corrective Action:** The Department's Children's Administration is working with the Department's Human Resource Management System team to create department wide policy and procedures. These policies are expected to be complete by July 2017, and will define: • Allowable use of volunteers to transport clients. • Approval and documentation process for volunteer transportation. • Proper instructions on the use of Transportation Request Forms. • Coordination between program authorization and payments for volunteer transportation. • State record retention rules relating to documentation for volunteer transportation. **Completion Date:** Corrective action is expected to be complete by July 2017 **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 Plan	
1017749	2015-001	Finding:	The Department of Social and Health Services did not have internal controls to ensure medical benefit payments for individual providers were accurate and supported.
		Corrective Action:	As of March 2016, the Department implemented a new payment system called Individual Provider One (IPOne). Within IPOne, timesheets are stored electronically and the Department makes medical trust payments based on the number of hours identified on the timesheets. The IPOne system manual contains policies and procedures to address how the Department ensures amounts paid to individual providers are accurate and supported. These policies and procedures were revised in May 2016, after the system went live in March. The Long Term Care Manual also includes these procedures within the section on Quality Assurance and Improvement – Financial Services Monitoring. In addition, the Department's Home and Community Service's (HCS) Quality Assurance team completes an annual review of a statistically valid sample of payments to ensure that the system is working correctly and hours are being authorized appropriately. By January 2017, the HCS Quality Assurance team will follow up with the individual providers identified in the audit who did not submit the required timesheets. Verification will be required for all hours paid without timesheets. Overpayments will be issued for hours paid where verification cannot be obtained. By March 2017, a new process will be implemented to ensure the amount paid to the union trust for individual provider medical benefits can be adjusted for overpayments. The IPOne system will include a reversal and replacement section, which will allow overpayments to be entered as negative adjustments to previously submitted worksheets. When the system calculates payments due, the amount will be based on positive and negative entries.
		Completion Date:	Corrective action is expected to be complete by March 2017
		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 Plan	
1017749	2015-002	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure payroll for nursing staff at Western State Hospital was accurate and supported.
		Corrective Action:	By January 2017, the Department's Western State Hospital administration will develop written policies and procedures for nursing department staff time and attendance. The procedures will include: • Processes for reporting and confirming actual hours worked. • Reporting overtime worked on the Time and Attendance Report by staff. • Recording overtime hours on the timesheet by supervisors to confirm actual overtime worked. • Imposing possible corrective actions for noncompliance by staff. • Setting department expectations for unit supervisors to ensure complete and accurate time and attendance records are submitted by staff. • Defining the roles and responsibilities of Ward Program Administrators. These positions have been added to assume the administrative duties from the Register Nurse positions and to ensure internal controls are in place over the payroll process for nursing staff. By January 2017, the Department anticipates implementing a hospital-wide Leave Tracker Attendance System or a similar electronic system. Once implemented, time and attendance records and leave slips will be reconciled to the data in the payroll system.
		Completion Date:	Corrective action is expected to be complete by February 2017
		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 Plan	
1017749	2015-003	Finding:	The Department of Social and Health Services did not have adequate internal controls in place to ensure payments made under the involuntary treatment act were allowable and properly accounted for.
		Corrective Action:	The Department has contracted with Behavioral Health Organizations (BHO), formerly known as Regional Support Networks, to provide mental health services to its clients. By January 2017, the Department will create procedures to ensure BHO adhere to contractual reimbursement timelines. In addition, department staff will monitor reimbursement payment status and document communications with BHO. Untimely reimbursements may lead to reduction in future payments or collection actions by the Department's Office of Financial Recovery. By June 2017, the Department's Behavioral Health Administration's (BHA) program and fiscal staff will work with Health Care Authority to clarify and document the list of ancillary costs which should be paid by BHA. The Department will ensure that the ancillary costs are properly coded in ProviderOne for payments. To ensure payments for ancillary services are allowable and properly accounted for, BHA will sample claims on a monthly basis for review. The Department will also establish policies and procedures to ensure adequate controls are place for payments made under Washington's Involuntary Treatment Act. In addition, changes to the Washington Administrative Code will be initiated if needed.
		Completion Date:	Corrective action is expected to be complete by June 2017
		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 Plan	
1017749	2015-004	Finding:	The Department of Social and Health Services Developmental Disabilities Administration did not have adequate internal controls to ensure residential services and support allowances were allowable and supported.
		Corrective Action:	The Developmental Disabilities Administration has revised the residential allowance request form for supported living agencies requesting residential services and support allowance reimbursements. The new form includes instructions to ensure supported living agencies understand the requirements and ensure reimbursements are allowable and supported. The Department will also provide training to supported living agencies service providers regarding the allowability of residential services and support. In addition, the Department will ensure staff responsible for reviewing reimbursement requests follow policies and procedures and receive ongoing training on reviewing residential support allowance reimbursement requests.
		Completion Date:	Corrective action is expected to be complete by December 2016
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Health — Agency 303

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	011	Finding:	The Department of Health did not have adequate internal controls to ensure compliance with the earmarking requirements for the Drinking Water State Revolving Funds program.
		Corrective Action:	In order to qualify additional requests for subsidy that in previous years were not captured, the Department added a third tier of application screening. This is done during the underwriting process by identifying those applicants who have a Debt Service Coverage Ratio less than 1.20:1. The applicants identified are placed on a list for consideration for subsidy dollars if the criteria has not been utilized using the first two screening methodologies. The Department has begun the screening and has been working on drafting changes to its guidance manual to document this process. As of January 2016, the Department's Loan and Grant Program Supervisor began tracking subsidies. The Department is also verifying and documenting subsidy dollars on an ongoing basis in the Drinking Water State Revolving Fund weekly team meetings to ensure accuracy of the dollars. The Department will notify the grantor prior to the year-end annual report if it is determined that the minimum requirement of 20 percent subsidy will not be met.
		Completion Date:	January 2016, subject to audit follow-up
		Agency Contact:	Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov

