



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Accountability Audit Report**  
**Department of Children, Youth and Families**

**For the period July 1, 2016 through June 30, 2017**

**Published August 30, 2018**

**Report No. 1022030**





**Office of the Washington State Auditor**  
**Pat McCarthy**

August 30, 2018

Ross Hunter, Secretary  
Department of Children, Youth and Families  
Olympia, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the Department's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## AUDIT RESULTS

This report describes the overall results for the areas we examined. In most of the areas we examined, Department operations complied with applicable state laws, regulations, and its own policies and provided adequate controls over safeguarding of public resources.

We identified areas in which the Department could make improvements. Specifically we recommend the Department:

- Improve its monitoring of child care providers to ensure they do not exceed their licensed capacity
- Improve its internal controls to ensure Quality Award recipients are eligible and use grant funds only for allowable purposes

These recommendations are included with our report as findings.

### About the audit

This report contains the results of our independent accountability audit of the Department of Children, Youth, and Families from July 1, 2016 through June 30, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the State Auditor to examine the financial affairs of all state agencies. The audit involved performing procedures to obtain evidence about the Department's use of public resources, compliance with state laws and regulations and its own policies, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the year ended June 30, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Monitoring of licensed in-home providers to ensure compliance with authorized child capacity limits
- Quality improvement awards – payments were awarded to eligible providers and used for only allowable purposes
- Contract monitoring for the Home Visiting Services program to ensure payments complied with contract and funding guidelines
- Examination of payments reimbursed by the Gates Foundation to ensure they were allowable, properly approved, and adequately supported

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2017-001 The Department of Children, Youth, and Families did not establish adequate internal controls to ensure licensed in-home providers complied with child care capacity requirements.**

#### *Background*

On July 1, 2018, Department of Children, Youth, and Families (Department) became the lead agency responsible for providing services that support children and families to build resilience and health, and to improve educational outcomes. The Department now oversees several programs that were previously offered by the Department of Early Learning (DEL) and the Children's Administration of the Department of Social and Health Services.

The Department licenses more than 6,000 in-home home and child care center providers in Washington. Licensed child care providers must meet minimum licensing requirements set by the Department to ensure children are cared for in safe, healthy and nurturing places. Licensed in-home providers care for children in the provider's home, whereas child care centers offer care in commercial, privately owned, school or faith-based spaces.

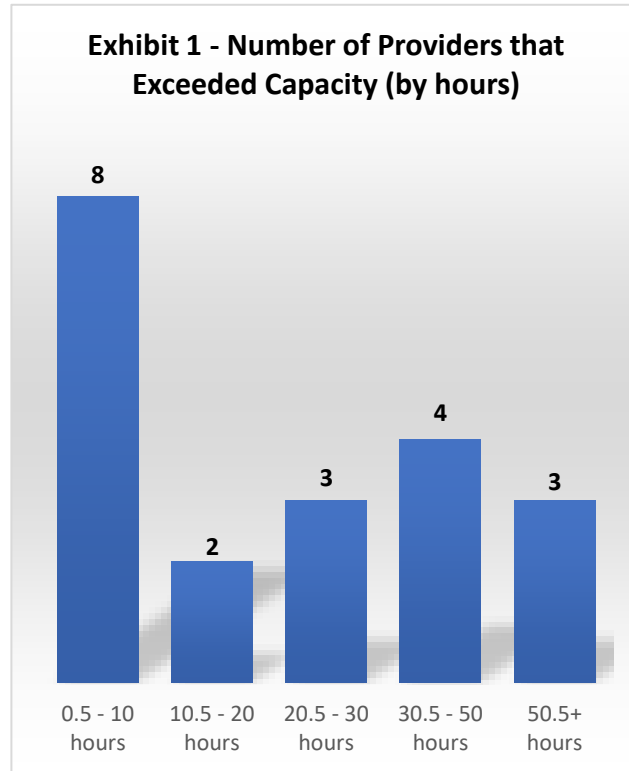
As part of the child care licensing process, the Department sets a provider's child care capacity. For licensed in-home providers, the maximum capacity ranges from six to 12 children. The maximum capacity at childcare centers varies depending on the facility's size. The Department has also established required staff-to-child ratios that consider the licensed in-home provider's years of experience working with children, the number of staff and their qualifications. The Department requires that providers keep child attendance records to document which children were provided care and ensure staff-to-child ratios were met.

