



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY

**Compliance Examination
 For the Two Years Ended June 30, 2016**

Release Date: August 29, 2018

FINDINGS THIS AUDIT: 26				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	6	8	14	2014	5, 6, 7, 8, 9, 10, 12, 14	22, 24, 25	26
Category 2:	8	3	11				
Category 3:	<u>0</u>	<u>1</u>	<u>1</u>				
TOTAL	14	12	26				
FINDINGS LAST AUDIT: 21							

INTRODUCTION

The Illinois Health Information Exchange Authority’s (Authority) purpose was to promote and facilitate the widespread adoption of electronic medical records and participation in the Illinois Health Information Exchange (ILHIE) among healthcare providers. According to Authority officials, the ILHIE was decommissioned by June 30, 2016.

The Authority, the Office of the Governor, and the Department of Healthcare and Family Services entered into an interagency agreement on September 23, 2016, which, in practicality, ended the Authority’s existence as an independent, standalone entity and reorganized the functions of the Authority into the Department.

Because of the significance and pervasiveness of the findings described within the report, we expressed an **adverse** opinion on the Authority’s compliance with the assertions which comprise a State compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.72) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.”

SYNOPSIS

- **(16-01)** The Authority no longer operates the ILHIE.
- **(16-02)** The Authority failed to adopt a comprehensive decommissioning plan for the ILHIE which completely addressed the destruction of personally-identifiable information and health data of individuals.
- **(16-03)** The Authority did not ensure data on the ILHIE was properly destroyed.
- **(16-04)** The Authority failed to comply with the State Records Act, resulting in an improper destruction of the State’s records.
- **(16-13)** The Authority did not exercise adequate internal control over a grant.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

EXPENDITURE STATISTICS (NOT EXAMINED)	2016	2015	2014
Total Expenditures.....	\$ 1,752,219	\$ 2,938,907	\$ 1,853,676
OPERATIONS TOTAL.....	\$ 1,752,219	\$ 2,938,907	\$ 1,853,676
% of Total Expenditures.....	100.0%	100.0%	100.0%
Personal Services.....	515,484	1,073,506	478,223
Other Payroll Costs (FICA, Retirement).....	387,594	752,469	309,410
All Other Operating Expenditures.....	849,141	1,112,932	1,066,043
Total Receipts.....	\$ 458,216	\$ 1,015,535	\$ 2,958,412
Average Number of Employees.....	5	15	14

EXECUTIVE DIRECTOR/DIRECTOR
During Examination Period: Raul Recarey (07/01/14 - 01/12/15), Vacant (01/13/15 - 01/19/15), Diego Estrella (01/20/15 - 09/27/15), Mason Budelier (09/28/15 - 05/06/16), Vacant (05/07/16 - 05/08/16), Frank Kisner (05/09/16 - 09/23/16)
Currently: Patricia R. Bellock

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO FULFILL THE AUTHORITY’S
PRIMARY MISSION**

The Illinois Health Information Exchange Authority (Authority) no longer operates the Illinois Health Information Exchange (ILHIE).

ILHIE shut down

During testing, we noted the Authority had completely decommissioned and shut down the ILHIE by June 30, 2016. Further, it does not appear the Authority has an adequate plan for its future operations.

**ILHIE Direct’s estimated cost was
\$3,154,811**

The ILHIE consisted of two distinct components. The first component, ILHIE Direct, was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. While the Authority and its predecessors never capitalized the cost of this development, we estimated ILHIE Direct’s cost as, at least, \$3,154,811. The second component, the Public Health Node (PHN), received data transmissions from healthcare providers to validate datasets and support the transmission of datasets in a “meaningful use” format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the Department of Public Health. Again, while the Authority and its predecessors never capitalized the cost of this development, we estimated the PHN’s cost as, at least, \$1,719,462. (Finding 1, pages 15-16)

**Public Health Node’s estimated cost
was \$1,719,462**

We recommended the Department of Healthcare and Family Services, on behalf of the Authority, develop and operate the ILHIE, or seek a legislative remedy.

Department officials accept

Department officials accepted the finding.

INADEQUATE DECOMMISSIONING PLAN

The Authority failed to adopt a comprehensive decommissioning plan for the Illinois Health Information Exchange (ILHIE) which completely addressed the destruction of personally-identifiable information and health data of individuals within the ILHIE.