Department of Health — Agency 303

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	014	Finding:	The Department of Health did not follow established internal controls over and did not comply with Federal Financial Reporting requirements for the Public Health Emergency Preparedness and National Bioterrorism Hospital Preparedness Programs.
		Corrective Action:	The Department has reviewed its written policies and procedures with all fiscal staff responsible for preparing, reviewing, approving, and submitting Federal Financial Reports (FFR). Internal controls have been strengthened which include: • Separation of duties between fiscal staff who prepare the FFR and program staff who review and approve the draft FFR • Grants Manager or designee reviews, approves, and submits the FFR. The Department strives to accurately submit all Federal Financial Reports and will continue to do so in the future.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov

Department of Health — Agency 303

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	015	Finding:	The Department of Health did not have adequate internal controls over federal level of effort requirements for the Public Health Emergency Preparedness and National Bioterrorism Hospital Preparedness programs and did not comply with federal level of effort requirements for the National Bioterrorism Hospital Preparedness program.
		Corrective Action:	The Department concurs with the finding. The Department has established written policies and procedures for tracking, documenting, and the requirements of level of effort reporting. The Department communicated with its federal grantor to determine the best method for how and when to provide notification in the event that the required level of effort will not be met. The Department will be communicating with its federal partners on a quarterly basis.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov

Department of Health — Agency 303

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	029	Finding:	The Department of Health did not ensure Medicaid hospital and home health agency surveys were performed with the frequency required by federal regulations and state law.
		Corrective Action:	In an effort to meet state licensing requirements, the Department went through a hospital survey Lean process to help improve administrative processing and develop surveyor worksheets designed to create a more focused survey approach and concentrate on infection control, quality assurance, performance improvement, and care continuity (transitions in care). The Home Health Agency (HHA) program implemented improved scheduling practices and hired a manager to work specifically with the HHA surveyors to work on achieving full compliance with the 36.9 month survey frequency requirement. Based on the data generated from reports, improvements were achieved where the average survey interval has been reduced to 37.8 months. The HHA survey managers will continue to work with the accrediting organization to maintain coordination and complete surveys within prescribed timelines. However, the Department, upon further review, does not concur with the finding for hospital agency surveys. The finding maintained that the Department must survey all acute care/general hospitals on average at least every 18 months to ensure they comply with federal requirements of meeting health and safety standards. The Department receives Medicare funding from Center for Medicare and Medicaid Services (CMS) to conduct Medicare surveys on their behalf to ensure hospitals are meeting health and safety guidelines. During the scope of the audit, the Department has conducted surveys based on a tiered priority level in accordance with the schedule set forth by the CMS in their Mission and Priorities document. The approved State Plan (2004) specifically stated that the surveys satisfy Medicare requirements as to survey frequency, content, scope, and documentation, and meet the standards and conditions of participating for contracted hospitals in both Medicare and Medicaid programs established by federal regulations. The Health Systems Quality Assurance Office of Investigation and Inspection conducts Medicare qualifying surveys on a schedule that meets criteria established by CMS. The Department is in compliance with the requirements of CMS's Mission and Priorities document. CMS has also conducted their own review of the Department's performance and did not note any exceptions. We will continue to work with the auditors to clarify the requirement and ensure appropriate criteria is used in this audit area.
		Completion Date:	Corrective action is expected to be complete by December 2017

Department of Health **Agency 303**

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	029 (cont'd)	Agency Contact:	Lynda Karseboom Internal Auditor PO Box 47890 Olympia, WA 98504-7890 (360) 236-4536 lynda.karseboom@doh.wa.gov

Department of Veterans' Affairs — Agency 305

Audit Report	Finding Number	Finding and Corrective Action Plan
1017124	2015-001	Finding: The Department lacked adequate internal controls over the issuance of gift cards to veterans, increasing the risk of misuse, abuse and theft of public funds. Corrective Action: As a result of a previous audit, the Department implemented several corrective actions. However, the corrective actions were not fully implemented at the time of the current audit. As of November 2015, the Department has implemented the following internal controls: • Developed operating procedures for determining eligibility for accessing services within the Homeless Veterans Reintegration and Homeless Veterans Programs. • Developed a system for tracking the purchases, issuance, and distribution of gift cards. • Required supporting documentation for purchases and client eligibility to be maintained in client files. • Conducted and will continue to conduct internal audits to ensure compliance with department policies for gift card purchases and use of purchase cards. Completion Date: November 2015, subject to audit follow-up Agency Contact: Erwin B. Vidallon Chief Financial Officer PO Box 41150 Olympia, WA 98504-1150 (360) 725-2171 erwinv@dva.wa.gov

Department of Veterans' Affairs — Agency 305

Audit Report	Finding Number	Finding and Corrective Action Plan
1017124	2015-002	**Finding:** The Department lacked adequate internal controls over its dining hall cash receipting process. **Corrective Action:** As a result of a previous audit, the Department implemented several corrective actions. However, the corrective actions were not fully implemented at the time of the current audit. As of November 2015, the Department has implemented the following internal controls: • Reviewed and standardized policies and procedures regarding receipts from sales of meal tickets. • Provided additional training on the standardized procedures and safeguarding public funds to staff participating in cash receipting for meal tickets. • Ensured sales are reconciled to cash receipt reports on a monthly basis, at a minimum. Periodic process reviews will be conducted to ensure compliance with established policies and procedures. **Completion Date:** October 2015, subject to audit follow-up **Agency Contact:** Erwin B. Vidallon Chief Financial Officer PO Box 41150 Olympia, WA 98504-1150 (360) 725-2171 erwinv@dva.wa.gov

Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	004	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with federal reporting requirements for the Child and Adult Care Food Program.
		Corrective Action:	During the implementation of the new application and claiming system, Washington Integrated Nutrition System (WINS), there were issues with the system data query developed for the Report of the Child and Adult Care Food Program (FNS-44). The Office worked closely with the WINS contracted developer to ensure the system data queries are now complete and accurate. The FNS-44 reports have been corrected and re-submitted to the U.S. Department of Agriculture. In addition, the Office's financial analyst supervisor ensures that the reports and detailed backup documentation are reconciled and properly maintained.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Toni Bernethy Director of Audit Management PO Box 47200 Olympia, WA 98504-7200 (360) 725-6288 Toni.Bernethy@k12.wa.us

Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	012	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with federal suspension and debarment requirements for the Grants for State Assessments and Related Activities program.
		Corrective Action:	As acknowledged by the auditors in their concluding remarks, the instance noted in this finding was isolated. The Office generally utilizes a standard contract template that includes suspension and debarment language. However in the instance noted in the finding, the Office, based on direction from the U.S. Department of Education, entered into a required contract with the University of California Los Angeles as part of the Smarter Balanced Assessment Consortium grant agreement. The required contract lacked suspension and debarment language. In the future if there is a circumstance in which the Office does not use its standard contract template, the Director of Agency Financial Services will ensure that suspension and debarment language is included in the contract. If the required language is not included, evidence will be retained to confirm that the Office checked the System for Award Management to ensure vendors have not been suspended or debarred.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Toni Bernethy Director of Audit Management PO Box 47200 Olympia, WA 98504-7200 (360) 725-6288 Toni.Bernethy@k12.wa.us

Superintendent of Public Instruction — Agency 350

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	013	Finding:	The Office of Superintendent of Public Instruction did not maintain required documentation for payroll costs charged to the Grants for State Assessments and Related Activities program.
		Corrective Action:	The Office strengthened internal controls to ensure that the Accounting Manager monitors the timely submission of semi-annual time and effort certifications. In June 2016, the Office submitted time and effort documentation to the U.S. Department of Education regarding resolution of questioned costs. In August 2016, the Office received a program determination letter from the Department of Education stating it will not recover the questioned costs or require any further corrective action.
		Completion Date:	August 2016, subject to audit follow-up
		Agency Contact:	Toni Bernethy Director of Audit Management PO Box 47200 Olympia, WA 98504-7200 (360) 725-6288 Toni.Bernethy@k12.wa.us

Washington State Center for Childhood Deafness and Hearing Loss — Agency 353

Audit Report	Finding Number	Finding and Corrective Action Plan	
1016945	2015-001	Finding:	The Washington State Center for Childhood Deafness and Hearing Loss lacked adequate internal controls over its local fund cash receipts.
		Corrective Action:	In June 2016, the Center updated the policy and procedure for cash handling and receipting, which included the procedures for receipt of negotiables. During that time, the Center also updated other procedures of the Business Office. In November 2016, the Center hired an additional Fiscal Technician. The additional position allowed the Center to ensure proper segregation of duties and to monitor and reconcile all fiscal transactions. The new staff is also responsible for making daily deposit of local funds.
		Completion Date:	November 2016, subject to audit follow-up
		Agency Contact:	Thomas A. Galey Director of Business Operations 611 Grand Boulevard Vancouver, WA 98661 (360) 334-5780 Tom.Galey@cdhl.wa.gov

Washington State Center for Childhood Deafness and Hearing Loss — Agency 353

Audit Report	Finding Number	Finding and Corrective Action Plan	
1016945	2015-002	Finding:	The Washington State Center for Childhood Deafness and Hearing Loss lacked adequate internal controls over and did not comply with state policies related to credit cards.
		Corrective Action:	The Center's state purchasing and travel card policies are outdated and do not address requirements associated with recent statewide procurement changes. The Center has already updated the procedures on the utilization of credit cards and is currently updating related written policies. Any policy change will require approval from the Board of Trustees. The new policy is expected to be completed and approved by June 2017. A standard card user agreement form has been developed. Each employee who has been assigned a credit card is required to complete an agreement form to be maintained on file by November 2016. The Center has hired an additional Fiscal Technician. The additional position will allow the Center to ensure proper segregation of duties and to monitor and reconcile all fiscal transactions. The new staff will also ensure adequate supporting documentation is maintained in accordance with internal policy and procedures.
		Completion Date:	Corrective action is expected to be complete by June 2017
		Agency Contact:	Thomas A. Galey Director of Business Operations 611 Grand Boulevard Vancouver, WA 98661 (360) 334-5780 Tom.Galey@cdhl.wa.gov