Department licensors perform annual, on-site inspections at child care facilities and in-home provider residences. Licensors use checklists to measure compliance with applicable rules. As part of the inspections, licensors record the number of children who are present during the inspection and verify the required staff-to-child ratio is being met.

In fiscal year 2017, the Department paid \$78,836,948 to licensed in-home providers for child care.

## Description of Condition

We requested a month of attendance records from 50 licensed in-home providers to determine if they complied with their authorized licensed capacity. The providers we chose to request records from were paid the most by the Department during the year or provided child care to the most children.

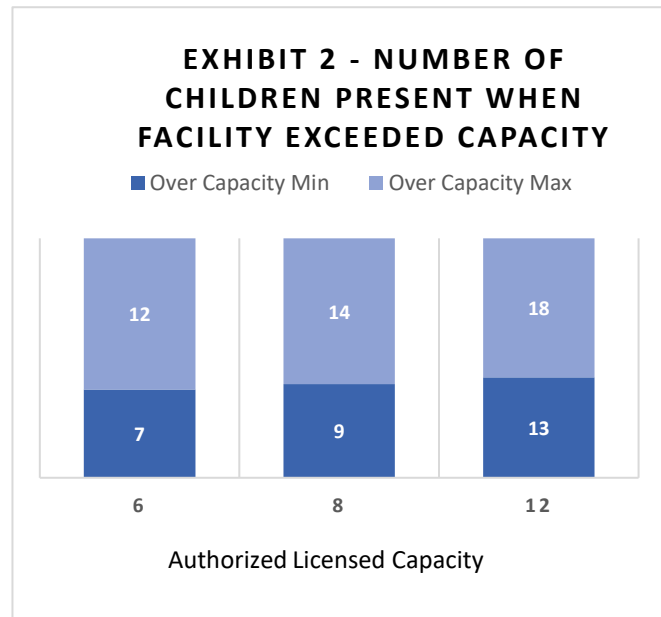


Of the 50 we selected, 39 responded to our request for records. We examined the respondents' records and found 20 providers (51 percent) exceeded their licensed capacity for part of the month we examined.

The amount of time when the 20 providers exceeded their licensed capacities ranged from 30 minutes to 137 hours during the months we examined.

As shown in Exhibit 2, we grouped the providers we examined by their licensed capacity – six, eight or 12 children at any given time.

For example, for the providers who were licensed for up to six children in their home at any given time, records showed the number of children present ranged from seven to 12.



### *Non-responsive providers*

Of the 50 in-home providers we requested attendance records from, 11 (22 percent) did not respond to our request. One provider said they did not provide child care during the month we requested records for.

### ***Cause of Condition***

The Department relies on annual licensing inspections to determine if providers comply with their authorized licensed capacity. These inspections measure a provider's compliance at a specific point-in-time.

The Department has not implemented internal controls that detect whether providers exceed their licensed capacity in times outside the licensing visit.

### ***Effect of Condition***

By not having adequate internal controls in place, the Department increases its risk that it would not detect, in a timely manner, whether providers are exceeding their licensed capacity.

For the 11 providers who did not respond with records, there is an increased risk that required attendance records do not exist to support payments for subsidized child care. Without these records, there would be no documentation for the Department to verify whether providers complied with their capacity requirements and met staff-to-child ratios.

The provider who said she did not provide child care during the month we requested records for was paid \$19,919 by the Department. Because child care was not provided, this results in an overpayment.

### ***Recommendations***

We recommend the Department:

- Implement internal controls, which are detective in nature, to identify if providers exceed their licensed capacity
- Follow up with the providers that did not respond to requests for attendance records
- Recoup the overpayment made to the provider who said she did not provide childcare, but was paid by the Department

## ***Department's Response***

*The Department of Children, Youth, and Families appreciates, acknowledges, and supports the State Auditor's Office's (SAO) mission, which is to hold state and local government accountable for the use of public resources.*

*The Department partially concurs with the overall finding of SAO.*

### ***Condition***

*The Department concurs with the audit findings for each of the 20 providers identified as being over licensing capacity. The Department will further investigate each finding and provide technical assistance to providers regarding their licensing capacity on each of the cases.*

