

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## State of Washington July 1, 2024 through June 30, 2025

**2025-036 The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.**

<b>Assistance Listing Number and Title:</b>	93.575 Child Care and Development Block Grant 93.575 COVID-19 Child Care and Development Block Grant 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Grantor Name:</b>	U.S. Department of Health and Human Services
<b>Federal Award/Contract Number:</b>	2103WACDC6; 2303WACCDD; 2303WACCDF; 2403WACCDD; 2403WACCDF; 2403WACCDM; 2503WACCDD; 2503WACCDF; 2503WACCDM; 2503WACCDY
<b>Pass-through Entity Name:</b>	None
<b>Pass-through Award/Contract Number:</b>	None
<b>Applicable Compliance Component:</b>	Special Tests and Provisions – Health and Safety Requirements
<b>Known Questioned Cost Amount:</b>	None
<b>Prior Year Audit Finding:</b>	Yes, Finding 2024-060

### ***Background***

The Department of Children, Youth, and Families administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for child care. In fiscal year 2025, the Department spent about \$369 million in CCDF federal funding.

The Department oversees two types of providers: licensed providers and license-exempt Family, Friends, and Neighbor (FFN) providers. The Department is responsible for ensuring all these providers meet health and safety standards. The monitoring activity varies for licensed and FFN providers.

The Department has an approved CCDF State Plan for federal fiscal year 2025-2027 that outlines how it will meet the health and safety requirements for licensed and FFN providers.

#### *Licensed providers*

Department licensors conduct annual monitoring visits of licensed providers. During visits, they complete an inspection checklist to verify whether providers have met required health and safety standards. The licensors use the WA Compass system to document their activities. The system allows licensing staff to monitor the completion of visits, make timely updates, and streamline their processes.

When licensors identify health and safety violations during a monitoring visit, they document them on an inspection report. The inspection report contains the areas of provider noncompliance and establishes deadlines for correcting them. The Department is required to conduct timely follow-up visits on noncompliance issues to ensure providers correct them. Depending on the severity of the noncompliance, the Department has either five, 10, or 15 business days to verify the noncompliance has been corrected.

#### *FFN providers*

Washington's CCDF State Plan and a state rule (WAC 110-16-0025) require nonrelative FFN providers to complete health and safety training within 90 days of their subsidy payment begin date. They also must complete ongoing health and safety training. The Department conducts an annual health and safety visit to ensure providers are following health and safety rules.

The Department adopted a rule (WAC 110-16-0030) that states it must conduct annual technical assistance visits for nonrelative FFN providers within a year of subsidy payment begin date. During these visits, an FFN specialist reviews health and safety requirements and reminds the provider of the ongoing training requirements.

Federal regulations require recipients to establish and maintain effective internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

In the 10 prior audits, we reported that the Department did not have adequate internal controls over and did not comply with health and safety requirements. The previous finding numbers were 2024-060, 2023-064, 2022-045, 2021-039, 2020-042, 2019-039, 2018-035, 2017-025, 2016-022 and 2015-024.

## *Description of Condition*

The Department did not have adequate internal controls over and did not comply with health and safety requirements for the CCDF program.

### *Licensed provider annual monitoring and noncompliance follow-ups*

We used a statistical sampling method to randomly select 59 out of a total population of 7,014 licensed providers. We examined this sample of licensed providers to determine if they received an annual monitoring visit, the Department completed the child care inspection checklist, and the Department performed timely, appropriate follow-ups when they found noncompliance issues. We identified eight (14%) instances in which the licensor did not conduct the appropriate follow-up visit on noncompliance issues within the required time frame.

