



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**STATE OF ILLINOIS STATEWIDE SINGLE AUDIT REPORT**

**SINGLE AUDIT**

**For the Year Ended June 30, 2013**

**Release Date: April 15, 2014**

**Summary of Findings:**

<b>Total this audit:</b>	<b>74</b>
<b>Total last audit:</b>	<b>91</b>
<b>Repeated from last audit:</b>	<b>59</b>

**SYNOPSIS**

- The State expended approximately \$23.5 billion from federal awards in FY13.
- A total of 33 programs or program clusters were classified and audited as major programs at thirteen (13) State agencies. These programs constituted approximately 92.5% of all federal spending, or about \$21.8 billion.
- Overall, 45 State agencies expended federal financial assistance in FY13. Eleven (11) State agencies accounted for about 98.5% of federal dollars spent.

**Statewide Finding – Financial Reporting**

- The State of Illinois does not have an adequate process in place to permit the timely completion of a complete and accurate schedule of federal awards. As a result, the State has a *material weakness* on all federal programs for financial reporting.

**Significant Agency Findings Classified as a Scope Limitation Resulting in an Auditor Qualification**

- The auditors were unable to obtain sufficient documentation supporting the compliance of the State of Illinois for the program reporting compliance requirements for the Employment Service Cluster.

**Significant Agency Findings Classified as a *Material Weakness* Resulting in an Auditor Qualification**

- The Department of Human Services (DHS) has *material weaknesses* for:
  - failing to perform eligibility redeterminations within the timeframes prescribed by regulation for the Temporary Assistance for Needy Families (TANF), Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
  - inadequately maintaining and controlling beneficiary case file documents of the TANF, CHIP and Medicaid Cluster programs.
  - failing to locate case file documentation supporting eligibility determinations for beneficiaries of the TANF, CHIP and Medicaid Cluster programs.
  - making an improper payment to a beneficiary of the TANF Cluster program.
- The Department of Public Health has a *material weakness* for:
  - inadequately monitoring providers under the Immunization Cluster program.

- The Department of Employment Security has *material weaknesses* for:
  - inadequate procedures to follow up on invalid social security numbers for Unemployment Insurance (UI) program claimants.
  - eligibility determinations not being issued for individuals applying for Unemployment Insurance benefits in accordance with timeframes required by the State Plan.
- The Department of Commerce and Economic Opportunity has *material weaknesses* for:
  - inaccurately reporting Federal Expenditures under the CDBG – State-Administered Small Cities Program (CDBG) Cluster program.
  - inadequate monitoring of the consultant responsible for the administration of the Community Development Block Grant (CDBG) disaster recovery grants.
- The Department of Transportation has *material weaknesses* for:
  - not obtaining certified payrolls prior to making grant payments to contractors for the Highway Planning and Construction Cluster (Highway Planning) and Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.
  - preparing inaccurate financial reports for the TIGER program.
  - not performing procedures to determine whether a vendor receiving funding under the High Speed Rail Corridors and Intercity Passenger Rail Services – Capital Assistance Grants (High Speed Rail) program complied with the Davis Bacon Act or the Illinois Procurement Code.

#### **Findings Involving Multiple Agencies**

- The Department of Children and Family Services (DCFS), Illinois State Board of Education (ISBE), and the Department of Transportation (DOT) have a *material weakness* due to inadequate and/or lack of on-site monitoring of subrecipients of federal awards.

#### **Findings Regarding American Recovery and Reinvestment Act (ARRA) and the Federal Funding Accountability and Transparency Act (FFATA)**

- The Department of Transportation (DOT) failed to communicate ARRA information and requirements to subrecipients of the TIGER program.
- The Department of Human Services (DHS), Healthcare and Family Services (DHFS), Children and Family Services (DCFS), State Board of Education (ISBE) and Emergency Management Agency (IEMA) had inadequate processes to report subaward information required by the Federal Funding Accountability and Transparency Act (FFATA).

Note: Summary definitions (in order of significance) of key terms used in the findings.

*Material weakness (financial):* A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s schedule of expenditures of federal awards will not be prevented, or detected and corrected on a timely basis.

*Material weakness (compliance):* A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*Significant Deficiency (compliance):* A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

*Control Deficiency:* A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

{Financial Activities and Statistical Information are summarized on the next page.}

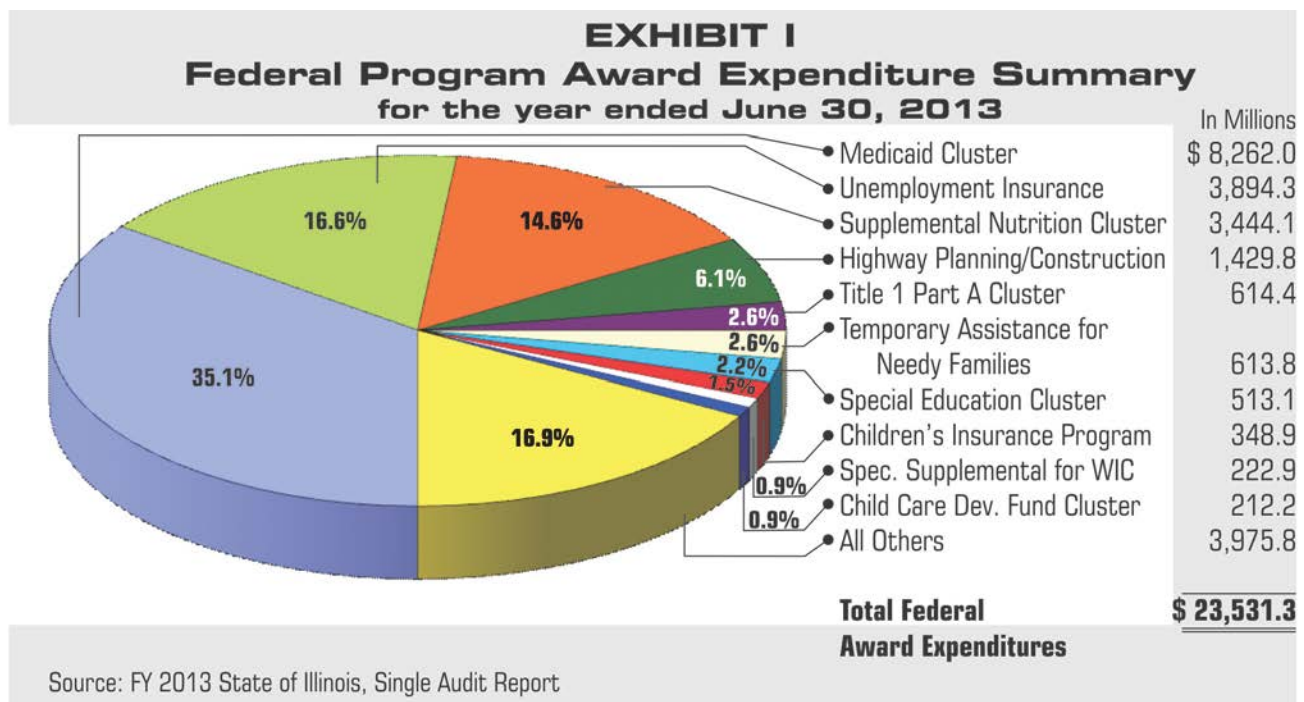
<b>FINANCIAL ACTIVITIES (In Thousands of Dollars)</b>		<b>FY13</b>	
<b>EXPENDITURES BY PROGRAM</b>		<b>Amount</b>	<b>Percent</b>
Major Programs:			
Medicaid Cluster.....		8,261,953	35.11%
Unemployment Insurance.....		3,894,269	16.55%
Supplemental Nutrition Assistance Program (SNAP Cluster).....		3,444,135	14.64%
Highway Planning and Construction Cluster.....		1,429,781	6.08%
Title I, Part A Cluster.....		614,380	2.61%
Temporary Assistance for Needy Families Cluster.....		613,848	2.61%
Special Education Cluster.....		513,098	2.18%
Children's Health Insurance Program.....		348,937	1.48%
Special Supplemental Nutrition Program for Women, Infants and Children.....		222,911	0.95%
Child Care Development Fund Cluster.....		212,167	0.90%
Federal Family Education Loan Program.....		208,597	0.89%
Low-Income Home Energy Assistance.....		205,085	0.87%
Foster Care - Title IV-E.....		188,901	0.80%
Child Support Enforcement.....		134,785	0.57%
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants.....		133,031	0.56%
Workforce Investment Act Cluster.....		121,632	0.52%
Homeland Security Grant Program.....		117,242	0.50%
Rehabilitation Services - Vocational Rehabilitation Grants to States.....		107,444	0.46%
Immunization Grants.....		103,335	0.44%
CDBG - State Administered Small Cities Program Cluster.....		96,861	0.41%
Capitalization Grants for Clean Water State Revolving Funds.....		92,158	0.39%
Improving Teacher Quality State Grants.....		88,432	0.38%
Airport Improvement Program.....		84,967	0.36%
Adoption Assistance.....		82,231	0.35%
Block Grants for Prevention and Treatment of Substance Abuse.....		67,838	0.29%
Social Services Block Grant.....		66,560	0.28%
Aging Cluster.....		55,063	0.23%
School Improvement Grants Cluster.....		49,471	0.21%
Twenty-First Century Community Learning Centers.....		48,533	0.21%
HIV Care Formula Grants.....		45,862	0.19%
Employment Service Cluster.....		43,783	0.19%
Capitalization Grants for Drinking Water State Revolving Funds.....		40,724	0.17%
ARRA - Surface Transportation Discretionary Grants for Capital Investment.....		28,657	0.12%
Total Major Programs.....		21,766,671	92.50%
Non-Major Programs.....		1,764,617	7.50%
<b>TOTAL EXPENDITURES</b> .....		<b>23,531,288</b>	<b>100.00%</b>
<b>Federal Agencies Providing Funding:</b>		<b>Total</b>	<b>Major Program Expenditures</b>
U.S. Department of Health and Human Services.....	\$	10,645,553	\$ 10,386,565
U.S. Department of Agriculture.....		4,421,851	3,667,046
U.S. Department of Labor.....		4,086,312	4,059,684
U.S. Department of Education.....		1,814,276	1,629,955
U.S. Department of Transportation.....		1,742,704	1,676,436
U.S. Department of Homeland Security.....		189,455	117,242
U.S. Environmental Protection Agency.....		176,421	132,882
U.S. Department of Housing and Urban Development.....		105,483	96,861
All Other Federal Agencies.....		349,233	0
<b>TOTAL EXPENDITURES</b> .....	<b>\$</b>	<b>23,531,288</b>	<b>\$ 21,766,671</b>
<b>STATISTICAL INFORMATION</b>			
Total Number of Programs in the Schedule of Expenditures of Federal Awards.....		420	
Number of Federal Programs or Program Clusters Audited.....		33	
Total Number of State Agencies Spending Federal Funds.....		45	
Number of State Agencies for Single Audit Requirements (including finding follow-up).....		16	
Total American Recovery and Reinvestment Act (ARRA) Expenditures.....	\$	345,806	
Percentage of ARRA Expenditures.....		1.47%	