Department of Early Learning — Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	023	Finding:	The Department of Early Learning did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.
		Corrective Action:	The Department of Early Learning (Department) and the Department of Social and Health Services (DSHS) continue to make consistent progress in actively auditing and recovering overpayments. The Department currently audits randomly selected attendance records within four months after the end of the payment month. In January 2012, the Working Connection Child Care (WCCC) subsidy audit team was created within the Department to meet federal internal control requirements of the WCCC subsidy program. The team started with four Quality Assurance (QA) specialists and one lead worker. In December 2013, the team hired three new QA specialists. From February 2014, through May 2014, the Department had two QA specialists dedicated to the Federal Improper Payment Audit. In 2012, the Washington State Legislature required the Department, in coordination with DSHS, to contract with an independent consultant to evaluate and recommend the optimum system for the eligibility determination process. The evaluation was required to include an analysis of Lean management processes that, if adopted, could improve the cost effectiveness and delivery of eligibility determination. The Department contracted with the Aclara Group to provide an evaluation of the Child Care Subsidy Programs (CCSP) and develop recommendations for business process improvements. Aclara's final report was completed in October 2012. The report identified 29 recommendations for improvement that span policy, business processes, and information technology supports. The Department is taking a structured project approach to address the report recommendations. The proposed project structure fosters a close partnership between the Department and DSHS to streamline and simplify CCSP policies and processes. The Department and DSHS formed 14 interagency workgroups to analyze these recommendations and implement those that would improve the program. This project was completed in July 2015. Starting in July 2014, the Department collaborated with DSHS on an interagency and interdivision Lean Six Sigma process improvement effort to address the high rate of overpayments the Department is currently experiencing. The effort includes mapping multiple related work processes to identify variables that may contribute to overpayments, and identifying improvements that can be made to these processes to help lower the rate of overpayments. As of July 2015, the Department completed Lean process maps for all subsidy audit work processes and identified areas for improvements. Work is ongoing in many areas to implement process improvements.

Department of Early Learning — Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	023 (cont'd)	In November 2014, the Department and DSHS formed a WCCC reframe workgroup designed to address the recent reauthorization of the Child Care Development Fund grant. Part of the scope of this work is to conduct a comprehensive analysis of billing and other child care provider requirements that have the potential to cause confusion or otherwise increase the risk of improper billing. The workgroup continues to collaborate on this analysis on an ongoing basis. Contrary to the auditors' request of reviewing very recent records, the Department will continue to audit records up to twelve months old in cases where providers back-bill for a prior period. This process will reduce the risk of potential frauds when providers submit incomplete invoices or submit invoices for time periods not subject to the audit. In addition, the statute of limitations is three years for establishing an overpayment and the Department's reviews have historically been made within this timeframe. In February 2015, the Department and DSHS formed a Child Care Audit Committee designed to address internal and external audit issues, and improve internal controls over client eligibility and direct payments to child care providers. This group continues to meet and collaborate on process improvements. In the most recent required Child Care Development Fund Program State Improper Payment Report submitted in July 2014, the Department reported that, of 276 cases sampled, nine cases (3.3 percent of the total) had an improper payment error (overpayment or underpayment). The national improper payment error rate for this same period was 5.7 percent, so the Department is well below this national average. The federal government requires a corrective action plan for states exceeding 10 percent. In March 2016, the Department began clarifying subsidy program rules and policies, using provider feedback to improve training, developing record keeping templates, and communicating more frequently with DSHS. The Department will continue to request funding for an electronic time and attendance billing system, which will ensure attendance data for all providers are available and reconciled to billing before payment is made. Such a system would eliminate many forms of potential fraud and decrease the number of unintentional billing errors that cause high levels of improper payments. The Department is exploring an interim IT solution that will allow the Department to receive electronic attendance records from all child care providers receiving subsidy payments. The Department has also initiated a project to implement a new case management system to improve provider monitoring, fraud detection, and data reporting.

Department of Early Learning — Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	023 (cont'd)	The Department is committed to improving its audit approach to include changing how cases are assigned, increasing auditor training, and implementing risk-based auditing techniques. For example, the Department is considering expanding attendance record review in cases where the Department has information to suggest it is likely to uncover additional types of billing errors, return substantial sums to the grant, or assist with fraud investigations. The Department will also continue the recent change to audit providers based on month of payment rather than month of service in an effort to improve the timeliness of audit reviews. Completion Date: Corrective action is expected to be complete by December 2017 Agency Contact: Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

Department of Early Learning — Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	024	**Finding:** The Department of Early Learning 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 concurs with this finding. To address the weaknesses noted in the finding, the Department has taken or is taking the following steps: • Recently created a licensing background unit that will allow staff to better manage fingerprint requirements. • Immediately shifted licensing staff resources from regions where work was being completed timely to regions where staffs were behind to assist with workload issues. • The Department continues to analyze the number of staff needed to satisfy the licensor-to-childcare provider requirements of the Child Care and Development Block Grant (CCDBG) Act of 2014 which requires adequate staffing ratios to provide timely services per federal and state law requirements. • Initiated emergency rulemaking and updating policies to clarify that licensors do not need to inspect licensees that have become inactive. • Clarified policies and procedures, and provided additional training to licensing staff on the revisions. • Acquired WA Compass, a caseload management system software, and is currently building the licensing mobile application and provider portal. **Completion Date:** Corrective action is expected to be complete by June 2017 **Agency Contact:** Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

Department of Early Learning — Agency 357

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	025	**Finding:** The Department of Early Learning did not have adequate internal controls over child care fraud detection and repayments. **Corrective Action:** To address the finding, the Department has taken the following actions: • Developed written procedures for staff to follow when potential fraud is suspected and is working on finalizing a formal policy statement. • Delivered fraud trainings to Department audit and licensing staff in collaboration with the Department of Social and Health Services Office of Fraud (OFA) and Accountability. The training provides guidance to staffs responsible for referring cases to the Subsidy Policy and Audit Manager, who makes the final decision to refer to OFA for action. • Conducted targeted training for licensing Regional Administrators to review recent referrals and identify best practices in recognizing and reporting suspected fraud. • Expanded review of provider attendance records in cases of suspected fraud to support investigation. • Actively engaged its partners at OFA to ensure more timely response and review of cases referred for investigation. The Department is also taking the following actions: • Continue to request funding for an electronic time and attendance billing system to enable reconciliation between provider attendance data and billings before payment is made. Such a system would be able to eliminate many forms of potential fraud or unintentional errors that cause improper payments. • Actively engaging in the field testing of different electronic attendance tracking solutions in partnership with parents and providers across the state. This process is intended to build a proof of concept and garner wider stakeholder support for the possible transition to an electronic time and attendance system. • Exploring an interim IT solution that will allow the Department to receive electronic attendance records from all child care providers receiving subsidy payments. • Continue to provide fraud trainings at locations throughout the state as needed. • Providing targeted training for licensing Regional Administrators on a quarterly basis. **Completion Date:** Corrective action is expected to be complete by June 2017 **Agency Contact:** Mike Steenhout Chief Financial Officer PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov

Department of Early Learning **Agency 357**
Department of Social and Health Services **Agency 300**

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	027	Finding:	The Departments of Early Learning and Social and Health Services did not establish adequate internal controls over and did not comply with period of availability requirements for the Child Care and Development Fund program.
		Corrective Action:	The Department of Social and Health Services' (Department) Economic Services Administration (ESA) has a process in place for monitoring period of availability and processing journal vouchers to ensure compliance with the period of availability in regards to the federal grant. As an immediate fix to rectify the existing issue, including questioned costs, the Department's ESA and the Department of Early Learning (DEL) will develop, coordinate, and utilize a manual journal voucher process to ensure full compliance. The Departments will also work with the appropriate federal agency to discuss changing and/or updating the federal compliance supplement to better align with the state's business practices for cash draws and reporting of the federal grants. The Departments will continue discussions with their federal partner regarding the amount, if any, of the questioned costs that should be repaid and acceptance of prospective corrections. The Department's Division of Finance and Financial Recovery (DFFR) is currently working with the Office of Accounting Services to establish written policies and procedures to ensure compliance with grant requirements and determination of what is needed to change the Department's Cost Allocation System. DFFR has coordinated with DEL to develop and implement manual processes that are currently in place. The Department plans to establish, sponsor and lead a cross-agency committee to review the processes involved and potentially recommend implementation of changes to the existing Cost Allocation System methodology.
		Completion Date:	Corrective action is expected to be complete by June 2017
		Agency Contact:	Mike Steenhout, Chief Financial Officer Department of Early Learning PO Box 40970 Olympia, WA 98504-0970 (360) 725-4920 mike.steenhout@del.wa.gov Rick Meyer, External Audit Compliance Manager Department of Social and Health Services PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Department of Ecology — Agency 461

Audit Report	Finding Number	Finding and Corrective Action Plan
1017837	2015-001	Finding: The Department lacks adequate internal controls over fee collections for the Vehicle Emission testing program. Corrective Action: The Department acknowledged the audit finding and will take the following steps to improve internal processes and procedures for the Vehicle Emissions program: • Establish fiscal oversight and monitoring of revenue collections for the Vehicle Emissions program including: o Comparing number of emission tests performed to amount of revenue collected. o Reconciling the amount of emission fees collected to amount deposited on a quarterly basis. o Developing a tracking spreadsheet to account for the revenue reported on vendor invoices and reconciling it to reports produced from the contractor's financial system and amounts deposited by the Department. • Request reports from the Contractor's financial system that account for the revenue collected. These reports will be used to reconcile revenue collection. • Develop and implement procedures for the Vehicle Emissions program which will include identifying roles and responsibilities for oversight and monitoring of contracted vendor and management review. Completion Date: Corrective action is expected to be complete by June 2017 Agency Contact: Lisa Darnell Fiscal Manager PO Box 47615 Olympia, WA 98504-7615 (360) 407-7052 Lisa.darnell@ecy.wa.gov