In addition, we identified eight (14%) instances in which the licensor did not complete health and safety items on the child care inspection checklist. Items not checked included:

- Prevention of sudden infant death syndrome and use of safe sleeping practices
- Appropriate precautions in transporting children
- Emergency preparedness and response planning for emergencies resulting from a natural disaster, or a man-caused event
- Building and physical premises safety
- Handling and storage of hazardous materials

### *Nonrelative FFN provider ongoing training and annual technical visits*

The Department asserted that it uses the FFN Household CCDF Monitoring Report in WA Compass to determine if the FFN meets all training requirements. After reviewing this report, we determined that while the report contains information on current training requirements, it does not contain information for training that has already occurred during the audit period. Due to the limitations of this report and the Department's limited ability to extract data from WA Compass, 16 (29%) of the 55 license-exempt FFN providers selected to be tested for ongoing training requirements were not required to complete the ongoing training. We examined records for the remaining 39 providers in our sample and did not identify any issues.

In addition, the Department could not demonstrate how FFN specialists and management use this report to ensure all training occurred, as required.

We consider these internal control deficiencies to be a material weakness, which led to material noncompliance.

## ***Cause of Condition***

### *Licensed provider annual monitoring and noncompliance follow-ups*

Department officials said the agency did not conduct eight out of 59 monitoring follow-up visits within the required time frame because it was unable to maintain a necessary level of staffing. Additionally, the Department did not complete eight out of the 59 inspection checklists because staff did not follow correct system steps. Additionally, management did not ensure monitoring follow-up visits on identified noncompliance occurred, as the CCDF program requires and that inspection checklists were completed.

### *Nonrelative FFN provider ongoing training and technical visits*

Department officials said the FFN WA Compass system reports are based on real-time data. Therefore, the Department was unable to provide a report with FFN historical data to demonstrate compliance with due dates and to document monitoring activities, including training requirements. The FFN providers can change circumstances throughout the fiscal year such as transitioning from relative to nonrelative care or opening and closing their service multiple times. Since the FFN reports are real-time, this prevents the Department from being able to demonstrate compliance with requirements.

## ***Effect of Condition***

### *Licensed provider annual monitoring and noncompliance follow-ups*

By not following up on noncompliance in a timely manner or completing all health and safety components of the inspection checklist, the Department did not have assurance that providers met health and safety requirements, which can put children in jeopardy of harm, neglect and unhealthy environments.

### *Nonrelative FFN provider ongoing training and technical visits*

By not retaining documentation of the monitoring activities over FFN nonrelative providers who required ongoing training during the audit period, the Department could not demonstrate that it was performing accurate monitoring.

## ***Recommendations***

We recommend the Department:

- Strengthen internal controls to ensure it sufficiently monitors all health and safety requirements

- Ensure management follows established policies and procedures to ensure licensors complete all monitoring visits and checklists, and conduct thorough, timely follow-ups on any identified noncompliance issues
- Improve documentation of internal controls to support that it performed monitoring activities during the audit period

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

*The Department is strongly committed to ensuring the health, safety, and well-being of all children in care. As to the State Auditor's Office (SAO) specific findings, the Department concurs and offers the following details:*

#### ***Licensed provider annual monitoring and noncompliance follow-ups***

*The Department concurs that follow up visits were not completed timely for the eight out of 59 sample cases identified by SAO. During state fiscal year 2025 the Department completed 100% of on-site monitoring visits. Although the follow up visits were not completed within the timelines required, 100% of the follow up visits occurred. Licensed child care providers have increased by 22.6% since the end of 2020 with an average annual growth of 4.2% and 2025 has increased 7.3% since the end of 2024, without a corresponding increase in licensing staff. Given the Department's limited staffing resources and high volume of providers, the Department was unable to complete all follow up visits within the timelines required.*

*Compared to the previous state fiscal year, there has been a positive trend in compliance for 2025. In state fiscal year 2024, SAO identified 16 instances (27%) in which the licensor did not conduct the appropriate follow-up visit on noncompliance issues within the required time frame compared to state fiscal year 2025 in which 8 instances (14%) have been identified. Management continues to follow established policies and procedures as well as continually reviewing reports to improve the timely response of follow-up visits.*