## INTRODUCTION

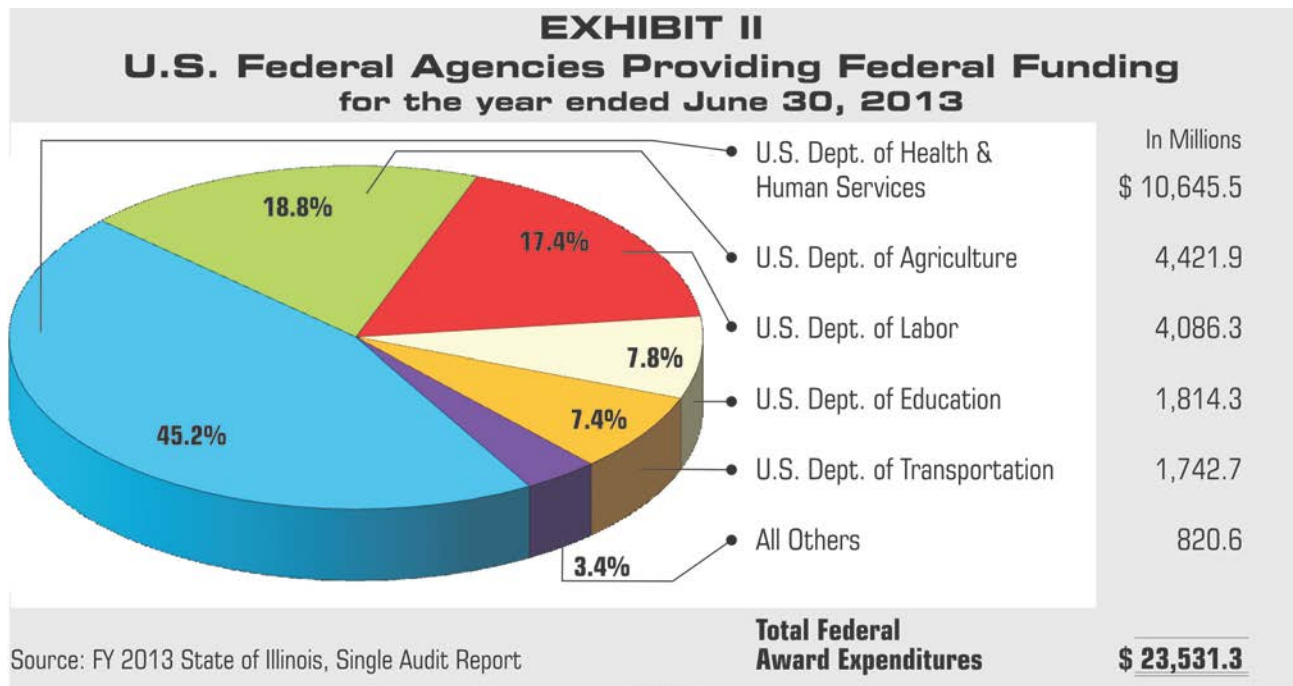
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY13 federal grant programs. The audit was conducted in accordance with the federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133.

The Statewide Single Audit includes State agencies that are a part of the primary government and expend federal awards. In total, 45 State agencies expended federal financial assistance in FY13. A separate supplemental report has been compiled by the Illinois Office of the Auditor General. This report provides summary information on federal spending by State agency. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities. The component units continue to have separate OMB Circular A-133 audits when required.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$23.5 billion for the year ended June 30, 2013. Overall, the State participated in 420 different federal programs, however, 10 of these programs or program clusters accounted for approximately 83.1% of the total federal award expenditures. (See Exhibit I)



The funding for the 420 programs was provided by 23 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY13.