### ***Cause of Condition***

*The Department partially concurs with the cause of condition. In addition to the annual review conducted by the licensor, The Department conducts the following to monitor capacity:*

- *Random audits conducted by the subsidy team with referrals to licensing for providers that appear to be over capacity*
- *Investigations initiated by public health and safety complaints*
- *Investigation initiated by other departments including Child Protective Services*

### ***Effect of Condition***

*The Department concurs with the effect of condition and will:*

- *Establish overpayments for any subsidy payments made to providers that did not provide attendance records*
- *Investigate and provide technical assistance to providers that did not provide attendance records*
- *Establish overpayments for subsidy payments made to the provider who stated they did not provide care*

### ***Recommendations***

*The Department concurs with the recommendations and has been working to improve internal controls to identify when providers are over capacity. The Department has finalized the procurement of an electronic time and attendance*



*reporting system that will maintain electronic copies of attendance records and potentially reduce provider errors. In addition, the Department will:*

- *Implement the requirement for an electronic attendance system allowing providers to use the Department's electronic attendance system or an approved third party electronic attendance system (Fall 2018)*
- *Use data from the Department's electronic attendance system to monitor attendance data for all licensed child care providers accepting subsidy payments (Early 2019) to identify conditions such as overcapacity.*

### ***Auditor's Concluding Remarks***

We appreciate the Department's commitment to improve its internal controls. We will follow-up in a future audit to determine whether the Department's planned corrective actions addressed the issues identified in the audit.

### ***Applicable Laws and Regulations***

Washington Administrative Code 170-296A-2125 – Child attendance records – Staff to child ratio records, states:

The licensee must also keep records of:

- (1) Daily attendance for each child counted in capacity that includes the:
  - (a) Child's dates of attendance;
  - (b) Time the child arrives or returns to the child care, including signature of the person authorized by the child's parent or guardian to sign the child in; and
  - (c) Time the child leaves from the licensee's care including signature of the person authorized by the child's parent or guardian to sign the child out; and
- (2) Names of staff being counted to meet the daily staff-to-child ratio requirements.
- (3) Electronic attendance records if the child's attendance is recorded using an electronic system under WAC 170-296A-2126.

Washington Administrative Code 170-296A-5550 - Birth through twelve years license, states:

- (1) The department issues an initial license or nonexpiring full license for the licensee to care for not more than twelve children

birth through twelve years of age.

(2) The department may issue an initial license or nonexpiring full license for fewer than twelve children if the total square footage of licensed indoor or outdoor space is less than the minimum square footage required to care for twelve children.

(3) If the licensee has less than one year of child care experience, the department may issue an initial license limited to:

(a) Caring for not more than six children; or

(b) Caring for children older than eighteen months of age and walking independently.

(4) See the table in WAC 170-296A-5700 for the number and ages of children a licensee may care for and the staff-to-child ratios required based on the licensee's experience and staffing levels.

Washington Administrative Code 170-296A-5600 - Staff-to-child ratio, states:

(1) The licensee must provide qualified staff to fulfill the staffing requirements and ratios described in WAC 170-296A-5700 at all times during all operating hours, including off-site trips or when transporting children in care.

(2) The licensee must provide additional staff as described in WAC 170-296A-5150, 170-296A-5175, or 170-296A-5225 when children are participating in water activities or activities near water.

Washington Administrative Code 170-296A-5625 - Capacity and ratio, states:

(1) The licensee must not exceed the total number or ages of children in care (capacity) stated on the child care license.

(2) All children in care through twelve years of age in attendance on the premises or being transported by the licensee or staff or a household member are counted in capacity.

(3) Any child within the age range on the license count in ratio, including the licensee's own children, children of staff, or visiting children who are not accompanied by an adult.

(4) The licensee must receive department approval to care for a child with special needs as documented in WAC 170-296A-0050 if the child is older than the maximum age identified on the license. A child with documented special needs may be in care up to age nineteen and must be counted in

ratio.

(5) If an individual child with special needs requires individualized supervision, a staff member providing individualized supervision for that child does not count in the staff-to-child ratio for the other children in care.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

#### Section 20.24.10 Control activities overview

Control activities are policies, procedures, techniques, and mechanisms that help ensure that risks to the achievement of an agency's objectives are mitigated. Control activities are performed at all levels of the agency, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature. Preventive controls are designed to deter the occurrence of an undesirable event by implementing procedures to avoid them. Detective controls are designed to identify undesirable events that do occur and alert management about what has happened.

