STATE OF ILLINOIS

Single Audit Report

For the Year Ended June 30, 2018

Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance

STATE OF ILLINOIS

Single Audit Report

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Other Reports Issued Applicable to the Single Audit:

The Comprehensive Annual Financial Report of the State of Illinois for the year ended June 30, 2018 was issued under separate cover by the Auditor General of the State of Illinois.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the year ended June 30, 2018 was issued under separate cover by the Auditor General of the State of Illinois.

STATE OF ILLINOIS

Single Audit Report

Summary

The compliance audit testing performed in this audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Single Audit Act Amendments of 1996, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Auditors' Reports

The auditors' report on compliance and on internal control applicable to each major program contains qualifications for the following programs:

Adverse:
Supplemental Nutrition Assistance Program Cluster
Aging Cluster
Children's Health Insurance Program
Medicaid Cluster

Qualified (Scope Limitation):
Unemployment Insurance

Qualified (Noncompliance):
Special Education Cluster (IDEA)
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Foster Care – Title IV-E
Adoption Assistance
Block Grants for Prevention and Treatment of Substance Abuse

Summary of Audit Findings

Number of audit findings:	This audit	Prior audit
This audit	80	72
Repeated audit findings	59	53
Prior findings implemented or not repeated	13	20

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Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Honorable Frank J. Mautino
Auditor General
State of Illinois:

Report on Schedule of Expenditures of Federal Awards

As special assistant auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois (the Schedule) for the year ended June 30, 2018 and the related notes to the Schedule.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the cash basis of accounting described in Note 1(c); this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois for the year ended June 30, 2018 in accordance with the cash basis of accounting described in Note 1(c).

Basis of Accounting

We draw attention to Note 1(c) of the Schedule, which describes the basis of accounting. The Schedule is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

As described in note 1(a) to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with the Uniform Guidance.

Also as described in note 1(a) to the schedule of expenditures of federal awards, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2019 on our consideration of the State of Illinois' internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/KPMG LLP

Chicago, Illinois
August 22, 2019

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)	Expenditures	Passed-through to subrecipients
U.S. Department of Agriculture					
Plant and Animal Disease, Pest Control, and Animal Care	10.025			233	161
Wildlife Services	10.028			12	-
Conservation Reserve Program	10.069			50	-
Voluntary Public Access and Habitat Incentive Program	10.093			412	269
Biofuel Infrastructure Partnership	10.117			6,080	6,080
Market News	10.153			19	-
Market Protection and Promotion	10.163			91	-
Specialty Crop Block Grant Program - Farm Bill	10.170			280	279
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			7,023	-
Cooperative Extension Service	10.500			28	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program	10.551	*	2,825,593		-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	*	114,866		16,822
Total SNAP Cluster				2,940,459	
Child Nutrition Cluster:					
School Breakfast Program	10.553	*	142,055		141,718
National School Lunch Program	10.555	*	521,103		520,198
Special Milk Program for Children	10.556	*	1,933		1,933
Summer Food Service Program for Children	10.559	*	13,577		13,007
Total Child Nutrition Cluster				678,668	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*		169,047	161,867
Child and Adult Care Food Program	10.558	*		149,504	147,265
State Administrative Expenses for Child Nutrition	10.560			11,061	-
Food Distribution Cluster:					
Commodity Supplemental Food Program	10.565		6,733		6,733
Emergency Food Assistance Program (Administrative Costs)	10.568		2,389		2,253
Emergency Food Assistance Program (Food Commodities)	10.569		21,105		21,105
Total Food Distribution Cluster				30,227	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			308	36
Senior Farmers Market Nutrition Program	10.576			754	-
Child Nutrition Discretionary Grants Limited Availability	10.579			1,041	1,022
Fresh Fruit and Vegetable Program	10.582			4,100	4,100
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596			3,333	2,425
Cooperative Forestry Assistance	10.664			1,169	20
Schools and Roads Grants to States	10.665			728	727
Urban and Community Forestry Program	10.675			93	55
Forest Legacy Program	10.676			11	-
Forest Stewardship Program	10.678			405	-
Forest Health Protection	10.680			(75)	-
Soil and Water Conservation	10.902			60	1
Environmental Quality Incentives Program	10.912			57	-
Regional Conservation Partnership Program	10.932			1	1
U.S. Department of Agriculture Total				**4,005,179**	**1,048,077**
U.S. Department of Commerce					
Band 14 Incumbent Spectrum Relocation	11.014			9,729	889
Coastal Zone Management Administration Awards	11.419			1,615	1,364
State and Local Implementation Grant Program	11.549			423	203
U.S. Department of Commerce Total				**11,767**	**2,456**
U.S. Department of Defense					
Procurement Technical Assistance For Business Firms	12.002			614	302
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			579	-
Military Construction, National Guard	12.400			11,789	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401			21,617	-
National Guard ChalleNGe Program	12.404			3,868	-
U.S. Department of Defense Total				**38,467**	**302**
U.S. Department of Housing and Urban Development					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			24,974	23,883
Emergency Solutions Grant Program	14.231			3,374	3,373
Housing Opportunities for Persons with AIDS	14.241			1,353	1,351
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:					
Hurricane Sandy Community Development Block Grant Disaster Recover Grants (CDBG-DR)	14.269		3,326		3,079
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				3,326	
Fair Housing Assistance Program State and Local	14.401			818	-
U.S. Department of Housing and Urban Development Total				**33,845**	**31,686**