Department of Fish and Wildlife — Agency 477

Audit Report	Finding Number	Finding and Corrective Action Plan	
1016961	2015-001	Finding:	The Department of Fish and Wildlife did not comply with required state contracting policies related to the procurement of goods and services, and did not ensure written contracts were in effect before making payments.
		Corrective Action:	Department staff involved in project management, contract management, and procurement are required to complete the Department of Enterprise Services contracts and procurement training. In addition, specialized in-person training specifically covering state contracting polices for procurement of goods and services will be developed and delivered to applicable staff both in the Department's Olympia headquarters and regional offices. The Department will ensure staff is following the state contracting policies for the future procurement of goods and services. Department executives will be informed on any procurement policy violations related to their program's operations for further review or disciplinary actions if necessary. The Contracts and Purchasing Office is a centralized function and is responsible for ensuring updates to state purchasing rules and requirements are communicated to all agency staff on a timely basis. The Contracts and Purchasing Manager will also review training needs on a regular basis and make recommendations to employees' supervisors. The Department has a system in place to extract employees' training profiles from the Human Resource Management System (HRMS). The Contracts and Purchasing Office maintains an Excel spreadsheet to track staff training status based on the information obtained from HRMS. The Department also started using a contract management system called Novatus CMS. There are notification features built into the system to notify users on current contract status and alert project managers for necessary actions.
		Completion Date:	Corrective action is expected to be complete by March 2017
		Agency Contact:	Gerrit Eades Internal Auditor 600 Capitol Way N Olympia, WA 98501 (360) 902-2420 Gerrit.Eades@dfw.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	006	Finding:	The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible claimants of the Unemployment Insurance program received benefits.
		Corrective Action:	The Department has reviewed the work search verification and job search review processes to determine what new processes need to be implemented or changed to ensure that only eligible claimants receive benefits. By December 2016, changes in job search rules will be developed and formally adopted. The Department will develop new policies and procedures to improve work search verification and job search review and monitoring processes. These procedures will include: • Management oversight to ensure accuracy and completeness of eligibility determination. • A new monitoring system that ensure the weekly in-person reviews have been completed. • The minimum number of required verifications. • Documentation retention requirements.
		Completion Date:	Corrective action is expected to be complete by June 2017
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	007	Finding:	The Employment Security Department paid Trade Readjustment Allowance program benefits to participants who were not eligible to receive them.
		Corrective Action:	As of July 2016, the Department has implemented the following corrective actions: • Developed new policies and procedures to improve application eligibility review process. • Established new requirements for managerial review and oversight to reduce errors and increase program compliance and accuracy. Currently, 100% review is conducted while staff is receiving training. Once training is completed, reviews will be performed on a random basis. • Conducted on-going trainings to increase staff's knowledge on the Trade Readjustment Allowance program requirements. Due to a recent reorganization within the agency, training is being provided to all staff. As of September 2016, the Department repaid the questioned costs to the federal awarding agency, U.S. Department of Labor. By December 2016, manuals will be developed to provide guidance to staff on the newly implemented policies and procedures to ensure program compliance and accuracy.
		Completion Date:	Corrective action is expected to be complete by December 2016
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	008	**Finding:** The Employment Security Department made unsupported payments to Trade Readjustment Allowance program participants. **Corrective Action:** Beginning in October 2016, the Department began scanning and maintaining supporting payment documentation in accordance with federal and state record retention guidelines. The Department has also implemented the following corrective actions: • Established new procedures over the Trade Readjustment Allowance (TRA) program payment documentation and retention. TRA staff will submit a copy of the payment supporting documentation to the Finance Department for their records. • Established procedures to ensure managerial oversight and review are in place to improve program compliance over payment documentation and retention. • Repaid the questioned costs to the federal awarding agency, U.S. Department of Labor, in August 2016. By December 2016, manuals will be developed to provide guidance to staff on the newly implemented policies and procedures to ensure program compliance and accuracy. The Unemployment Tax and Benefit System is set to go live on January 3, 2017. The new system is expected to improve the payment accuracy and documentation process. **Completion Date:** Corrective action is expected to be complete by January 2017 **Agency Contact:** Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Plan
2015 F	009	**Finding:** The Employment Security Department did not have adequate internal controls to ensure only eligible participants of the Trade Adjustment Assistance program received benefits. **Corrective Action:** As of February 2016, the Department: • Added additional staff to increase support and initiated separation of duties by assigning one individual to determine the eligibility for benefits using the General Unemployment Insurance Design Effort system and a second individual to enter information into the Case Management System. • Established a plan to increase accuracy and efficiency within the Trade Adjustment Assistance (TAA) program, which included the following activities: increased managerial oversight and review over the eligibility determination process, completing spot checks, and conducting random testing. • Set up new guidelines to assist TAA program staff in determining eligibility and ensuring participants meet federal requirements before authorizing payment, and developed a checklist to ensure proper documentation is in place. **Completion Date:** February 2016, subject to audit follow-up **Agency Contact:** Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Employment Security Department — Agency 540

Audit Report	Finding Number	Finding and Corrective Action Plan	
2015 F	010	Finding:	The Employment Security Department did not have support for transportation reimbursement payments to Trade Adjustment Assistance program participants.
		Corrective Action:	In August 2016, the Department repaid the questioned costs to the federal awarding agency, U.S. Department of Labor. As of October 2016, the Department began scanning and maintaining transportation reimbursement payment supporting documentation in accordance with federal and state record retention guidelines. The Department is in the process of : • Redesigning the claim forms requiring an additional review of the payment calculation for accuracy by field staff and a second review by central office staff. • Formalizing new procedures to ensure segregation of duties between payment processing, and payment review and approval. • Developing new procedures to strengthen internal controls in the reimbursement payment process. These procedures will be reviewed and monitored by management on an ongoing basis.
		Completion Date:	Corrective action is expected to be complete by December 2016
		Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov

Lower Columbia College — Agency 657

Audit Report	Finding Number	Finding and Corrective Action Plan	
1016062	2014-001	Finding:	The College should improve internal controls over financial reporting.
		Corrective Action:	The errors identified in the original financial statements were the result of misclassifications due to this being the College's first year of producing GASB financial statements. The College immediately made all corrections that were noted by the auditors and the final statements were determined by the auditors to be free from material misstatement. Following the auditor's recommendation, the College's finance office implemented the following internal controls over financial reporting: • Reallocated existing resources for the preparation and review of financial statements. An independent contractor has been hired and is working closely with the budget analyst and the accounting supervisor to obtain all the pertinent information necessary to assist with the preparation of the financial statements. • Provided training to all employees of the Finance Department to ensure they are familiar with how tasks performed throughout the year are related to the financial statements. Training will also focus on ensuring each staff member understand fully why and how to perform their job duties. • The Director of Finance continues to be primarily responsible for the preparation and presentation of the financial statements. Work completed by the contractor is subject to review by the Finance Director to ensure the financial statements are accurate, complete, and in compliance with Generally Accepted Accounting Principles.
		Completion Date:	February 2016, subject to audit follow-up
		Agency Contact:	Kelley M. West Director of Finance 1600 Maple Street Longview, WA 98632 (360) 442-2202 kwest@lcc.ctc.edu