*The Department concurs that eight out of the 59 inspection checklists were not complete because staff did not follow correct system steps. The Department will conduct an internal review of the system steps to complete an inspection checklist and make necessary adjustments to the system as well as provide additional training to licensing staff on the inspection process.*

*During state fiscal year 2025 the Department took the following actions to strengthen internal controls and increase recruitment of licensing staff:*

- *WA Compass made steady improvements to the system each month to help the system run more smoothly and keep information accurate. These improvements make the system better for licensed child care and license-exempt staff and providers*

- *Established a new pre-licensing team to create an efficient and streamlined pathway for the initial licensure process, allowing licensors to remain focused on completing 100% annual inspections*
- *Conducted internal reviews and research of the annual inspection checklists and recheck follow up timelines to support future adjustments to the inspection and recheck process*
- *Established a plan for annual informational audit presentations for staff understanding and collaboration on compliance*

*The Department has implemented data-driven decisions to assist providers and their staff to meet health and safety requirements. Additionally, as part of its Collaborative Compliance initiative, the Department is focused on strengthening internal controls around all health and safety requirements and is confident that corrective actions taken will improve this area moving forward. Collaborative Compliance promotes collaboration, encourages innovation, and will focus more on human-centered technical assistance. This initiative prioritizes compliance for all health and safety requirements.*

#### ***Nonrelative FFN provider ongoing training and technical visits***

*The Department partially concurs with the audit finding. The State Auditor's Office (SAO) selected samples and examined 39 nonrelative providers that received child care payments during the audit period. In all instances, SAO found no issues of noncompliance or exceptions, all providers had their required trainings and technical visits as outlined in the Departments applicable health and safety WACs.*

*The MERIT system and the WA Compass system are monitored by staff to ensure providers comply with health and safety requirements. The current WA Compass reports are real-time dashboards to assist staff with determining requirements that are due within 30, 60, 90 days. MERIT is the system of record for individual providers training requirements. Staff perform monitoring activities outlined in the reports to verify compliance, to include checking training completion dates in MERIT and updating WA Compass with the information. Once requirements are met in WA Compass the completed tasks are no longer reflected on the dashboard. The SAO maintained that the program is not auditable without the historical data showing compliance due dates to document monitoring activities including training requirements.*

*The Department is committed to collaborating with SAO to determine an appropriate methodology that identify a sampling unit that can be used to accurately test internal controls around monitoring activities. Staff will continue to track and monitor FFN health and safety requirements with available tools and determine how to retain documentation to demonstrate this compliance for SAO.*

## *Auditor's Remarks*

Regarding the nonrelative FFN provider ongoing training and technical visits, the Department could not provide a population comprised of only FFN providers who were required to meet the ongoing training and technical visits during the audit period. As such, from the report provided by the Department, we selected 55 providers, but only 39 were applicable to the requirement. Because this report only contains information on current provider status and training requirements, we could not get an accurate population for testing.

We appreciate the Department's commitment to improve its monitoring and compliance with health and safety requirements. We reaffirm our finding and will follow up on the status of the Department's corrective action during our next audit.

## *Applicable Laws and Regulations*

Title 45 *U.S. Code of Federal Regulations* (CFR) Part 75, section 303, Internal Controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 45 CFR Part 75, section 516, Audit findings, establishes reporting requirements for audit findings. The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 45 CFR Part 98.41, Health and safety requirements, states:

a. Each Lead Agency shall certify that there are in effect, within the state (or other areas served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part. Such requirements, which are subject to monitoring pursuant to § 98.42, shall:

1. Include health and safety topics consisting of, at a minimum:

i. The prevention and control of infectious diseases (including immunizations); with respect to immunizations, the following provisions apply:

A. As part of their health and safety provisions in this area, Lead Agencies shall assure that children receiving services under the CCDF are age-appropriately immunized. Those health and safety provisions shall incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the respective State, territorial, or tribal public health agency.