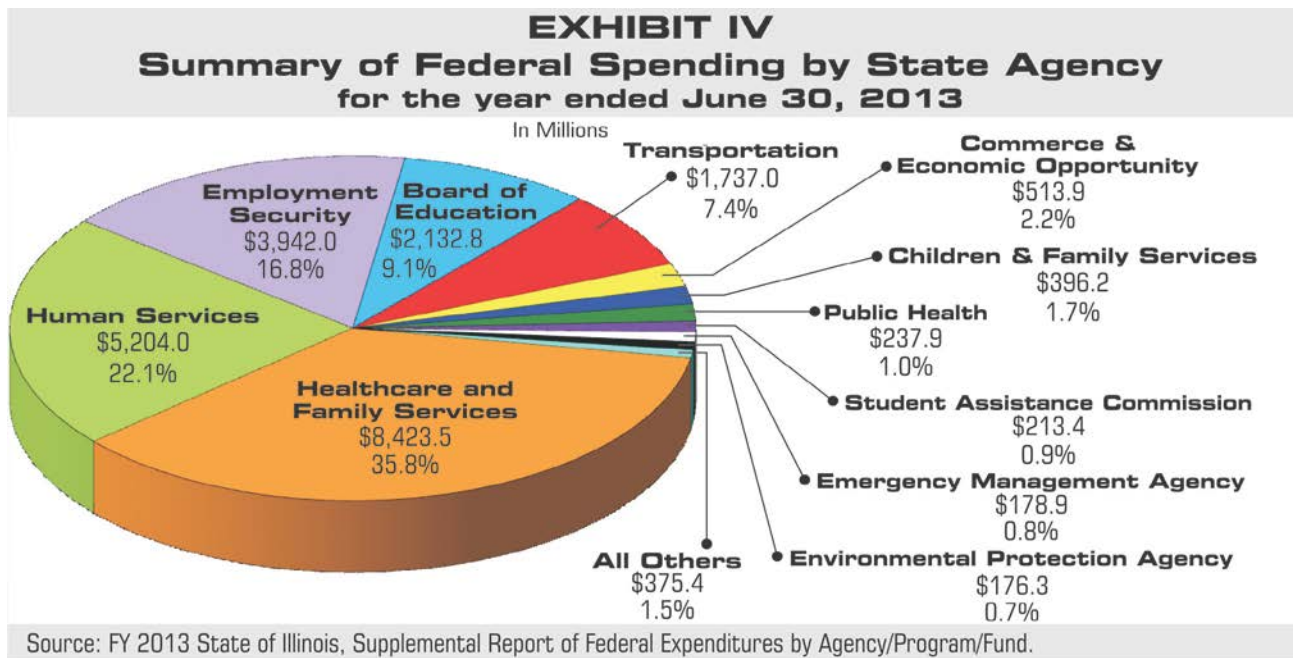


A total of 33 federal programs or program clusters were identified as major programs in FY13. A major program was defined in accordance with Circular A-133 as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief summary of the number of programs classified as “major” and “non-major” and related federal award expenditures.

**EXHIBIT III**  
**Classification of Federal Programs**  
**“Major vs. Non-Major”**  
**and Related Federal Award Expenditures**  
**for the year ended June 30, 2013**

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs	33	\$21,766.7	92.5%
Non-Major Programs	387	1,764.6	7.5%
Total	420	\$23,531.3	100.0%

Eleven State agencies accounted for approximately 98.5% of all federal dollars spent during FY13 as depicted in Exhibit IV.



**AUDITORS' REPORT**  
**ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND**  
**MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER**  
**COMPLIANCE**

The auditors' report contained qualifications on compliance as summarized below. The complete text of the Auditors' Report may be found on pages 25-29 of the audit.

**Qualifications (Scope Limitation)**

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Employment Security	Employment Service Cluster	Reporting	2013-045	139-140

**Qualifications (Noncompliance)**

The auditors qualified their report on major programs for the following noncompliance findings:

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-002	42-45
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-002	42-45

<b>State Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-002	42-45
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-003	46-48
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-003	46-48
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-003	46-48
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-004	49-51
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-004	49-51
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-004	49-51
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	2013-005	52-53
IL Department of Children and Family Services	Foster Care - Title IV-E	Subrecipient Monitoring	2013-023	91-94
IL Department of Children and Family Services	Adoption Assistance	Subrecipient Monitoring	2013-023	91-94
IL Department of Public Health	Immunization Cluster	Special Tests and Provisions	2013-031	110-111
IL State Board of Education	Title I, Part A Cluster	Subrecipient Monitoring	2013-037	123-125
IL State Board of Education	Special Education Cluster	Subrecipient Monitoring	2013-037	123-125
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2013-037	123-125
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	2013-037	123-125
IL State Board of Education	School Improvement Grants Cluster	Subrecipient Monitoring	2013-037	123-125
IL Department of Employment Security	Unemployment Insurance	Allowable Costs/Cost Principles and Eligibility	2013-046	141-142
IL Department of Employment Security	Unemployment Insurance	Eligibility	2013-048	145-146
IL Department of Commerce and Economic Opportunity	CDBG – State-Administered Small Cities Program Cluster	Reporting	2013-050	150-151
IL Department of Commerce and Economic Opportunity	CDBG – State-Administered Small Cities Program Cluster	Allowable Costs/Cost Principles and Procurement	2013-051	152-153
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles and Davis-Bacon Act	2013-054	158-159
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Allowable Costs/Cost Principles and Davis-Bacon Act	2013-054	158-159

<b>State Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Subrecipient Monitoring	2013-063	177-178
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Reporting	2013-064	179-180
IL Department of Transportation	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	Allowable Costs/Cost Principles, Davis-Bacon Act, and Procurement	2013-065	181-182

### **Internal Control Over Financial Reporting**

We noted a matter involving internal control over financial reporting for the Schedule of Expenditures of Federal Awards (Schedule) that was considered to be a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s Schedule of Federal Awards will not be prevented, or detected and corrected on a timely basis. The auditors noted that during the past eleven years there have been various errors identified and reported on the audits of State agencies and the Office of the State Comptroller (IOC) in its annual data gathering on the SCO forms that are used to present the Schedule. Thus, the auditors recommended the Office of the Governor and the Illinois Office of the Comptroller work together with the State agencies to establish a corrective action plan to address the quality of the accounting information provided to and maintained by the IOC as it relates to year-end preparation of the Schedule.

### **Internal Control Over Compliance**

We noted certain matters involving internal control over compliance that were considered to be significant deficiencies. A control deficiency in an entity’s internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Overall, 20 of the 74 findings reported in the single audit were classified as compliance significant deficiencies.

Material weaknesses were also disclosed in our report. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. Overall, 54 of the 74 findings reported in the single audit were classified as a material weakness.



## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Exhibit V summarizes the number of report findings by State agency, identifies the number of repeat findings, and references the findings to specific pages in the report.

### EXHIBIT V Summary Schedule of Findings By Agency

State Agency	Number of Findings	Number of Repeat Findings	Page References to Findings
State Comptroller/Office of the Governor	1	1	34-36
Human Services	13	9	42-74
Healthcare and Family Services	8	7	75-90
Children and Family Services	7	7	91-107
Aging	1	1	108-109
Public Health	6	5	110-122
State Board of Education	3	3	123-129
Student Assistance Commission	4	3	130-136
Employment Security	6	4	137-149
Commerce and Economic Opportunity	3	1	150-155
Transportation	15	12	156-186
Emergency Management Agency	3	3	187-192
State Police	1	1	193-194
Criminal Justice Information Authority	1	1	195-196
Governor's Office of Management and Budget	1	1	197-198
Central Management Services	<u>1</u>	<u>0</u>	199-201
Totals	<u>74</u>	<u>59</u>	

Exhibit VI summarizes the total number of findings, number of repeated findings and the percentage of repeated findings for the past ten years.

### EXHIBIT VI Ten Year Analysis of Number of Findings, Number of Findings Repeated and Percentage of Repeat Findings

Year	Number of Findings	Number of Repeated Findings	Percentage of Repeated Findings
2013	74	59	80%
2012	91	63	69%
2011	101	71	70%
2010	103	64	62%
2009	93	65	70%
2008	97	58	60%
2007	87	59	68%
2006	95	55	58%
2005	101	44	44%
2004	71	45	63%

## **THE FINANCIAL REPORTING PROCESS FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) IS INADEQUATE TO PERMIT TIMELY AND ACCURATE REPORTING**

### **Inadequate process for compiling the Schedule of Expenditures of Federal Awards**

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Schedule of Expenditures of Federal Awards in a timely manner.

