



## STATE OF WASHINGTON

July 9, 2013

The Honorable Troy Kelley  
Washington State Auditor  
P.O. Box 40021  
Olympia, WA 98504-0021

Dear Auditor Kelley:

Thank you for the opportunity to respond to the State Auditor's Office (SAO) performance audit report on improving payment systems and monitoring necessary to prevent errors and improve safety. The Department of Social and Health Services and the Office of Financial Management have reviewed the report and provide our joint response below.

The Department of Social and Health Services Developmental Disabilities Administration (DDA) appreciates the analysis and findings made by SAO. A number of policy and program changes had already been implemented by the DDA prior to the release of this report.

### Overpayments and Unauthorized Payments

DDA concurs with the SAO findings that its supported living payment process is insufficient and has resulted in inaccurate and unauthorized provider payments.

In the past, DDA has used a manual, paper-based rate authorization and approval system. This process was very complex to administer and reconcile, resulting in errors and duplicate payments. Prior to this SAO audit, DDA was successfully piloting an automated, paperless system. DDA implemented this new system in June 2013. The new process requires all rate and payment approvals to be endorsed by each approver to ensure accuracy before they advance to the next stage of review. Each review is recorded by person, date and time.

Additionally, the system required payments greater than \$300 to be split into two payments, which doubled the complexity and probability of error.

In 2014, the payment system will be fully modernized once Phase 2 of ProviderOne, the state's provider payment system, is implemented. Phase 2 will incorporate both rate and payment information in a single system, mitigating the error risks that may occur when reconciling between the rate and payment systems under the current process. Payments greater than \$300 no longer need to be broken into two payments, ensuring greater system reliability and traceability.

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### Unsupported Payments

The SAO report correctly points out that DDA providers struggle to collect, preserve and reconcile billings to payroll. While DDA requires documentation for payment, it must also be cautious not to disqualify providers, leaving vulnerable clients without care. This balance requires careful process scrutiny and documentation reconciliation. DDA has not had the audit staff needed to reconcile provider payroll to billings as recommended.

SAO estimates that six percent of all provider payments do not have adequate documentation for services that were provided or that the rate used to calculate these charges was authorized. Of \$280 million paid annually to these providers, \$17 million lacks adequate documentation.

Recognizing these challenges, the DDA audit process is under review. The administration has engaged Navigant Consulting, Inc. to evaluate the payment process and provide information on other state strategies to improve provider compliance and system efficiencies.

### Background Checks

DDA concurs with the SAO estimate that 23 of 1,400 caregivers working with DDA providers were found to have failed background checks. It is unknown but possible that some of those individuals may have had unsupervised access to clients. One hundred percent compliance is the only acceptable result for this process. DDA has already taken steps to improve timely and accurate background checks. This includes ongoing background check training for all residential providers, reviewing background check compliance of residential agencies, and updating policy requiring additional background check information.

We appreciate the collaboration and thank the audit team for its work.

Sincerely,



Kevin Quigley, Secretary  
Department of Social and Health Services



David Schumacher, Director  
Office of Financial Management

Enclosure

cc: Mary Alice Heuschel, Chief of Staff, Office of the Governor  
Kelly Wicker, Executive Director for Internal Affairs, Office of the Governor  
Ted Sturdevant, Director of Legislative Affairs and Policy Office, Office of the Governor  
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Alan Siegel, External Audit Compliance Manager, Department of Social and Health Services

# OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON IMPROVING PAYMENT SYSTEMS AND MONITORING NECESSARY TO PREVENT ERRORS AND IMPROVE SAFETY – DEVELOPMENTAL DISABILITIES ADMINISTRATION

JULY 9, 2013

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This coordinated management response to the audit report received June 10, 2013, is provided by the Department of Social and Health Services (DSHS) and the Office of Financial Management.

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**RECOMMENDATION 1:** Ensure that staff follow the improved procedures established for:

- a. Electronic review and approval process for daily client payment rates
- b. Updating client payment rates and closing out old payment authorizations
- c. Reviewing the Developmental Disabilities Administration's duplicate payment report and taking actions to stop and recover duplicate payments

## RESPONSE

We agree that the supported living payment process must be improved to prevent overpayments.

The Developmental Disabilities Administration (DDA) in DSHS has already developed, successfully piloted and implemented an automated, paperless system. DDA put this new electronic rate approval system into operation in June 2013. The new process requires all rate and payment approvals to be endorsed by each approver to ensure accuracy before the next stage of review. Each review is recorded by person, date and time.

Both rate and payment information will be incorporated into a single system when Phase 2 of the state's modern provider payment system — ProviderOne — is launched. The automated system will mitigate the error risks that occur when reconciling between the rate and payment systems under the current process. Payments greater than \$300 will no longer need to be broken into two payments, ensuring greater system reliability and traceability. Rate changes processed through the electronic rate approval system described above will be sent electronically to ProviderOne.

Duplicate payment reports will be reviewed as part of the annual cost report review. Resource managers will be notified of any overpayments that have not already been processed through the Office of Financial Recovery and an overpayment package will be sent to the Office of Financial Recovery for processing. Providers will receive information and training at the quarterly regional residential providers meeting on accuracy of billing, including duplicate payment avoidance.

## Action Steps and Time Frame

- Implement electronic rate approval system. Complete. *June 2013*
  - Incorporate rate and payments into a single electronic system. *In 2014 (dependent on ProviderOne Phase 2 launch).*
  - Establish process for regular review of duplicate payments and training for billing providers on duplicate payment avoidance. *By October 2013.*
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**RECOMMENDATION 2:** Request that the Department of Social and Health Services' residential care service inspectors check businesses employment records against a report of caregivers with disqualifying background checks as part of its two-year recertification inspection.

## **RESPONSE**

We agree the department can improve the health and safety of people with developmental disabilities through timely background checks. DDA believes this can be best accomplished through the following actions.

### **Provider training on accuracy and timeliness of background checks**

DDA has provided training and technical assistance to all its residential providers. This initial training was completed in December 2012. DDA will continue to discuss accuracy and timeliness of background checks at its quarterly provider meeting held in all three regions.

### **Review agency compliance of background check requirements**

This year, DSHS/Operations Review and Consultation (ORC) has conducted a review of one residential agency per month for compliance with the background check requirements for 12 months. ORC findings are sent to DDA and residential care services. DDA follows up with corrective actions with the residential agency.

### **Updated policy on background checks and training for providers**

DDA has updated its policy that provides additional background check information to its contracted residential providers.

## **Action Steps and Time Frame**

- Establish ongoing training plan for all residential providers on accuracy and timeliness of background checks. *Complete. Ongoing during quarterly meetings.*
- Establish process for auditing residential agencies on background check requirements. *Complete. Ongoing monthly.*
- Train all residential providers on the updated policy for additional background checks. *By October 2013.*

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**RECOMMENDATION 3:** Strengthen monitoring of businesses' payroll records by creating a procedure for reconciling paid service hours to businesses' payroll records to ensure they support invoices for payments.

## **RESPONSE**

We agree that monitoring businesses' payroll records should be strengthened. DDA and the Management Services Division are working on a plan to conduct additional audits of contracted agencies to review agency payroll records and reconcile paid instruction and support service hours to agency payroll records.

## **Action Steps and Time Frame**

Develop a plan to conduct additional and ongoing audits of contracted agencies' payroll records. *By early 2014.*