B. Notwithstanding this paragraph (a)(1)(i), Lead Agencies may exempt:

1. Children who are cared for by relatives (defined as grandparents, great grandparents, siblings (if living in a separate residence), aunts, and uncles), provided there are no other unrelated children who are cared for in the same setting.
2. Children who receive care in their own homes, provided there are no other unrelated children who are cared for in the home.
3. Children whose parents object to immunizations on religious grounds.
4. Children whose medical condition contraindicates immunization.

C. Lead Agencies shall establish a grace period that allows children experiencing homelessness and children in foster care to receive services under this part while providing their families (including foster families) a reasonable time to take any necessary action to comply with immunization and other health and safety requirements.

1. The length of such grace period shall be established in consultation with the State, Territorial, or Tribal health agency
2. Any payment for such child during the grace period shall not be considered an error in improper payment under subpart K of this part
3. The Lead Agency may also, at its option, establish grace periods for other children who are not experiencing homelessness or in foster care
4. Lead Agencies must coordinate with licensing agencies and other relevant State, Territorial, Tribal, and local agencies to provide referrals and support to help families of children receiving services during a grace period comply with immunization and other health and safety requirements;
  - ii. Prevention of sudden infant death syndrome and use of safe sleeping practices;
  - iii. Administration of medication, consistent with standards for parental consent;
  - iv. Prevention and response to emergencies due to food and allergic reactions;
  - v. And physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic;

- vi. Prevention of shaken baby syndrome, abusive head trauma, and child maltreatment;
- vii. Emergency preparedness and response planning for emergencies resulting from a natural disaster, or a man- caused event (such as violence at a child care facility), within the meaning of those terms under section 602(a)(1) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5195a(a)(1)) that shall include procedures for evacuation, relocation, shelter-in-place and lock down drills, communication and reunification with families, continuity of operations, and accommodation of infants and toddlers, children with disabilities, and children with chronic medical conditions;
- viii. Handling and storage of hazardous materials and the appropriate disposal of bio contaminants;
- ix. Appropriate precautions in transporting children, if applicable;
- x. Pediatric first aid and cardiopulmonary resuscitation;
- xi. Recognition and reporting of child abuse and neglect, in accordance with the requirement in paragraph (e)of this section; and
- xii. May include requirements relating to:
  - A. Nutrition (including age-appropriate feeding);
  - B. Access to physical activity;
  - C. Caring for children with special needs; or
  - D. Any other subject area determined by the Lead Agency to be necessary to promote child development or protect children’s health and safety

2. Include minimum health and safety training on the topics above, as described in § 98.44

b. Lead Agencies may not set health and safety standards and requirements other than those required in paragraph (a) of this section that are inconsistent with the parental choice safeguards in § 98.30(f).

c. The requirements in paragraph (a) of this section shall apply to all providers of child care services for which assistance is provided under this part, within the area served by the Lead Agency, except the relatives specified at § 98.42(c).

d. Lead Agencies shall describe in the Plan standards for child care services for which assistance is provided under this part, appropriate to strengthening the adult and child relationship in the type of child care setting involved, to provide for the safety and developmental needs of the children served, that address:

1. Group size limits for specific age populations;
2. The appropriate ratio between the number of children and the number of caregivers, in terms of age of children in child care; and
3. Required qualifications for caregivers in child care settings as described at § 98.44(a)(4)

e. Lead Agencies shall certify that caregivers, teachers, and directors of child care providers within the State or service area will comply with the State's, Territory's, or Tribe's child abuse reporting requirements as required by section 106(b)(2)(B)(i) of the Child Abuse and Prevention and Treatment Act (42 U.S.C. 510a(b)(2)(B)(i)) or other child abuse reporting procedures and laws in the service area.