Accurate financial reporting problems continue to exist even though the auditors have: 1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), 2) commented on the inadequacy of the financial reporting process of the State, and 3) regularly proposed adjustments to financial statements year after year. These findings have been directed primarily towards major State agencies under the organizational structure of the Office of the Governor and towards the Office of the State Comptroller (IOC).

### **State has not solved the problems**

The IOC has made significant changes to the system used to compile financial information, however, the State has not solved all the problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post-audit program being a part of the internal control over financial reporting even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function is not and should not be an internal control mechanism for any operational activity related to financial reporting.

### **Highly decentralized financial reporting process**

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare financial reporting packages designed by the IOC. These financial reporting packages are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year end accounting information to the Comptroller.

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the CAFR preparation process, the current process lacks sufficient internal controls at State agencies which has resulted in adjustments relative to the SEFA over the past several years. In addition, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process

in each of the past eleven years as a result of errors identified during the external audits performed on State agencies. These problems significantly impact the preparation and completion of the SEFA and the identification of major programs.

**Errors identified at DHS, IDES, DCEO and DOT**

Errors identified in the SEFA reporting process in the current year include corrections and unreconciled amounts identified in agency level findings for the Illinois Department of Human Services (Finding Code 2013-006), the Illinois Department of Employment Security (Finding Code 2013-044), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2013-050), and the Illinois Department of Transportation (Finding Code 2013-053). Additionally, other correcting entries were required in order to accurately state the financial information provide by various other State agencies. Major programs at the Illinois Department on Aging, Illinois State Board of Education, and Illinois Department of Commerce and Economic Opportunity were not identified until several months after year end.

**Programs not identified until several months after year end**

Failure to establish effective internal controls at all agencies regarding financial reporting for the preparation of the SEFA may prevent the State from completing an audit in accordance with timelines set forth in OMB Circular A-133 and may result in the suspension of federal funding. (Finding 1, pages 34-36) **This finding was first reported in the Statewide Single Audit in 2002.**

We recommended the Office of the Governor and the IOC work together with the State agencies to establish a corrective action plan to address the quality of accounting information provided to and maintained by the IOC as it relates to year end preparation of the SEFA.

**Governor will continue to work with the agencies to improve State's performance**

The Office of the Governor agreed with the recommendation and stated they, along with the Governor's Office of Management and Budget are and will continue to work cooperatively with the Office of the Comptroller to address these challenges with effective solutions. In addition, the Governor's Office will continue working with the agencies to improve the State's performance both in the short term and the long term. (For previous agency response, see Digest Footnote #1)

**State Comptroller to assist Governor's Office by providing technical assistance to State agencies**

The State Comptroller's Office accepted the recommendation and stated the audit of the 2013 SEFA was completed approximately two months earlier than the audit of the 2012 SEFA. Additionally, they stated they will continue to assist the Governor's Office in their efforts to increase the quality of departmental financial reporting by providing technical assistance to State agencies and by working with them to develop a statewide financial accounting system. (For previous agency response, see Digest Footnote #1)

## **INADEQUATE SUPPORTING DOCUMENTATION FOR PERFORMANCE REPORTS**

### **Sufficient documentation unable to be provided**

The Department of Employment Security (IDES) was unable to provide sufficient documentation to support information reported in the ETA 9002D and the VETS 200C performance reports.

The ETA 9902D and VETS 200C performance reports are used to report services, activities, and outcomes of service for all job seekers and veterans. These reports are required to be submitted quarterly, and are used to assess a State's success in meeting its performance goals. The reports include data from the Illinois Job Link (IJL) system, the Unemployment Services Wage Information System (WIS), and the Wage Record Interchange System (WRIS). IDES uses a report writer, the DART reporting system, to accumulate the data from the IJL, WIS, and WRIS systems into the format required for the reports. This data is then submitted electronically through the USDOL's Employment and Training Administration's web-based reporting system. We are required by the OMB Circular A-133 Compliance Supplement to test key line items in these reports; however, complete information supporting the accumulation of average earnings data in these key line items by the DART reporting system was not available for testing.

Failure to provide sufficient supporting documentation for the performance reports required for the Employment Services Cluster program inhibits the ability to perform an audit of the program in accordance with OMB A-133 in that it inhibits the auditors' ability to select a sample of data reported to validate the accuracy. (Finding 45, pages 139-140)

### **Scope limitation**

As a result of IDES' inability to provide sufficient documentation, the auditors reported a scope limitation for the Employment Services Cluster.

We recommended IDES establish policies and procedures ensure documentation to support key line items can be provided from the DART system for the ETA 9002D and the VETS 200C performance reports.

### **IDES accepted the auditors finding**

IDES officials accepted the finding and stated the database from which these reports are partially compiled is managed by the federal government and they have no control over the information retained in the system. IDES officials also stated they have begun saving the data request file to keep a snapshot of the data at the time it is requested so it will be available for the auditors.

**FAILURE TO PERFORM ELIGIBILITY REDETERMINATIONS WITHIN PRESCRIBED TIMEFRAMES**

The Department of Human Services (DHS) did not perform eligibility redeterminations for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

**DHS delinquent in performing recipient eligibility redeterminations**

During our testwork of required eligibility criteria, we noted the State was delinquent (overdue) in performing the eligibility redeterminations of individuals for the three programs during June 2013 as follows:

TANF	5,017 of 49,603 cases	10.11%
CHIP	62,210 of 755,727 cases	8.23%
Medicaid	138,047 of 506,292 cases	27.27%

Failure to properly perform eligibility redetermination procedures in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding 2, pages 42-45) **This finding was first reported in the Statewide Single Audit in 2003.**

**Auditor qualification due to untimely eligibility redeterminations**

As a result of DHS’ failure to perform timely redeterminations of recipient eligibility, the auditors qualified their opinion on the TANF, CHIP and Medicaid programs.

We recommended DHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program.

**DHS agreed with the auditors recommendation**

DHS officials agreed with the recommendation and stated they will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the prescribed timeframes. (For previous agency response, see Digest Footnote #2)

**FAILURE TO PROPERLY MAINTAIN AND CONTROL CASE FILE RECORDS**

The Department of Human Services (DHS) does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health

Insurance Program (CHIP), and the Medicaid Cluster programs.

**Inadequate control over beneficiary records**

During our testwork at five separate local offices, we noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for loss of such records. Specifically, in the five local offices, case files were generally disorganized and case files were stacked on or around file cabinets. We also noted case files were generally available to all DHS personnel and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations. The amount of questioned costs that may be assessed the State due to lost or misplaced beneficiary files could not be determined for these four major programs whose total beneficiary spending exceeds \$8.2 billion in the aggregate.

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs. (Finding 3, pages 46-48) **This finding was first reported in the Statewide Single Audit in 2007.**

**Auditor qualification due to shortfall in control over case file records**

As a result of DHS' failure to properly maintain and control case file records of beneficiaries, the auditors qualified their opinion on the TANF, CHIP and Medicaid Cluster programs.

We recommended DHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program.

**DHS agreed with the auditors recommendation**

DHS officials agreed with the recommendation stating they continue to place a high priority on proper case file maintenance given their current fiscal, staffing and space constraints. DHS officials also stated they are now utilizing an electronic document management system that is capturing a portion of the information that was previously printed and stored in a paper case file which is assisting in the reduction of the overwhelming size and amount of paper files in the offices. (For previous agency response, see Digest Footnote #3)

**MISSING DOCUMENTATION IN BENEFICIARY ELIGIBILITY FILES**

**Case file documentation to support eligibility could not be located**

The Department of Human Services (DHS) could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs.