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures		Passed-through to subrecipients
U.S. Department of Interior					
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			3,074	-
Abandoned Mine Land Reclamation (AMLR)	15.252			17,390	-
Flood Control Act Lands	15.433			725	-
Fish and Wildlife Cluster:					
Sport Fish Restoration	15.605		9,032		6,135
Wildlife Restoration and Basic Hunter Education	15.611		15,379		7,876
Total Fish and Wildlife Cluster				24,411	
Fish and Wildlife Management Assistance	15.608			266	263
Cooperative Endangered Species Conservation Fund	15.615			122	111
Enhanced Hunter Education and Safety	15.626			244	-
State Wildlife Grants	15.634			2,354	1,669
Endangered Species Conservation Recovery Implementation Funds	15.657			64	30
Great Lakes Restoration	15.662			5,146	1,805
Historic Preservation Fund Grants-In-Aid	15.904			1,128	70
Outdoor Recreation Acquisition, Development and Planning	15.916			943	943
U.S. Department of Interior Total				**55,867**	**18,902**
U.S. Department of Justice					
Sexual Assault Services Formula Program	16.017			343	319
Juvenile Accountability Block Grants	16.523			63	7
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529			178	143
Juvenile Justice and Delinquency Prevention	16.540			1,208	988
Missing Children's Assistance	16.543			399	-
State Justice Statistics Program for Statistical Analysis Centers	16.550			114	-
National Institute of Justice Research, Evaluation, and Development Projects Grants	16.560			61	-
Crime Victim Assistance	16.575			42,400	39,191
Crime Victim Compensation	16.576			706	-
Crime Victim Assistance/Discretionary Grants	16.582			465	-
Violence Against Women Formula Grants	16.588			3,357	3,168
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589			2	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590			387	181
Residential Substance Abuse Treatment for State Prisoners	16.593			86	-
Public Safety Partnership and Community Policing Grants	16.710			5	-
Special Data Collections and Statistical Studies	16.734			16	-
PREA Program: Demonstration Projects to Establish "Zero Tolerance: Cultures for Sexual Assault in Correctional Facilities	16.735			16	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738			7,224	5,488
DNA Backlog Reduction Program	16.741			1,782	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			61	53
Edward Byrne Memorial Competitive Grant Program	16.751			170	-
Harold Rogers Prescription Drug Monitoring Program	16.754			103	-
Second Chance Act Reentry Initiative	16.812			644	-
NICS Act Record Improvement Program	16.813			2	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816			57	-
Girls in the Juvenile Justice System	16.830			116	55
Equitable Sharing Program	16.922			394	-
Equitable Sharing of Federal Forfeitures	16.XXX			7	-
U.S. Department of Justice Total				**60,366**	**49,593**
U.S. Department of Labor					
Labor Force Statistics	17.002			2,762	-
Compensation and Working Conditions	17.005			182	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	17.207		30,479		1,120
Disabled Veterans' Outreach Program (DVOP)	17.801		3,817		-
Local Veterans' Employment Representative Program	17.804		3,145		-
Total Employment Service Cluster				37,441	
Unemployment Insurance	17.225	*	1,890,442		-
ARRA - Unemployment Insurance	17.225	*	(5,353)		-
Total Unemployment Insurance				1,885,089	
Senior Community Service Employment Program	17.235			3,625	2,584
Trade Adjustment Assistance	17.245			8,677	7,567
WIOA Cluster:					
WIOA Adult Program	17.258	*	38,425		35,915
WIOA Youth Activities	17.259	*	40,989		38,293
WIOA Dislocated Worker Formula Grants	17.278	*	56,496		49,727
Total Workforce Innovation and Opportunity Act Cluster				135,910	