Tacoma Community College — Agency 678

Audit Report	Finding Number	Finding and Corrective Action Plan	
1016845	2014-001	Finding:	The College should improve internal controls over preparation of the financial statements to ensure accurate reporting.
		Corrective Action:	The errors identified by the auditor were corrected in the College's financial statements. The College has converted to a new accounting system. The new system automates many processes and procedures to increase accuracy in financial reporting. This new tool will be used to prepare the financial statements commencing with the 2016 fiscal year. Prior to converting capital asset data from the old system to the new system, the College will thoroughly review the useful lives for all capital assets. The College will also make the necessary adjustments as appropriate. The new requirement by the Northwest Commission on Colleges and Universities that all colleges prepare their own financial statements in compliance with Generally Accepted Accounting Principles has significantly increased the volume of work in the Financial Services Department (FSD). Therefore, the FSD will request additional staffing to ensure financial statements are prepared timely and accurately. The College is working on strengthening our process and improving procedures to ensure financial statements are adequately reviewed prior to submission.
		Completion Date:	Corrective action is expected to be complete by June 2017
		Agency Contact:	Janice M. Stroh Director of Financial Services 6501 South 19th Street Tacoma, WA 98466 (253) 566-5064 jstroh@tacomacc.edu

Tacoma Community College — Agency 678

Audit Report	Finding Number	Finding and Corrective Action Plan	
1016944	2015-001	Finding:	The College should improve internal controls over preparation of the financial statements to ensure accurate reporting.
		Corrective Action:	The errors identified by the auditor were corrected in the College's financial statements. The College has converted to a new accounting system. The new system automates many processes and procedures to increase accuracy in financial reporting. This new tool will be used to prepare the financial statements commencing with the 2016 fiscal year. Prior to converting capital asset data from the old system to the new system, the College will thoroughly review the useful lives for all capital assets. The College will also make the necessary adjustments as appropriate. The new requirement by the Northwest Commission on Colleges and Universities that all colleges prepare their own financial statements in compliance with Generally Accepted Accounting Principles has significantly increased the volume of work in the Financial Services Department (FSD). Therefore, the FSD will request additional staffing to ensure financial statements are prepared timely and accurately. The College is working on strengthening our process and improving procedures to ensure financial statements are adequately reviewed prior to submission.
		Completion Date:	Corrective action is expected to be complete by June 2017
		Agency Contact:	Janice M. Stroh Director of Financial Services 6501 South 19th Street Tacoma, WA 98466 (253) 566-5064 jstroh@tacomacc.edu

Wenatchee Valley College — Agency 686

Audit Report	Finding Number	Finding and Corrective Action Plan
1017695	2014- 001	**Finding:** The College's internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting. **Corrective Action:** The College implemented the following corrective actions: • Revised the financial statements to include the reporting of a component unit prior to the conclusion of the audit. • Added accounting staff in May 2016, to provide for additional resource and oversight, and to facilitate accurate reporting of financial transactions. • Updated inventory policy adopted by the Board of Trustees in September 2016. The policy will be reviewed annually. • Drafted the Capital Assets and Inventory Control procedures for cabinet and Board of Trustee review. • Performed monthly reconciliations between accounting records and changes to the asset inventory. In November, the College began providing ongoing training to facilities office staff on internal controls and inventory procedures. Ongoing training is also being provided to business office staff on GASB standards and Generally Accepted Accounting Principles reporting requirements. By December 2016, a complete physical inventory of all assets will be conducted and entered into the College's capital asset management system. Future financial statements will be reviewed for conformity to prescribed accounting standards and formats by college executives or their designees. **Completion Date:** Corrective action is expected to be complete by December 2016 **Agency Contact:** Suzie Benson Vice President of Administrative Services 1300 Fifth Street Wenatchee, WA 98801 (509) 682-6515 sbenson@wvc.edu

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Schedule 2 – Fraud Findings by Agency

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Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Resolution	
1016250	001	Finding:	The Department of Social and Health Services notified the auditors of a suspected payroll overpayment. An investigation was conducted and determined that an employee at Western State Hospital was paid from July 16, 2011, to July 15, 2015, for hours he did not work. The overpayments occurred mostly because the employee routinely did not work one of his scheduled days and failed to submit leave slips to cover his absences.
		Fraud Amount:	$71,753
		Amount to be recovered:	$96,559 (including $24,806 audit cost)
		Recovery to date:	$19,788
		Resolution/Status:	As of February 2016, the Department implemented the following process to strengthen internal controls: • Physicians are required to attest to their presence at work on Accountability Forms and submit them to immediate supervisors on a weekly basis. Supervisors are required to report any noted discrepancies between time worked and schedules to the Chief Medical Officer. • After supervisor review, the Accountability Forms are sent to the Medical Director's office for review. • Each month before payroll is processed, employee timesheets and schedules are submitted to the Medical Director's office for reviews. If there is a discrepancy between the Accountability Forms and timesheets, employees are required to submit leave slips and correct their timesheets accordingly. • After approval by the Medical Director's office, monthly timesheets are forwarded to the payroll office. As of June 2016, the Chief Medical Officer reviewed the new process and confirmed that the Accountability Forms have been submitted. The Department will work with the Department's Human Resource Division to look at the feasibility of adding Time and Attendance policy on the Employee Annual Review Checklist by June 2017. As a result of this audit, supervisors were reminded about their responsibilities concerning suspected loss and were required to report any noted discrepancies to the Chief Medical Officer. Current administrative policy requires the Chief Medical Officer to inform the Department's Operations Review and Consultation (ORC) when there is any suspected loss. ORC will then notify the State Auditor's Office.