During our testwork of 50 TANF, 65 CHIP and 125 Medicaid beneficiary payments for compliance with eligibility requirements and the allowability of the relevant benefits provided we noted the following exceptions:

**Information not completed or signed**

- In 16 TANF case files, DHS could not locate the redetermination application completed and signed by the beneficiary.
- In 8 TANF case files, DHS could not locate the Responsibility Service Plan completed and signed by the beneficiary.
- In 3 TANF case files, DHS could not provide evidence of eligibility, asset or income verification, identity, or assignment of rights to the State.
- In 4 TANF Penalty for Refusal to Work special test cases, DHS could not provide evidence that DHS verified the beneficiary's participation in program work activities.
- In one TANF Penalty for Refusal to Work special test case, DHS could not provide evidence that DHS notified the beneficiary of sanctions prior to reduction of payments.
- In 6 TANF Adult Custodial Parent of Child under Six When Child Care Not Available special test cases, DHS could not provide evidence that DHS notified the beneficiary of reconciliation appointment notices before payment sanctions were levied.
- In 4 CHIP and 14 Medicaid case files, DHS could not locate the redetermination application completed and signed by the beneficiary.
- In 14 CHIP and 3 Medicaid case files, DHS could not locate adequate documentation evidencing income and asset verification procedures were performed.
- In 1 CHIP and 2 Medicaid case files, DHS could not locate adequate documentation of residence verification of the beneficiary.
- In 3 Medicaid case files, DHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois.
- In 10 Medicaid case files, DHS could not provide adequate documentation for asset verification to determine whether the beneficiary was eligible for program benefits.

**Information could not be located**

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding 4, pages 49-51) **This finding was first reported in the Statewide Single Audit in 2001.**

**Auditors qualified their report on TANF, CHIP and Medicaid programs**

As a result of DHS' failure to locate case file documentation supporting eligibility determinations for beneficiaries, the auditors qualified their report on the TANF, CHIP and Medicaid Cluster programs.

We recommended DHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

**DHS agreed with auditors recommendation**

DHS officials agreed with the recommendation and stated the Department will continue to ensure staff understands the importance of proper and accurate filing processes. In addition, DHS officials stated they are increasing the use of electronic document management systems that capture some of the information that has been traditionally printed and maintained in paper case files. (For previous agency response, see Digest Footnote #4)

**IMPROPER TANF BENEFICIARY PAYMENT**

The Department of Human Services (DHS) made an improper payment to a beneficiary of the Temporary Assistance for Needy Families (TANF) Cluster program.

**Improper payment made to TANF beneficiary**

During our testwork of TANF Cluster program beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and to determine that the appropriate benefits were paid. We noted one beneficiary payment was improperly calculated by excluding the beneficiary's disability income. As a result of the calculation error, this beneficiary's monthly payment was overstated by \$429 and payments made to the beneficiary under the TANF Cluster included an overpayment of \$4,598 for the year ended June 30, 2013. The overpayment identified in our sample had not been calculated, recouped, or returned to the USDHHS as of the time of our testing (December 2013).

**Improper payment of \$4,598**

Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding 5, pages 52-53)

**Auditor qualification**

As a result of DHS making an improper payment, the auditors qualified their opinion on the TANF Cluster.

We recommended DHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determinations and payments are properly made.

DHS officials agreed with the recommendation stating the policy and procedure related to exempt disability income was



**DHS agreed with the auditors recommendation**

misapplied to a TANF case reviewed as part of the finding and that the case has been referred to the Bureau of Collections who is actively collecting on the debt.

**INADEQUATE MONITORING OF IMMUNIZATION PROVIDERS**

**Inadequate monitoring of providers**

The Department of Public Health (DPH) is not adequately monitoring providers under the Immunization Grants program. DPH receives the majority of its federal Immunization Grants program funding in the form of vaccines which are distributed to medical providers throughout the State.

During our testwork of 65 providers, we noted corrective action plans were not obtained for six providers who had findings identified in on-site monitoring reviews performed by DPH. Additionally, we noted no follow up procedures were performed to obtain the missing corrective action plans.

Failure to adequately monitor providers of the Immunization Grants program could result in vaccines being used for unallowable purposes and providers not properly administering the program in accordance with laws, regulations, and the grant agreement. (Finding 31, pages 110-111)

**Auditor qualification pertaining to special tests and provisions**

As a result of DPH’s failure to adequately monitor providers, the auditors qualified their report for the Immunization Cluster program.

We recommended DPH review its monitoring procedures for providers of Immunization Grants Program and implement changes necessary to ensure corrective action plans are obtained and evaluated for all deficiencies identified in provider reviews.

**DPH concurred with the auditors recommendation**

DPH officials concurred with the finding and recommendation and stated they have taken steps in meeting requirements concerning site visits for providers in Illinois including a formal 2-day training of all compliance staff in January 2014.

**INADEQUATE PROCEDURES FOR FOLLOW-UP OF INVALID SOCIAL SECURITY NUMBERS**

**Inadequate procedure to follow up on invalid social security numbers**

The Illinois Department of Employment Security (IDES) does not have adequate procedures to follow up on invalid social security numbers for claimants of the Unemployment Insurance (UI) program.

To be eligible to receive UI benefits, claimants must be in the labor force, unemployment must be caused by lack of suitable work, and the claimant must be legally authorized to work. As part of determining whether claimants are legally authorized

to work, IDES is required to verify the claimant has a valid social security number. With the implementation of the Illinois Benefit Information System (IBIS), IDES planned to automate its process for verifying social security numbers by performing a system cross-match between IBIS and the U.S. Social Security Administration; however, the interface between IBIS and the Social Security Administration was not fully implemented until December 2012.

Failure to verify claimant social security numbers could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding 46, pages 141-142) **This finding was first reported in the Statewide Single Audit in 2009.**

**Auditor qualification pertaining to eligibility**

As a result of IDES not having adequate procedures to verify social security numbers, the auditors qualified their report for the Unemployment Insurance program.

We recommended IDES follow established procedures to ensure the automated stop is generated for all invalid social security numbers to prevent payment of benefits to ineligible claimants.

**IDES accepted the auditors recommendation**

IDES officials agreed with our recommendation and stated they went live with real-time social security number validation via the Social Security Administration in December 2012 and that the exception noted in this finding occurred prior to December 2012. (For previous agency response, see Digest Footnote #5)

**FAILURE TO ISSUE ELIGIBILITY DETERMINATIONS WITHIN PRESCRIBED TIMEFRAMES**

The Illinois Department of Employment Security (IDES) is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

**Eligibility determinations not issued in accordance with State Plan**

During our test work we conducted unannounced site visits to five local offices and requested the most recent pending issues detail report as of the date of our visit. We noted a significant backlog in the resolution status of claims in the adjudication process. Specifically, we noted a total of 825 out of 4,144 claims at the five local offices that were outstanding for greater than 21 days of the detection date.

Failure to issue eligibility determinations within prescribed timeframes could result in the untimely and/or improper payment of unemployment benefits. (Finding 48, pages 145-146)

**Auditor qualification pertaining to eligibility**

As a result of IDES not having adequate procedures to issue eligibility determinations within prescribed timeframes, the auditors qualified their report for the Unemployment Insurance program.

We recommended IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

**IDES agreed with auditors finding**

IDES officials agreed with our recommendation and stated that a combination of federal funding for unemployment insurance dropping by roughly 25% and pension and health care costs increasing significantly compelled them to reduce its staff by nearly 1/3 resulting in timeliness measures suffering.

**INACCURATE REPORTING OF FEDERAL EXPENDITURES**

**Inaccurate federal expenditure reporting**

The Department of Commerce and Economic Opportunity (DCEO) did not accurately report federal expenditures under the CDBG – State-Administered Small Cities Program (CDBG) Cluster, the Workforce Investment Act (WIA) Cluster, and the Low-Income Home Energy Assistance Program (LIHEAP) programs.

**Unreconciled differences noted**

**Correction for \$23,000,000**

DCEO inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller. Specifically we noted unreconciled differences for the year ended totaling \$329,000, \$2,873,000 and \$30,000 for the CDBG Cluster, WIA Cluster and LIHEAP programs respectively. We also noted a correction of \$23 million was necessary to eliminate expenditures reported by DCEO that were not subject to A-133.