When designing and implementing control activities, management should consider cost versus benefit and the likelihood and impact of the associated risk. Building control activities into business processes and systems as they are being designed is generally more cost-effective than adding them later.

#### Section 20.28.10 Monitoring overview

Monitoring is the process of evaluating the quality of internal control performance over time and promptly addressing internal control deficiencies. Monitoring can take the form of ongoing evaluations, which are built into business processes at different levels of the agency, or separate evaluations, which are conducted periodically and vary in scope and frequency, depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

Monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks.

#### Section 20.28.30 Monitoring versus control activities

It can be difficult to distinguish between a review that is a control activity and one that is a monitoring activity. Some judgment is involved but determining the intent of the activity can help. An activity designed to detect and correct errors is likely a control activity, while an activity designed to ask why there were errors in the first place and assign responsibility for fixing the process to prevent future errors is likely a monitoring activity. In other words, a control activity responds to a specific risk, while a monitoring activity assesses whether controls within each of the five components of internal control are operating as intended.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**2017-002 The Department of Children, Youth, and Families did not establish adequate internal controls to ensure Quality Awards recipients were eligible and used grant funds only for allowable purposes.**

### *Background*

On July 1, 2018, Department of Children, Youth & Families (Department) became the lead agency responsible for providing services that support children and families to build resilience and health, and to improve educational outcomes. The Department now oversees several programs that were previously offered by the Department of Early Learning (DEL) and the Children's Administration of the Department of Social and Health Services.

One of the Department's programs, which was previously administered by DEL, is the Early Achievers program (program). The purpose of the program is to enhance the quality of early learning at child care facilities in Washington. Program participants can qualify for Quality Improvement (QI) awards to recognize achievement and support the implementation of quality improvement goals.

To be eligible to receive a QI award, participants must:

- Provide child care to an enrollment population of which at least 5 percent is non-school-age children currently receiving state or other qualifying child care subsidies
- Be an active Early Achievers participant with an acceptable rating
- Create and maintain a Quality Improvement Plan (QIP)
- Register as a vendor with the state of Washington

Award recipients must work with a Child Care Aware of Washington coach, who helps create a Quality Improvement Plan (QIP) in the Department's web-based Early Learning System (WELS). The QIP documents how the awarded funds will be spent to improve the quality of early learning. The coach meets with the provider every six months and documents in WELS how awarded funds were spent.

The value of awards range from \$1,000 to \$2,750 for child care providers who operate in their homes and \$5,000 to \$9,000 for child care centers. QI awards can only be used for expenses related to child outcomes, facility curriculum, learning environment and interactions, family engagement and partnership, professional development and training, technology and paid re-rates. Recipients must keep receipts for seven years to show how the awarded funds were used.

The Department paid \$2,028,750 for QI awards in fiscal year 2017.

### ***Description of Condition***

We found the Department did not establish adequate internal controls to ensure award recipients met all eligibility requirements and that awards were used only for allowable purposes.

We examined 45 QI award payments, totaling \$154,500, and found three payments, totaling \$15,000, were made to ineligible providers. In these instances, the provider did not create and maintain required QIPs.

We also found 17 payments, totaling \$49,750, for which there was no documentation in WELS describing how providers spent the funds.

### ***Cause of Condition***

The Department did not have formal policies and procedures to ensure a QIP was established between providers and coaches for granted awards.

The Department said staff periodically checked whether information was recorded in WELS describing how providers were using awards. However, there was no systematic monitoring in place.

### ***Effect of Condition***

Because it does not adequately monitor award recipients' activities, the Department faces a higher risk of issuing awards to ineligible recipients and paying for unallowable activities.

### ***Recommendations***

We recommend the Department strengthen its internal controls to ensure awards are not issued before providers are confirmed eligible. We also recommend the Department improve its monitoring once awards are issued to ensure funds are used only for allowable purposes.