During testing, we noted the Authority and its vendor approved the ILHIE’s decommissioning plan on May 6, 2016, which was to document the “process and procedures to cease delivery of services”. During our review of the plan and its implementation, we noted the following:

- While the vendor developing the ILHIE on the Authority’s behalf had contracted with several

Plan did not required subcontractors to address their data

subcontractors, the decommissioning plan did not require the subcontractors to provide either (1) a certification ILHIE data held by the subcontractor had been properly destroyed or (2) a certification the subcontractor did not maintain any ILHIE data. As a result, the Authority does not have any assurance three of five (60%) subcontractors working on the ILHIE project are not holding personally-identifiable information and health data of individuals within the ILHIE.

Three subcontractors may be holding personally-identifiable and health data of individuals

Plan did not address ILHIE Direct’s destruction of data requirements

- The plan was approved 188 days after the final destruction of ILHIE Direct services on October 31, 2015, and 310 days after the vendor began shutting down ILHIE Direct on July 1, 2015. As a result, the vendor and the Authority had not documented its plan for the destruction of ILHIE Direct data or developed a certification process for documenting the destruction of ILHIE Direct data. Further, the final decommissioning plan did not address ILHIE Direct’s requirements for the destruction of data and requirements for a certification the data had been destroyed.

Data still held by the primary vendor not addressed by the plan

- The decommissioning plan requires the vendor to maintain certain protected health information for six years after the final decommissioning of the ILHIE. However, we noted the decommissioning plan does not address the destruction of this data or develop a certification process for documenting the destruction of this data. (Finding 2, pages 17-18)

We recommended the Department of Healthcare and Family Services, on behalf of the Authority, take action to ensure all of the ILHIE’s data is adequately protected from disclosure and secure until it can be verified as destroyed.

Department officials accept

Department officials accepted the finding.

INADEQUATE CONTROL OVER THE DESTRUCTION OF DATA

The Authority did not ensure data on the Illinois Health Information Exchange (ILHIE) was properly destroyed.

During our review of the Authority’s decommissioning process, we noted the following:

Unable to provide documentation media held by three subcontractors had been properly destroyed

- The Authority was unable to provide documentation any media handled by three of the vendor’s five subcontractors (60%) had been properly destroyed.
- The Authority received documentation from two of the vendor’s five subcontractors regarding the ILHIE Direct’s data on December 16, 2015, and January 5,

Destruction documentation from two subcontractors was incomplete

2016. We noted neither of the subcontractors provided a listing with the serial number of each computer or other equipment item sanitized, the name of the overwriting software used, and the name, date, and signature of the person who performed the overwriting process. In addition, we found the following:

One subcontractor reported it was still holding data

- One of the two noted subcontractors stated it was still holding data and that any Protected Health Information (PHI) was encrypted. We were unable to determine what had happened with this data after the subcontractor's e-mail on January 5, 2016.

Unable to determine what happened to this data

- We noted discrepancies in the reporting of destroyed media by one of the two subcontractors. In the subcontractor's December 16, 2015, submission, they reported 380 tapes had been destroyed, while the *ILHIE Backups on Removable Media Report* indicated 363 of 393 tapes had been destroyed by the subcontractor. We were unable to reconcile this discrepancy.

Unreconciled discrepancies in tapes destroyed by the subcontractor and the Authority's records

Unable to determine where 13 to 30 tapes are located and whether they are secure

- In addition, we do not know where these remaining 13 to 30 tapes containing ILHIE data with the subcontractor:
 - 1) are stored;
 - 2) whether these tapes are currently adequately secured, or,
 - 3) whether these tapes will be disposed of in accordance with the Personal Information Protection Act (815 ILCS 530/30) and the terms of the contract with the vendor.

Destruction documentation from the primary vendor was incomplete

- The Authority received an e-mail from its vendor stating they attested to the "full and complete destruction of all data with the physical destruction of all tapes and the overwriting at least 10 times of all on disk data" on August 17, 2016. We noted the vendor did not provide a listing with the serial number of each computer or other equipment item sanitized, the name of the overwriting software used, and the name, date, and signature of the person who performed the overwriting process. (Finding 3, pages 19-21)

We recommended the Department of Healthcare and Family Services, on behalf of the Authority, take action to ensure the ILHIE's decommissioning process is finalized and all of the ILHIE's data is protected from disclosure and secure until it can be verified as destroyed.

Department officials accept

Department officials accepted the finding.