**Loan funds not monitored or reported**

**\$59,843,000 in loan balances**

Additionally, DCEO provided local municipalities (subrecipients) funding to operate revolving loan funds under the CDBG Cluster in the 1980s which were not initially reported on the SEFA or in the related footnotes. DCEO is responsible for on-going monitoring of the CDBG revolving loan funds operated by its subrecipients and any remaining funds revert back to DCEO should the subrecipient cease participation in the CDBG revolving loan program. During our audit procedures, DCEO personnel identified loan balances of \$59,843,000 were outstanding according to subrecipient records; however, DCEO was unable to determine the amounts originally provided to subrecipients. Accordingly, we were unable to verify if the loan balances ultimately reported in the footnotes to the SEFA were complete and accurate as of June 30, 2013. We also noted DCEO had not implemented procedures to monitor the CDBG revolving loan fund balances as of June 30, 2013.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. In addition, failure to monitor revolving loan funds operated by subrecipient organizations results in non-compliance with program requirements. (Finding 50, pages 150-151)

**Auditor qualification pertaining to reporting**

As a result of DCEO not accurately reporting federal expenditures, the auditors qualified their report for the CDBG – State-Administered Small Cities Program Cluster.

We recommended DCEO establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC and implement procedures to monitor revolving loan funds operated by subrecipients of the CDBG Cluster program.

**DCEO agreed with auditors finding**

DCEO officials accepted the recommendation and stated they will implement reporting procedures to ensure the IOC has the necessary information to include a footnote to the SEFA to identify the loan balances for the CDBG revolving loan funds held by subrecipients.

**INADEQUATE MONITORING OF CDBG CONSULTANT**

**Inadequate monitoring of consultant**

The Department of Commerce and Economic Opportunity (DCEO) did not adequately monitor the consultant responsible for the administration of the Community Development Block Grant (CDBG) disaster recovery grants.

DCEO contracted with a consultant to administer the CDBG disaster recovery grants. The consultant's grant administration responsibilities as outlined in the contract include but are not limited to: (1) designing and planning a program management model, (2) developing and/or revising application guidelines for grant awards, (3) conducting program outreach and marketing, (4) reviewing program applications and grant recommendations, including verifying program eligibility for all applicants, (5) counseling grant applicants, (6) facilitating the buyouts of homes and businesses in eligible communities, (7) performing environmental clearances on all grant awards, (8) providing quarterly reporting submissions to USHUD, and (9) monitoring grant activities not administered by the consultant to ensure compliance with all federal, state laws, regulations, and other requirements for the program.

DCEO performs on-going monitoring of the consultant administering the CDBG disaster recovery grants by: (1) reviewing consultant payment invoices and comparing against established contract budgets and allowable costs, and (2) reviewing required monthly program progress reports during monthly meetings with consultants.

**No policies or procedures to monitor consultants**

During our testwork, we noted the USHUD Office of Community Planning and Development had previously conducted (August 2012) a monitoring review of the CDBG disaster recovery grants at DCEO which indicated that DCEO had no policies or procedures in place to monitor consultants responsible for administering the CDBG disaster recovery grants. DCEO submitted a corrective action plan to USHUD in December 2012 describing the monitoring plan DCEO planned to implement; however, we noted DCEO had not yet performed any on-site monitoring of the consultant as of June 30, 2013.

Failure to perform monitoring activities could result in vendors not properly administering the federal programs in accordance with laws, regulations and the grant agreement and federal funds being expended for unallowable purposes. (Finding 51, pages 152-153)

**Auditor qualification**

As a result of DCEO not adequately monitoring the consultant, the auditors qualified their report for the CDBG – State-Administered Small Cities Program Cluster.

We recommended DCEO implement procedures to monitor the consultant responsible for administering the CDBG disaster recovery grants.

**DCEO accepted the auditors finding**

DCEO officials accepted the recommendation and stated they completed the on-site monitoring review of the disaster recovery program consultant in July 2013. DCEO used the procedures and the monitoring review checklist provided to USHUD in December 2012.

**FAILURE TO OBTAIN CERTIFIED PAYROLLS PRIOR TO MAKING HIGHWAY PLANNING AND TIGER CONTRACTOR PAYMENTS**

The Illinois Department of Transportation (IDOT) did not obtain certified payrolls prior to making payments to contractors for the Highway Planning and Construction Cluster (Highway Planning) and Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.

**Certified payrolls not obtained prior to payments to contractors**

During our testwork of 48 Highway Planning contractor payments for regular construction projects totaling approximately \$32,163,000, 17 Highway Planning contractor payments for advanced construction projects totaling approximately \$6,412,000, and 3 TIGER contractor payments for regular construction projects totaling approximately \$2,424,000, we noted the following:

- Certified payrolls for 2 Highway Planning contractor payments on advanced construction projects totaling approximately \$315,100 were received subsequent to

**Certified payrolls not dated**

the payments made to the contractors ranging from 2 to 235 days.

- Certified payrolls for 28 Highway Planning contractor payments on regular construction projects totaling approximately \$17,693,000 and 3 TIGER contractor payments on regular construction projects totaling approximately \$2,424,000 were not dated and as a result we were unable to determine whether they were received prior to making payments to the contractors.
- Certified payrolls for 23 Highway Planning contractor payments on regular construction projects totaling approximately \$14,601,000 were not signed by either the Resident Engineer, documentation staff, or EEO personnel and as a result we were unable to determine whether the certified payroll was approved prior to making payments to the contractor.

Failure to obtain certified payrolls prior to making payments to the contractors could result in contractors not paying the prevailing wage rate to employees. (Finding 54, pages 158-159)

**Auditor qualification pertaining to Davis-Bacon Act**

As a result of IDOT not obtaining certified payrolls prior to payment, the auditors qualified their report for the Highway Planning and TIGER programs.

We recommended IDOT establish procedures to ensure weekly payroll certifications are received prior to making payments to the contractors.

**IDOT accepted the auditors recommendation**

IDOT officials agreed with the recommendation and stated direction was provided at the Annual Winter Project Implementation meeting held in January 2014.

**INACCURATE TIGER FINANCIAL REPORTS**

**Inaccurate financial reports**

IDOT did not prepare accurate financial reports for the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

IDOT is required to prepare financial status (SF-425) and ARRA 1512 reports on a quarterly basis for the TIGER program. During our testwork of two SF-425 reports and fourteen ARRA 1512 reports, we noted IDOT did not prepare the reports based upon its financial records. Additionally, IDOT could not demonstrate how the information reported agreed or reconciled to its financial records.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the TIGER program. (Finding 64, pages 179-180)

**Auditor qualification pertaining to reporting**

As a result of IDOT not preparing accurate financial reports, the auditors qualified their report for the TIGER program.

We recommended IDOT review the process and procedures in place to prepare financial reports required for the TIGER program and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records.

**IDOT agreed with auditors finding**

IDOT officials agreed with the recommendation and stated they will review the process and procedures in place to prepare the financial reports, and develop and implement additional quality assurance/quality control measures within that process to ensure consistently accurate financial and project information is being reported quarterly as required.

**FAILURE TO MONITOR ACTIVITIES OF A HIGH SPEED RAIL VENDOR**

**High Speed Rail vendor not adequately monitored**

IDOT did not perform procedures to determine whether a vendor receiving funding under the High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (High Speed Rail) program complied with the Davis Bacon Act or the Illinois Procurement Code.

IDOT received a grant for approximately \$1.1 billion to construct and install the infrastructure necessary to operate high speed passenger rail service between Illinois and Missouri. The agreement between USDOT and IDOT specified a for-profit organization would assist IDOT in completing the construction and installation of the high speed rails. Specifically, the for-profit organization (vendor) is responsible for: (1) designing and engineering the rails, (2) purchasing any materials required to construct and install the rails, (3) selecting and contracting with vendors to assist in constructing and installing the rails, and (4) purchasing real estate along the project route and paying relocation assistance, as necessary.