### ***Department's Response***

*The Department partially concurs with the exceptions that were identified by the State Auditor's Office around the Quality Improvements Award (QI) program.*

*In response to the auditor's finding that required QIP were not filed, the Department maintains that the Early Achievers Participant Operating Guidelines, and the Early Start Act, neither reference or require a QIP prior to the award or*

*within a set timeframe. In addition, after contacting the assigned coaches, the QIP had been submitted but not entered in WELS.*

*The Department will perform the following actions to further strengthen internal controls:*

- Review and update written policies and procedures that staff to follow to determine eligibility around awards and ensure proper payments to providers in order to make sure each step is adequately documented and record keeping expectations are clear.*
- Review and update written procedures for staff to regularly sample and monitor information in WELS to ensure providers receiving awards comply with reporting requirements and funds are used for allowable purposes. Add information to written policies that outlines the procedures to address missing information such as an incomplete Quality Improvement Plan.*
- Work with Child Care Aware of Washington to strengthen internal controls around the Quality Improvement Plan and required documentation.*
- Review and update the Early Achievers Participant Operating Guidelines to update expectations including an expected timeline to document the Quality Improvement Plan in order to maintain QI Award eligibility.*

### ***Auditor's Remarks***

We appreciate the Department's commitment to improve its internal controls. We will follow-up in a future audit to determine whether the Department's planned corrective actions address the issues identified in the audit.

### ***Applicable Laws and Regulations***

RCW 43.215.101-Early achievers program-Quality rating and improvement system states in part:

- (1) The department, in collaboration with tribal governments and community and statewide partners, shall implement a quality rating and improvement system, called the early achievers program. The early achievers program provides a foundation of quality for the early care and education system. The early achievers program is applicable to licensed or certified child care centers and homes and early learning programs such as working connections child care and early childhood education and assistance programs.

(2) The objectives of the early achievers program are to:

(f) Provide professional development and coaching opportunities to early child care and education providers;

(9) The early achievers quality improvement awards shall be reserved for participants offering programs to an enrollment population consisting of at least five percent of children receiving a state subsidy.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

Section 20.15.60.d Documentation

Documentation – Documentation is a necessary part of a system of internal control. Management must determine the level and nature of documentation that is needed to assess the effectiveness of internal control. Documentation should be sufficient to allow the agency to:

- Assess the overall soundness of the system of internal control.
- Be aware of the existence of internal control weaknesses, if any.

Formulate the agency's plan of action for addressing internal control weaknesses and improving the internal control where necessary.

Section 20.24.10 Control activities overview

Control activities are policies, procedures, techniques, and mechanisms that help ensure that risks to the achievement of an agency's objectives are mitigated. Control activities are performed at all levels of the agency, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature. Preventive controls are designed to deter the occurrence of an undesirable event by implementing procedures to avoid them. Detective controls are designed to identify undesirable events that do occur and alert management about what has happened.



When designing and implementing control activities, management should consider cost versus benefit and the likelihood and impact of the associated risk. Building control activities into business processes and systems as they are being designed is generally more cost-effective than adding them later.

#### Section 20.28.10 Monitoring overview

Monitoring is the process of evaluating the quality of internal control performance over time and promptly addressing internal control deficiencies. Monitoring can take the form of ongoing evaluations, which are built into business processes at different levels of the agency, or separate evaluations, which are conducted periodically and vary in scope and frequency, depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

Monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks.

#### Section 20.28.30 Monitoring versus control activities

It can be difficult to distinguish between a review that is a control activity and one that is a monitoring activity. Some judgment is involved but determining the intent of the activity can help. An activity designed to detect and correct errors is likely a control activity, while an activity designed to ask why there were errors in the first place and assign responsibility for fixing the process to prevent future errors is likely a monitoring activity. In other words, a control activity responds to a specific risk, while a monitoring activity assesses whether controls within each of the five components of internal control are operating as intended.

Early Achievers Participant Operating Guidelines July 2016, Chapter 10. Post-Rating Supports and Incentives Quality Improvements Awards states in part:

#### *Quality Improvement Awards*

Quality Improvement (QI) Awards are awarded to qualifying rated Early Achievers participants that serve non-school-age children receiving state child care subsidies. QI Awards

recognize achievement and support facilities to implement quality improvement goals.

### *Purpose of Award Funds*

QI Awards are intended to be used to reach quality improvement goals outlined on approved QIPs and must align with the Early Achievers Quality Standards. Level 2 QI Awards for family home child care providers are a one-time incentive that may be used toward activities that support re-rating.