Washington Administrative Code (WAC) 110-16-0025 Health and Safety Training:

1. A provider described in WAC 110-16-0015 (4)(b) or (c) must complete the following training within ninety calendar days of the subsidy payment begin date:
  - a. Infant, child, and adult first aid and cardiopulmonary resuscitation (CPR):
    - i. This training must be taken in person and the provider must demonstrate learned skills to the instructor.
    - ii. The instructor must be certified by the American Red Cross, American Heart Association, American Safety and Health Institute, or other nationally recognized certification program.
  - b. Prevention of sudden infant death syndrome and safe sleep practices when caring for infants; and
  - c. Department approved health and safety training which includes the following topics areas:
    - i. Prevention and control of infectious diseases;
    - ii. Administration of medication;
    - iii. Prevention of, and response to, emergencies due to food and allergic reactions;

- iv. Building and physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic;
  - v. Prevention of shaken baby syndrome, abuse head trauma, and child maltreatment;
  - vi. Emergency preparedness and response planning for natural disasters and human-caused events;
  - vii. Handling and storage of hazardous materials and the appropriate disposal of bio contaminants;
  - viii. Appropriate precautions in transporting children;
  - ix. Recognition and reporting of child abuse and neglect, including the prevention of child abuse and neglect as defined in RCW 26.44.020 and mandatory reporting requirements under RCW 26.44.030; and
  - x. Other topic areas as determined by the Department.
2. A provider described in WAC 110-16-0015 (4)(b) or (c) can meet the health and safety training in subsection (1)(c) of this section if the department verifies that the provider has completed any of the following either prior to or within ninety calendar days of the subsidy payment begin date:
- a. Child care basics, a department approved thirty-hour health and safety training
  - b. Washington state early childhood education initial certificate (twelve credits) that includes early childhood education and development 105 health, safety, and nutrition
3. A provider described in WAC 110-16-0015 (4)(b) or (c) must complete a minimum of two hours of health and safety training annually, using the subsidy payment begin date. The training must include, but is not limited to, one or more of the following:
- a. Prevention and control of infectious diseases;
  - b. Emergency preparedness and response planning for natural disasters and human-caused events;
  - c. Recognizing and prevention of shaken baby syndrome, head trauma abuse, neglect, and child maltreatment; and
  - d. Prevention of sudden infant death syndrome and safe sleep practices, if caring for an infant or toddler.

WAC 110-16-0030 Health and safety activities:

1. A provider described in WAC 110-16-0015 (4)(b) or (c), must participate in an annual, scheduled visit conducted by department staff in the home where care is provided.
2. The purpose of the visit is to:
  - (a) Provide technical assistance to the provider regarding the health and safety requirements described in this chapter;
  - (b) Observe the provider's interactions with the child, and discuss health and safety practices;
  - (c) Provide written information and local resources about child development to include the major domains of cognitive, social, emotional, physical development, and approaches to learning; and
  - (d) Provide regional contact information for FFN child care services and resources.
3. A provider will be considered out of compliance with the requirements of this chapter if, after three attempts, the department is not able to complete an annual, scheduled visit in the home where care is provided.
4. At the annual, scheduled visit, the provider must show, unless previously provided to the department:
  - (a) Proof of identify;
  - (b) Proof of current certification for first aid and cardiopulmonary resuscitation (CPR) in the form of a card, certificate, or instructor letter;
  - (c) Proof of vaccination against or acquired immunity for vaccine-preventable diseases for all children in care, if the provider's children are on-site at any time with the eligible children. Proof can include:
    - i. A current and complete department of health (DOH) certificate of immunization status (CIS) or certificate of exemption (COE) or other DOH approved form; or
    - ii. A current immunization record from the Washington state immunization information system (WA IIS).
  - (d) Written permission from the parent to:
    - i. Allow children to use a swimming pool;

- ii. Administer medication for treatment of illnesses and allergies of the children in care;
  - iii. Provide for and accommodate developmental and special needs; and
  - iv. Provide transportation for care, activities, and school when applicable.
- (e) The written emergency preparedness and response plan required in WAC 110-16-0035 (8)(c).