**Procedures not established**

During our testwork, we noted IDOT has implemented certain procedures to monitor its vendor, which include reviewing supporting documentation relative to time and material charges incurred by the for-profit organization or vendor and its subcontractors, inspecting materials used in the construction of the rails, and performing site visits to monitor the progress of on-going construction and installation activities. However, IDOT has not established procedures to monitor whether the vendor and its subcontractors have complied with the Davis Bacon Act prevailing wage rate requirements or procured services in accordance with the Illinois Procurement Code in carrying out their assigned duties.

Failure to determine if vendors have complied with the Davis Bacon Act and the Illinois Procurement Code may result in noncompliance with applicable regulations and in federal

funds being expended for unallowable purposes. (Finding 65, pages 181-182)

**Auditor qualification pertaining to the Davis-Bacon Act and Procurement**

As a result of IDOT not monitoring the activities of a High Speed Rail vendor, the auditors qualified their report for the High Speed Rail program.

We recommended IDOT implement procedures to verify the High Speed Rail program vendor has complied with the Davis Bacon Act and the Illinois Procurement Code.

**IDOT agreed with auditors finding**

IDOT officials agreed with the recommendation and stated the Department implemented monitoring procedures for the Davis Bacon Act requirements during fiscal year 2013 and written procedures were finalized in June 2013. Department officials also stated they have been monitoring the Illinois Procurement Code requirements since inception of the agreement with the vendor in question; however, they acknowledged the need to revise their procedures to include those processes and ensure proper documentation is retained to support that monitoring requirements are being met.

ISSUE INVOLVING MULTIPLE STATE AGENCIES

**INADEQUATE ON-SITE MONITORING OF SUBRECIPIENTS**

We noted weaknesses in on-site monitoring of subrecipients for the following agencies:

**Lack of on-site monitoring of subrecipients**

Children and Family Services (DCFS)	Foster Care - Title IV-E Adoption Assistance	2013-023 pages 91-94
IL State Board of Education (ISBE)	Title I, Part A Cluster Special Education Cluster Twenty-First Century Community Learning Centers Improving Teacher Quality State Grants School Improvement Grants Cluster	2013-037 pages 123-125
Transportation (DOT)	Surface Transportation – Discretionary Grants for Capital Investment	2013-063 pages 177-178

These agencies pass-through federal funding to subrecipients for the purpose(s) established by federal regulations. As pass-through entities, these agencies monitor subrecipients primarily by reviewing grant applications, receiving periodic financial and programmatic reports, reviewing invoices, establishing policies and procedures, providing training and



guidance, performing informal evaluations (on-site reviews) and receiving OMB Circular A-133 audit reports.

According to federal regulations, a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws and regulations. Also, effective internal controls should include ensuring documentation of on-site review procedures adequately supports procedures performed and the results obtained. **These findings were first reported in the Statewide Single Audit for DCFS (2000), ISBE (2012), and DOT (2012), respectively.**

**Auditor qualification pertaining to subrecipient monitoring**

As a result of these agencies' failure to adequately monitor subrecipients, the auditors qualified their report for 8 programs listed in the above table.

We recommended the agencies: (1) properly report federal awards passed through to subrecipients and implement on-site monitoring procedures to review compliance requirements, (2) establish measurable selection criteria and revise its risk assessment criteria to incorporate other risk factors and reconsider the weighting assigned to each criterion to ensure the aggregate amount of funding is not the sole criteria driving the selection, and (3) implement procedures to monitor each compliance requirement administered by its for-profit subrecipients of the TIGER program.

**Agencies mostly accepted the auditors recommendation**

ISBE and IDOT officials agreed with our findings and recommendations. DCFS officials agreed that federal awards should be properly reported and monitored but they are currently reviewing the responses received from the federal government. (For previous DCFS response, see Digest Footnote #6)

ISSUES INVOLVING AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) AND FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

**FAILURE TO COMMUNICATE ARRA INFORMATION AND REQUIREMENTS TO TIGER SUBRECIPIENTS**

The Department of Transportation (DOT) did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

**ARRA funds not separately identified**

We noted DOT did not communicate the requirement to separately report ARRA program expenditures on the schedule of expenditures of federal awards and the data collection form

**Buy American Act certifications not included**

to one subrecipient. We also noted, this agreement did not include Buy American Act certifications required for ARRA awards.

Failure to communicate required ARRA information and obtain Buy American certifications could result in subrecipients not properly administering the federal programs in accordance with federal regulations and unallowable costs. (Finding 61, pages 173-174) **This finding was first reported in the Statewide Single Audit in 2010.**

We recommended IDOT implement procedures to ensure ARRA information and requirements are properly communicated to its subrecipients and obtain required Buy American certifications.

**IDOT agreed with the auditors recommendation**

DOT officials agreed with our recommendation and stated the Department revised the subrecipient agreements to properly communicate the required ARRA information and obtain Buy American certifications for all new subrecipients. In addition, the Department will provide notification to current subrecipients of the required ARRA information. (For previous DOT response, see Digest Footnote #7)

**INADEQUATE PROCESS TO REPORT SUBAWARD INFORMATION REQUIRED BY FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT**

We noted weaknesses in reporting subaward information as required by FFATA for the following agencies:

**Subaward information not reported in accordance with FFATA**

Human Services (DHS)	Special Supplemental Nutrition Program for Women, Infants, and Children Temporary Assistance for Needy Families Cluster Child Care Development Fund Cluster Social Services Block Grant Block Grants for Prevention and Treatment of Substance Abuse	2013-012 pages 68-69
Healthcare and Family Services (HFS)	Child Support Enforcement Medicaid Cluster	2013-022 pages 89-90
Children and Family Services (DCFS)	Foster Care - Title IV-E Adoption Assistance	2013-027 pages 102-103
IL State Board of Education	Title I, Part A Cluster Special Education Cluster	2013-039 pages 128-

(ISBE)	Twenty-First Century Community Learning Centers Improving Teacher Quality State Grants	129
IL Emergency Management Agency (IEMA)	Homeland Security Grant Program	2013-070 pages 191- 192

We noted DHS, HFS, and DCFS did not report all information required by FFATA and ISBE and IEMA did not have an adequate process to ensure all subaward information was properly reported.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 10, 2010.

We recommended the agencies establish procedures to identify all subawards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

**Agencies accepted the auditors recommendation**

DHS, HFS, DCFS, ISBE and IEMA officials accepted our findings and recommendations.

**OTHER FINDINGS**

The remaining findings pertain to other compliance and internal control matters. We will follow up on the status of corrective action on all findings in our next Statewide Single Audit for the year ended June 30, 2014.

AUDITORS' OPINION

The auditors state the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2013 is presented fairly in all material respects.



\_\_\_\_\_  
WILLIAM G. HOLLAND  
Auditor General

WHG:JSC

SPECIAL ASSISTANT AUDITORS

KPMG LLP was our special assistant auditor for this audit.

## DIGEST FOOTNOTES

### Previous response by the Office of the Governor and the Office of the State Comptroller

#### #1 Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards

2012: (Office of the Governor) The Governor's Office agrees with this finding. The Governor's Office, the Governor's Office of Management and Budget (GOMB) and the Office of the Comptroller are addressing these challenges and have been working to solve some of these problems.

The Governor's Office negotiated with the General Assembly and other stakeholders and won passage of SB 3794 in order to create a statutory framework to begin to address the basic issues with the State's financial reporting capabilities. The legislation has several components. First it creates a Financial Reporting Standards Board composed of appointees of the Governor and the Comptroller. The Board is required to facilitate timely completion of financial reporting through additional training, assistance and communication among the parties involved. Second, the Board is mandated to participate in the development of a new financial accounting system for the State. We anticipate it will provide leadership and a forum for project management and collaboration going forward. Third, the bill modified the State's personnel code to allow accelerated and targeted hiring of highly skilled employees to perform financial reporting, accounting, and project management activities for the annual financial reporting cycle. These include personnel to help improve the speed of the current process as well as other professionals who will help to design and implement an overhaul of the technology and establish a unified statewide system. Governor Quinn approved the bill on August 23, 2012 at which point the bill became law and is now codified as Public Act #97-1055.

