



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF PUBLIC HEALTH

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2011**

Release Date: May 9, 2012

Summary of Findings:

Total this audit:	17
Total last audit:	22
Repeated from last audit:	11

SYNOPSIS

- The Department did not adequately administer its awards and grants programs. The Department expended over \$73 million for awards and grants.
- The Department did not have adequate support for the allocation of legal services expenses pursuant to interagency agreements with the Office of the Governor and the Department of Central Management Services.
- The Department did not correctly report financial information on the Grant/Contract Analysis form resulting in an overstatement of expenditures and receipts by \$344,000.
- The Department had inadequate controls over computer inventory. The Department was unable to determine whether missing computers contained confidential information.

{Expenditures and Activity Measures are summarized on the reverse page.}

**DEPARTMENT OF PUBLIC HEALTH
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011**

EXPENDITURE STATISTICS	2011	2010	2009
Total Expenditures.....	\$ 315,720,104	\$ 368,982,773	\$ 361,745,181
OPERATIONS TOTAL.....	\$ 281,691,164	\$ 329,133,178	\$ 278,181,023
% of Total Expenditures.....	89.2%	89.2%	76.9%
Personal Services*.....	13,007,064	49,595,085	46,554,226
Other Payroll Costs (FICA, Retirement).....	7,298,854	9,706,862	15,674,787
All Other Operating Expenditures.....	261,385,246	269,831,231	215,952,010
AWARDS AND GRANTS.....	\$ 34,028,940	\$ 39,849,595	\$ 83,544,627
% of Total Expenditures.....	10.8%	10.8%	23.1%
REFUNDS.....	\$ -	\$ -	\$ 19,531
% of Total Expenditures.....	0.0%	0.0%	0.0%
Total Receipts.....	\$ 189,273,191	\$ 200,027,643	\$ 176,863,928
Average Number of Employees.....	1,085	1,092	1,117
*The decrease in personal services expenditures for FY11 is attributed to an increase in these costs being paid from lump sum line items which are classified in the "All Other Operating Expenditures" category.			

SELECTED ACTIVITY MEASURES (not examined)	2011	2010	2009
Number of prescriptions filled through AIDS Drug Assistance Program (ADAP).....	131,100	127,451	113,079
Number of lead poisoning cases investigated..	271	264	287
Number of Licensed LTC Beds.....	119,329	119,740	121,437
Number of LTC Facility Annual Inspections..	1,075	1,095	1,150
Newborns Genetic/Metabolic Disorder Screening Performed.....	160,024	179,311	180,000
Vision and Hearing Screening Performed.....	2,017,908	2,071,472	2,086,489
Number of Requests to Women's Health Helpline.....	8,160	9,223	13,845

AGENCY DIRECTOR	
During Examination Period:	Dr. Damon T. Arnold, M.D., M.P.H.
Currently:	Dr. LaMar Hasbrouck, M.D., M.P.H.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE ADMINISTRATION OF AWARDS AND
GRANTS PROGRAMS**

The Department did not adequately administer its awards and grants programs.

The Department expended over \$73 million (11%) of its total expenditures for awards and grants. We tested sixteen grant programs from nine offices and noted the following weaknesses:

No written procedures for grant administration

- The Department did not have written procedures established to guide its administration of the awards and grants programs tested.

Missing grant documentation

- Eighteen of 143 (13%) grants tested were missing required documentation, including reporting requirements, audits, and a budget.

Improper documentation in grant files

- For 20 of 143 (14%) grants tested, files contained improper documentation. (Finding 1, pages 13-15) **This finding was first reported in 2007.**

We recommended the Department develop a comprehensive grant administration program that includes the development and implementation of written procedures over the awarding and monitoring of all of the Department's grant awards; reviewing the programmatic and financial reports of grant recipients; scheduling, conducting, and documenting grantee site visits; and timely collecting refunds due the Department.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated they are drafting rules to formalize the grants review process and finalizing written grants procedures. Further, officials stated an electronic grant management system will be purchased. (For Previous Agency response, See Digest Footnote #1)

**LACK OF DOCUMENTATION FOR INTERAGENCY
AGREEMENTS**

The Department did not have adequate support detailing the methodology for the allocation to be paid for legal services to the State.