### *Award Eligibility*

To be eligible to receive QI Awards, facilities must:

- Achieve an Early Achievers rating of Level 3 or higher. Family Home Child Care Providers who are a rated Level 2 or higher may qualify for QI Awards.
- Serve an enrollment population of which at least 5% of total licensed capacity consists of non-school-age children receiving state subsidy. For the purpose of the calculation, DEL defines “children receiving state subsidy” to mean non-school-age children receiving state funding for child care through any of the following programs:
  - Working Connections Child Care (WCCC)
  - Seasonal Child Care (SCC)
  - Children’s Administration (CA) Child Care programs
  - Homeless Child Care Program (HCCP)
  - ECLIPSE
  - Medicaid
- Agree to create a Quality Improvement Plan (QIP) with assigned coach.
- Maintain active and engaged participation throughout the three-year rating cycle by participating in ongoing coaching and the goals set in the facility’s QIP.
- Register as a vendor of Washington State by submitting the Statewide Payee Registration form and W-9 to the Department of Early Learning. Registration must be

completed under the facility name, as funds will not be awarded to individuals. All facilities must submit their payee registration and W-9 prior to receiving a monetary award. Failure to do so forfeits that year's QI award.

#### *Allowable Uses*

QI Award funds may only be used in the following categories, based on the Early Achievers Quality Standards:

- **Child Outcomes:** Funds may be used for materials, tools and resources to support ongoing child assessment and developmental screening.
- **Facility Curriculum, Learning Environment and Interactions:** Funds may be used to strengthen and enhance a facility's capacity to provide high-quality, individualized experiences and environments for children in the following areas:
  - **Program/classroom materials:** Examples of acceptable items include but are not limited to: developmentally appropriate materials, educational toys and equipment to support learning and basic routines.
  - **Curriculum:** Examples of acceptable items include but are not limited to: curriculum guides, reference books and other resources that supplement the curriculum.
  - **Observational Assessment resources:** Examples of acceptable items include tools that help facilities document children's growth and development and increase staff ability to individualize programming for children. Facilities may also use funds to purchase tools and supporting materials for Early
  - **Achievers assessments, including Environment Rating Scales (ERS) books and Classroom Assessment Scoring System (CLASS) guides.**
- **Family Engagement and Partnership:**
  - **Parenting education/support program:** Funds may be used to support implementation of parenting support and education.

- Strengthening Families Plan of Action implementation: Funds may be used to strengthen and enhance the facility's work with families based on the results of their Strengthening Families Plan of Action. Examples of acceptable items include but are not limited to: parent education resources and training materials; program materials to create a welcoming environment for families; and social/educational gatherings/events for families.
- Professional Development and Training:
  - Staff Development: Funds may be used for staff professional development including but not limited to staff training and conferences. Note: funds may be used for registration/tuition/materials only, and may not be used for travel, hotel or related attendance expenses.
  - Wage Enhancements: Funds may be used to increase or supplement staff salaries. Grant funds are not intended to fund teacher, assistant director, or director salaries in full.
  - Staff Bonuses: Funds may be used to provide bonuses to staff.
  - Release Time: QI funds may be used for staff to engage in quality improvement activities that are beyond the normal scope of work. Examples include but are not limited to: substitute pay, out of classroom planning time for lead teachers and participation in family partnership activities.
  - Continuing Education: QI funds may be used toward credit-bearing coursework for staff. Facilities should first explore existing Early Achievers scholarship opportunities (WA Scholarships and Early Achievers Grants) described in this section in Professional Development Scholarships before using QI funds for this purpose.
- Technology: QI Awards may be used toward technology that supports facility implementation of QI goals, including computers, software, cameras and video cameras.

- Paid Re-rate: QI Awards may be used toward the cost of a re-rate to meet Level 3 or Early Start Act of 2015 requirements.

### *Restrictions*

In addition to the requirements outlined above, award funds may not be used to purchase items considered to be:

- Capital Improvements: This includes the purchase or improvement of land and the purchase, construction or permanent improvement of buildings. An exception is made for upgrades that are necessary to meet health and safety requirements, including plumbing upgrades, electrical repairs, replacing worn flooring, replacing groundcover or hazardous outdoor equipment, roof repair, or installing a fire suppression or door alarm system.
- Religious Activities: Funds may not be used for any religious purpose or activity, including worship or instruction.
- Gift Cards: Grant funds should not be used to purchase monetary equivalents such as gift cards, traveler's checks, or money orders.