The Governor's Office is working with agencies to utilize the new authority that they have to hire staff pursuant to Public Act #97-1055. In addition, the Governor's Office and GOMB continue to work with the Department of Central Management Services to develop job descriptions to allow agencies to hire employees skilled in financial statement and single audit preparation for positions that remain subject to the Personnel Code.

GOMB and the Governor's Office have been primarily responsible for developing a plan for a statewide financial accounting system. This statewide financial accounting system would also include a grants management module to enable preparation of the Statement of Expenditures of Financial Awards. The State Chief Information Officer, a team of Governor's Office and GOMB representatives has reviewed the information available from work by prior consultants. Currently a request for proposals (RFP) is being developed to secure a consultant. This consultant will develop the necessary statewide accounting requirements and develop an RFP for software and implementation services to address the state's need. In addition, due to a September 2012 debt issuance of 10-year notes aimed at technology modernization, the State has allotted some capital money for this project. These resources will be a significant help in getting the project underway.

The Governor's Office will continue working with the agencies to improve the State's performance both in the short term and the long term.

2012: (Office of the State Comptroller) The Office accepts the recommendation. The IOC will continue to work the Governor's Office in their efforts to increase the quality of departmental financial information. The IOC will continue to provide training and technical assistance to State agencies and make improvements to the financial reporting system and procedures.

Previous responses by the Department of Human Services

#2 Failure to Perform Eligibility Redeterminations within Prescribed Timeframes

2012: The Department agrees with the recommendation. IDHS will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the prescribed timeframes.

#3 Failure to Properly Maintain and Control Case File Records

2012: The Department agrees with the recommendation. Given our current fiscal, staffing, and space constraints, the Department continues to place a high priority on proper case file maintenance. The Department is now utilizing a document management system that is capturing a portion of the information that was previously printed and stored in the paper case file, and now stored electronically. This is assisting in the reduction of the overwhelming size and amount of paper files in the offices.

#4 Missing Documentation in Beneficiary Eligibility Files

2012: The Department partially agrees with the recommendation. We will continue to ensure that staff understands the importance of proper and accurate filing processes. A growing caseload coupled with the inability to hire additional staff presents the potential for paper filing errors and backlog. The Department is currently utilizing a document management system that captures a portion of the information that is currently printed and placed in a paper file.

Specifically, we agree with nine of the ten dot pints in the finding. The ninth dot point refers to a case in which the State improperly made medical assistance payments. The medical payments made by the Illinois Department of Healthcare and Family Services on behalf of the client on the case in question were appropriate and allowable. The IDHS Client Assessment Unit (CAU) issued a decision on September 14, 2011 which necessitated the denial of the case, which was appropriately receiving temporary medical benefits at the time. On September 19, 2011, IDHS denied the case based on the CAU decision. The DHS processing schedules dictate the effective date of an action, based on the date the action is taken. On September 19, 2011 an action taken on the case in question would have an effective month of November 2011. DHS policy, in WAG 17-03-03 states, ".....the last date of temporary medical benefits is the last day of the month before the current processing month." Therefore the last date of temporary medical benefits for the case in question – October 31, 2011 – was correct, and no improper payment was made.

In an auditor's comment, as discussed in the finding above, DCFS determined amounts previously reported as subrecipient expenditures were vendor payments. As a result, DCFS did not identify the amounts passed through to these entities as subrecipient expenditures on the Sate's schedule of federal awards or in award communications. D CFS notes in their response that they have continued to perform a review of OMB Circular A-133 reports and perform programmatic procedures; however, since these organizations are not considered subrecipients they are not required to have audits performed in accordance with OMB Circular A-133 and we were unable to obtain a population of expenditures for testwork. Finally, consistent with the prior year, DCFS did not perform fiscal monitoring procedures.

As noted in DCFS' response, a federal resolution letter was received on April , 2013 which stated that the entities in question are considered subrecipients. The resolution letter also included guidance to DCFS which appears to conflict with subrecipient monitoring requirements included in OMB Circular A-133 and OMB Circular A-133 Compliance Supplement. Accordingly, all parties are in the process of seeking clarification. As of the date of our report, clarification has not been obtained.

Previous responses by the Department of Employment Security

#5 Inadequate Procedures for Follow-up of Invalid Social Security Numbers

2012: We agree. IDES went live with real-time social security number validation via the Social Security Administration in December 2012. As part of this process, when a claimant's social security number does not match their name, an issue is posted in IBIS, which stops any payments from being established for a new UI claimant.

Previous responses by the Department of Children and Family Services

#6 Inadequate Monitoring of Subrecipients

2012: The Department agrees that federal awards should be properly reported and monitored. While the Department disagreed with the finding in FY2011 and the draft FY2012 finding, it is currently reviewing the response received from the federal agency and discussing the intention and conditions contained in the letter regarding the classification as vendors and assurances requested. The response received permits the Department to classify its providers as vendors and requests the Department to continue its current practices to monitor provider performance.

The Department continues to send notices to all providers considered to be program sub-recipients (the only subrecipients the Department had contracts with in SFY 2012 were Family Preservation Service; Extended Family Service; and Adoption Preservation Service; none currently in Foster Care or Adoption programs) and notices are sent to all providers (including Foster Care and Adoption programs) for which an audit report is required (providers/agencies that receive over \$150,000 during the State's fiscal year).

The Department's policy is that on-site fiscal and administrative reviews should and do include procedures that consider all compliance requirements direct and material to the programs funded by the Department and to ensure compliance with contract program plan requirements established for the services approved and being obtained for children.

The Department continues to conduct on-site monitoring of the substitute care providers who receive payments under the Foster Care, Adoption Assistance, and TANF programs and has never discontinued monitoring. Additionally, following receipt of information from the Department's OIG and the Governor's Office of Executive Inspector General regarding a former Director and one of the former providers contracted by DCFS, the Department conducted an audit of one specific provider. That audit identified issues that were the basis for changes to monitoring procedures and regular provider reporting practices. The Department has further assessed the issues identified and instituted additional steps to improve its fiscal monitoring of providers. Corrective action has been taken to close all gaps in internal control that allowed this instance of fraud to incur including:

- Implementation of Grant Recoveries Act requirements
- Quarterly Monitoring of program expenditures compared to budget
- Quarterly Monitoring of program metrics

- Quarterly Monitor of Provider key Financial indicators
- Continuous Monitoring of Program monitors site visits.

In an auditors' comment we stated DCFS determined amounts previously reported as subrecipient expenditures were vendor payments. As a result, DCFS did not identify the amounts passed through to these entities as subrecipient expenditures on the State's schedule of federal awards or in award communications. DCFS notes in their response that they will continue to perform a review of OMB Circular A-133 reports and perform programmatic procedures; however, since these organizations are not considered subrecipients they are not required to have audits performed in accordance with OMB Circular A-133 and we were unable to obtain a population of expenditures for testwork. Finally, consistent with the prior year, DCFS did not perform fiscal monitoring procedures.

Previous responses by the Department of Transportation

#7 Inadequate On-Site Monitoring of Subrecipients

2012: The Department agrees with the recommendation. In December 2011, the Department implemented corrective action required to properly communicate ARRA information to subrecipients. For the Highway Planning and Construction Program, all instance of non-compliance were prior to this implementation date. For the High Speed Rail program, the Department will properly notify all subrecipients as required if the program has subrecipients in the future. For the Surface Transportation Discretionary Grants for Capital Investment, the corrective action implemented in December 2011 will correct the deficiencies for this program now that the subrecipients have been properly identified.