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Resolution	
1016250	001 (cont'd)		The Department's internal review and the auditors' fraud report had assessed a total of $71,753 in overpayments to the employee as of July 2015. The investigative costs will be paid by the Department and the Department in turn will pursue payment from the employee.
		Personnel Action Taken:	A written letter of reprimand was issued to the employee with directive to submit leave slips timely. As authorized by the employee's collective bargaining agreement, $200 was being deducted from each paycheck. The employee resigned in May 2016, and has repaid $19,788 as of July 2016. The Department's Office of Financial Recovery will continue to seek reimbursement from the former employee.
		Criminal Action Taken:	None
		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 Resolution	
1016927	001	Finding:	An investigation completed at the Department of Social and Health Services determined at least $9,127 of client funds were misappropriated by a supported living agency employee between May and December 2014.
		Fraud Amount:	$9,127
		Amount to be recovered:	$9,127
		Recovery to date:	$7,668
		Resolution/Status:	The Department will continue to monitor its contracted supported living agencies that manage client funds. To ensure compliance with client health and safety standards, the Department's Residential Care Services uses contractors to perform certification evaluations of supported living agencies. Each agency has a signed contract in place which is monitored by the Department's Developmental Disabilities Administration (DDA). The contracts contain policies and requirements pertaining to management of client finances. To help ensure clients are protected from financial exploitation, the Department: • Hired DDA staff dedicated to assist with client financial programs within the supported living facilities and provided consultation on financial questions. • Communicated recommendations from the Department's internal audit unit to help providers with creating a better monitoring system for client funds. The system will provide monthly financial records showing various ledger activities with supporting documentation. Providers will also be trained on how to reconcile their financial records. When financial exploitation is substantiated, the Department will ensure: • Contract terms and conditions are followed. • Department policies and procedures are adhered to. • Client's financial losses due to the supported living agency's mismanagement are paid to the client by the supported living agency.
		Personnel Action Taken:	In April 2015, the employee was added to the Aging and Disability Services Registry and was disqualified from working with vulnerable adults in the state of Washington.

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Resolution	
1016927	001 (cont'd)	Criminal Action Taken:	The Everett Police Department completed their investigation and the case was referred to the Snohomish County Prosecuting Attorney's Office. To date, $7,668 was recovered. The supported living agency filed for bankruptcy and is no longer in business.
		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 Resolution	
1017265	001	Finding:	An investigation completed at the Department of Social and Health Services determined that a supported living agency employee misappropriated more than $58,000 in client and program funds between January 2011, and April 2015.
		Fraud Amount:	$58,856
		Amount to be recovered:	$35,000 based on approved plea deal
		Recovery to date:	$35,000
		Resolution/Status:	The Department will continue to monitor its contracted supported living agencies that manage client funds. To ensure compliance with client health and safety standards, the Department's Residential Care Services uses contractors to perform certification evaluations of supported living agencies. Each agency has a signed contract in place which is monitored by the Department's Developmental Disabilities Administration (DDA). The contracts contain policies and requirements pertaining to management of client finances. To help ensure clients are protected from financial exploitation, the Department: • Hired DDA staff dedicated to assist with client financial programs within the supported living facilities and provided consultation on financial questions. • Communicated recommendations from the Department's internal audit unit to help providers with creating a better monitoring system for client funds. The system will provide monthly financial records showing various ledger activities with supporting documentation. Providers will also be trained on how to reconcile their financial records. When financial exploitation is substantiated, the Department will ensure: • Contract terms and conditions are followed. • Department policies and procedures are adhered to. • Clients' financial losses due to the supported living agency's mismanagement are paid to the client by the supported living agency. The amount misappropriated in this finding was from both the supported living agency and the clients. The Department met with the supported living agency and ensured that the $35,000 restitution was first applied to client accounts before the house account. The supported living agency had fully repaid all clients affected by the fraud.

Department of Social and Health Services — Agency 300

Audit Report	Finding Number	Finding and Resolution	
1017265	001 (cont'd)	Personnel Action Taken:	The supported living agency employee was terminated for mismanagement in April 2015.
		Criminal Action Taken:	The Enumclaw Police Department completed their investigation and the employee was charged with multiple counts of thefts in the first degree. In March 2016, the employee negotiated a plea deal of one reduced charge of Theft in the second degree and was required to pay $35,000 in restitution.
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 Richard.meyer@dshs.wa.gov

Seattle Community College – District 6 — Agency 670

Audit Report	Finding Number	Finding and Resolution	
1016393	001	Finding:	An investigation completed at the Seattle Community College determined that there was a procurement card misappropriation totaling $50,712 by the former Director of Distance Learning between July 1, 2009, and January 31, 2015.
		Fraud Amount:	$50,712
		Amount to be recovered:	$70,953 (including $20,241 audit cost)
		Recovery to date:	$0
		Resolution/Status:	The College's Procurement Department has put into place additional controls to prevent similar type of fraudulent activities from occurring in the future. These include: • Assigning an additional staff position devoted to credit card program monitoring, training, auditing, and management. • Placing additional restrictions with the credit card processor specific to the category or type of businesses the colleges conduct. • Conducting regular review of the credit card program to ensure compliance with state rules and regulations. • Performing regular audits of credit card activities and improving processes to ensure card statements are reconciled on a regular basis. Non-compliance by card user may lead to revocation of Department card privileges. • Implementing regular trainings to cardholders and administrators by the Purchasing Department in credit card use and compliance with internal purchase card policies.
		Personnel Action Taken:	The Director was terminated shortly after the discovery of questionable activities by the Seattle Colleges procurement staff member who was conducting an internal audit.
		Criminal Action Taken:	The report has been sent to the County Prosecutors Office. They are working with the Seattle Police Department to conduct an investigation.
		Agency Contact:	John Bray Executive Director of Finance 1500 Harvard Avenue Seattle, WA 98053 (206) 934-2026 john.bray@seattlecolleges.edu

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