NONCOMPLIANCE WITH THE STATE RECORDS ACT

The Authority failed to comply with the State Records Act, resulting in an improper destruction of the State's records.

During testing, we noted the following:

Authority did not submit a records retention policy for approval

- The Authority did not submit lists or schedules of records with a proposal for the length of time each record series warrants retention by the Authority to the State Records Commission. In addition, the Authority's Executive Director did not appoint a records officer to liaison with the Secretary of State regarding the management of the Authority's records.
- The Illinois Health Information Exchange (ILHIE), which was fully decommissioned by June 30, 2016, consisted of two distinct components. The first component, ILHIE Direct, was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. The second component, the Public Health Node, received data transmissions from healthcare providers to validate datasets and support the transmission of dataset in a "meaningful use" format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the State of Illinois, Department of Public Health.

State records destroyed with the knowledge and approval of Authority management

On October 31, 2015, the Authority's vendor developing and hosting the ILHIE destroyed the electronic records associated with ILHIE Direct without providing a copy of the records to the Authority. **The destruction of these records occurred with the knowledge and approval of the Authority's management.** (Finding 4, pages 22-24)

We recommended the Department of Healthcare and Family Services, on behalf of the Authority, take action to ensure all of the Authority's remaining records are retained and only destroyed in accordance with the provisions of the State Records Act.

Department officials accept

Department officials accepted the finding.

INADEQUATE CONTROL OVER A GRANT

The Authority did not exercise adequate internal control over a grant.

Authority received a grant from the federal government

During the examination period, the Authority received a Coordinating Care for a Healthy Illinois grant from the U.S. Department of Health and Human Services, Office of the

National Coordinator for Health Information Technology (ONC), totaling \$2,478,193. The Authority incurred expenses of \$210,586 related to this grant during the two years ended June 30, 2016.

During testing, some of the more significant issues we noted included the following:

- The Authority did not exercise adequate internal control over financial transactions with its subrecipients. We noted the following:
 - The Authority could not quantify or show documentation to substantiate the Authority’s subrecipients met the required in-kind matching requirement. As the reimbursements for the Authority’s expenses totaled \$54,743, the total unmet matching requirement was \$51,948.
 - 10 of 17 (59%) subrecipient reimbursements, totaling \$155,843, were questioned by us. The following chart details the questioned costs:

Unable to substantiate subrecipients met \$51,948 of in-kind matching

\$40,147 in questioned costs paid to subrecipients

Costs Incurred Prior to Signing the Grant Agreement	\$ 934
No Support for Meeting the Requirements of the Grant Agreement	3,248
Inadequate Support for Meeting the Requirements of the Grant Agreement	33,292
Illegible Supporting Documentation	99
No Business Purpose	122
Incorrect Calculation of Fringe Benefits and/or the Indirect Cost Rate	2,452

Total Questioned Costs: \$ 40,147

- The Authority did not exercise adequate controls over its own (not including subrecipients) transactions. We noted the following:
 - The Authority met its own (not including subrecipients) federal matching requirement of \$1 for every \$3 spent by the ONC on the grant by using cash on deposit within the Health Information Exchange Fund, which originated from federal sources. As the reimbursements for the Authority’s expenses totaled \$54,743, the total unmet matching requirement was \$18,248. (Finding 13, pages 47-50)

Authority may not have met its own matching requirements

We recommended the Department of Healthcare and Family Services, on behalf of the Authority, work with the ONC to determine whether any amounts are due to the federal government.

Department officials accept

Department officials accepted the finding.

OTHER FINDINGS

The remaining findings pertain to (1) inaccurate financial records; (2) inadequate control over expenditures, receipts, receivables, reconciliations, formulating contracts, equipment, SOC Reports, Public Health Node payments, a vendor credit, interagency agreements, personal services, travel, and signature cards; (3) inadequate segregation of duties and security and control over confidential information; (4) failure to establish a quorum at the Authority's meetings of the Board of Directors and pay for office space; (5) unnecessary purchases; (6) a lack of due diligence to ensure computer security; and, (7) a lack of members on the Authority's Board of Directors.

We will review the Authority's progress towards the implementation of our recommendations in our next compliance examination of the Department of Healthcare and Family Services.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Authority for the two years ended June 30, 2016, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Finding 2016-001 through Finding 2016-014, the accountants stated the Authority did not comply with the requirements described in the report.

This compliance examination was conducted by the Office of the Auditor General's staff.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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