QI Awards may not be used to reimburse facilities for purchases made prior to receipt of award funds.

### *Documentation and Reporting*

DEL is not responsible or liable for any tax reporting or financial liability that may apply to participants choosing to accept QI awards. It is recommended that Early Achievers participants contact their facility's accountant, auditor, and/or financial advisor for guidance on fiscal reporting.

Facilities that receive Early Achievers QI Award funds are required to:

- Work with CCA of WA twice a year to provide information about how QI Awards were applied toward QIP goals using a provided template.

- Keep all documentation including records, receipts and paperwork related to spending of QI Awards on-site for a minimum of seven years.
- DEL may conduct audits of QI Award expenditures and tracking for randomly selected facilities.

#### *Misuse of Funds*

Misuse of QI Award funds may result in immediate dismissal from Early Achievers as outlined in Participation Requirements and Expectations: Procedure for Dismissal. Misuse of funds is defined as use of funds for any purchases not included in Allowable Use of Funds; use of funds for any purchases included in Restrictions; and use of funds for purposes not related to coach-approved facility QIPs.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Department of Children, Youth, and Families July 1, 2016 through June 30, 2017

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> July 1, 2015 through June 30, 2016	<b>Report Ref. No.:</b> 1019659	<b>Finding Ref. No.:</b> 2016-001
<b>Finding Caption:</b> The Department of Early Learning did not establish adequate internal controls to ensure Needs-Based Grants recipients were eligible and used grant funds only for allowable purposes.		
<b>Background:</b> We found the Department did not perform any monitoring of recipients to ensure grant funds were used only for allowable purposes. Out of 59 Needs-Based Grant payments totaling \$41,867, two payments totaling \$2,000 were made to ineligible child care centers, and one in-home provider was improperly granted an additional \$500 because it was misclassified as a child care center.		
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The Department concurs with this finding.</i> <i>To address the auditors' recommendations, the Department has taken the following steps:</i> <ul style="list-style-type: none"> <li>• <i>Established written policies and procedures for staff to follow when determining grant eligibility.</i></li> <li>• <i>Updated the grants application to strengthen language regarding allowable uses and the requirement of proper record retention by grant recipients.</i></li> <li>• <i>Implemented a dual approval process to ensure that applicants are eligible, have not already received a grant, and that they are receiving the proper grant amount.</i></li> <li>• <i>Strengthened the Department's reconciliation process by the fiscal team with information recorded in the financial system to help ensure accurate payments are made to providers and to avoid duplicate payments.</i></li> <li>• <i>Strengthened the Department's reconciliation process between payments processed by the fiscal team and the grants database.</i></li> <li>• <i>Reviewed documentation to process an overpayment for the funds that were improperly granted to the in-home provider identified in the audit.</i></li> </ul>		

- *Created and implemented a process and procedures for selecting valid sample from the population of program recipients to perform post-payment audit.*



## INFORMATION ABOUT THE DEPARTMENT

On July 1, 2018, Department of Children, Youth, and Families (Department) became the lead agency responsible for providing services that support children and families to build resilience and health, and to improve educational outcomes. The Department is a cabinet-level agency focused on the well-being of children. Its vision is to ensure that "Washington State's children and youth grow up safe and healthy – thriving physically, emotionally and academically, nurtured by family and community."

The Department now oversees several programs that were previously provided by the Department of Early Learning (DEL) and the Children's Administration of the Department of Social and Health Services. Starting in July 2019, DCYF also will administer programs provided by the Juvenile Rehabilitation division and the Office of Juvenile Justice in DSHS. Those programs include juvenile rehabilitation institutions, community facilities and parole services.

<b>Contact information related to this report</b>	
Address:	Department of Children, Youth, and Families P.O. Box 40975 Olympia, WA 98504
Contact:	Stefanie Niemela,
Telephone:	(360) 725-4402
Website:	<a href="http://www.dcyf.wa.gov">www.dcyf.wa.gov</a>

*Information current as of report publish date.*

### **Audit history**

You can find current and past audit reports for the Department of Children, Youth, and Families at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>