Inadequate support for allocation of legal costs

The Department entered into interagency agreements with the Office of the Governor and the Department of Central Management Services for an allocable share of legal fees occurred. There was no supporting documentation detailing the methodology used for determining the percent allocation which was to be paid by the Department. (Finding 2, pages 16-17) **This finding was first reported in 2007.**

We recommended the Department require and maintain sufficient documentation to ensure that all billed contracted services have been provided to the Department and that the expenditures are reasonable and necessary for services received by the Department.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated they will continue to work with the Governor's Office to obtain sufficient documentation for legal service allocations.(For Previous Agency response, see Digest Footnote #2)

\$344,000 overstatement

NEED TO IMPROVE FINANCIAL REPORTING

The Department did not correctly report financial information for immunization grants on the Grant/Contract Analysis (SCO-563) form to the Illinois Office of the Comptroller.

The Department inaccurately reported a non-cash award on one SCO-563 form, overstating receipts and expenditures by \$344,000. (Finding 3, pages 18-19) **This finding was first reported in 2003.**

We recommended the Department comply with the Statewide Accounting Management System requirements to ensure accurate financial information is submitted to the Illinois Office of the Comptroller. Further, the Department should review and revise as necessary its current system used to gather and document the financial information that will be reported.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated the misstatement was subsequently corrected and filed with the Illinois Office of the Comptroller. (For Previous Agency response, see Digest Footnote #3)

INADEQUATE CONTROLS OVER COMPUTER INVENTORY

The Department was not able to locate 75 computers during fiscal years 2010 and 2011, some of which may have contained confidential information.

Missing 75 computers totaling \$95,874

Detailed assessment not performed for confidential information

In its fiscal year 2010 and 2011 Physical Inventory Reports, the Department reported missing computer inventory totaling \$95,874, which included 32 desktop and 43 laptop computers. In addition, the Department did not perform a detailed assessment and therefore was unable to determine whether the missing computers contained confidential information. Further, the Department had not protected all of its computers with encryption software, thus increasing the risk that confidential or personal information could be exposed.

Not all computers protected with encryption software

Department officials stated computer users were required to store Department data on network servers rather than on local computer hard drives. (Finding 8, pages 27-28)

We recommended the Department:

- Immediately perform a detailed inventory of computer equipment.
- Perform a detailed assessment to determine if any of the missing computers contained confidential information.
- Review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers.

We also recommended the Department establish procedures to immediately assess if a computer may have contained confidential information whenever it is reported lost or stolen.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated corrective action will be taken. Officials stated a review of computer equipment inventory is underway and if any missing computers contained confidential information, IT Security will be informed.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress toward the implementation of our recommendations during our next examination.

ACCOUNTANTS' REPORT

We conducted a compliance examination of the Department as required by the Illinois State Auditing Act. The Accountant's Report noted the Department did not comply in all material respects with the requirements regarding laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.



WILLIAM G. HOLLAND
- Auditor General

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SPECIAL ASSISTANT AUDITORS

Sikich LLP was our special assistant auditor for this engagement.

DIGEST FOOTNOTES

#1 Inadequate administration of awards and grants programs - Previous Department Response.

The Department concurs in the finding and recommendation. Upon review of the grant exceptions cited, the area where the greatest improvement must be made deals with the timeliness of quarterly, semi-annual and/or final reports required of our grantees. In addition, the Department offices where grants were executed did not always follow-up as necessary or document its efforts to receive such reports. The Directive (08-01) regarding Grant Monitoring Compliance that was issued by the Director on May 1, 2008 was done so to provide written requirements and instructions for grant monitoring across the Department. Unfortunately, as the finding states, that effort did not significantly reduce the weakness noted. Two actions steps will be taken. First, the implementation of the Directive will be stressed at upcoming Senior Staff meetings and also with the fiscal offices of each of the applicable offices that administer grants. Secondly the Department is part of a grants management committee comprised of several State agencies charged with the task of addressing issues on general oversight and management of grants.

#2 Lack of documentation for Interagency agreements - Previous Department Response.

The Department concurs in the finding and recommendation. Going forward, the Department will seek to obtain additional supporting documentation from the Governor's Office for any legal allocations in order to be consistent with the State Accounting Management System. Historically, it is our understanding that payment responsibility was assigned to particular State agencies based principally on the agencies' involvement in the subject matter of the litigation.

#3 GAAP Reporting - Previous Department Response

The Department concurs in the finding and recommendation. The Department maintains documentation of all transactions associated with immunization doses distributed by the third party distributor contracted directly by the US Centers for Disease Control and Prevention. The Department will utilize the immunization distribution reports submitted to IDPH and the CDC by the third party distributor for the purpose of documenting the financial information that is reported to the Office of the State Comptroller in the GAAP Reporting Package Forms.