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)	Expenditures	Passed-through to subrecipients
U.S. Department of Labor, continued					
Work Opportunity Tax Credit Program (WOTC)	17.271			516	-
Temporary Labor Certification for Foreign Workers	17.273			445	-
WOIA National Dislocated Worker Grants / WIA National Emergency	17.277			1,279	1,214
WOIA Dislocated Worker National Reserve Technical Assistance and Training	17.281			98	-
Workforce Innovation Fund	17.283			174	-
Apprenticeship USA Grants	17.285			845	488
Occupational Safety and Health State Program	17.503			591	-
Consultation Agreements	17.504			859	-
Mine Health and Safety Grants	17.600			179	-
U.S. Department of Labor Total				**2,078,672**	**136,908**
U.S. Department of Transportation					
Airport Improvement Program	20.106	*		48,037	22,597
Highway Research and Development Program	20.200			779	81
Highway Planning and Construction Cluster:					
Highway Planning and Construction	20.205	*	1,224,989		109,729
Recreational Trails Program	20.219	*	638		-
Total Highway Planning and Construction Cluster				1,225,627	
Highway Training and Education	20.215			371	-
Motor Carrier Safety Assistance	20.218			9,982	-
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223			103	63
Commercial Driver's License Program Implementation Grant	20.232			120	-
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants:					
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319		21,340		-
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319		136,955		4,325
Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants				158,295	
Rail Line Relocation and Improvement	20.320			117	117
Federal Transit Cluster:					
Federal Transit Capital Investment Grants	20.500		331		331
Bus and Bus Facilities Formula Program	20.526		3,178		-
Total Federal Transit Cluster				3,509	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			4,684	3,522
Formula Grants for Rural Areas	20.509			13,634	12,288
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		6,874		-
Total Transit Services Programs Cluster				6,874	
Clean Fuels	20.519			1,126	1,126
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			617	-
Highway Safety Cluster:					
State and Community Highway Safety	20.600		7,205		4,370
State Traffic Safety Information System Improvement Grants	20.610		188		-
Incentive Grant Program to Prohibit Racial Profiling	20.611		116		-
National Priority Safety Programs	20.616		11,093		3,496
Total Highway Safety Cluster				18,602	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614			119	-
Pipeline Safety Program State Base Grant	20.700			1,257	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			511	481
PHMSA Pipeline Safety Program One Call Grant	20.721			60	-
National Infrastructure Investments	20.933			23,463	5,549
U.S. Department of Transportation Total				**1,517,887**	**168,075**
Equal Employment Opportunity Commission					
Equal Discrimination State and Local Fair Employment	30.00X			1,234	-
Equal Employment Opportunity Commission Total				**1,234**	**-**
General Services Administration					
Donation of Federal Surplus Personal Property	39.003			2,247	2,187
Election Reform Payments	39.011			70	-
General Services Administration Total				**2,317**	**2,187**
National Endowment for the Arts					
Promotion of the Arts Partnership Agreements	45.025			845	768
Grants to States	45.310			5,923	4,289
National Leadership Grants	45.312			5	-
Laura Bush 21st Century Librarian Program	45.313			244	85
National Endowment for the Arts Total				**7,017**	**5,142**

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)	Expenditures	Passed-through to subrecipients
U.S. Small Business Administration					
Small Business Development Centers	59.037			4,316	2,189
State Trade Expansion	59.061			1,040	-
U.S. Small Business Administration Total				**5,356**	**2,189**
U.S. Department of Veterans Affairs					
Veterans State Domiciliary Care	64.014			382	-
Veterans State Nursing Home Care	64.015			38,314	-
All-Volunteer Force Educational Assistance	64.124			1,048	-
U.S. Department of Veterans Affairs Total				**39,744**	**-**
U.S. Environmental Protection Agency					
State Indoor Radon Grants	66.032			438	404
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			272	-
State Clean Diesel Grant Program	66.040			441	326
Multipurpose Grants to States and Tribes	66.204			236	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			182	115
State Underground Water Source Protection	66.433			216	-
Water Quality Management Planning	66.454			580	572
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	66.458	*	52,912		52,695
Total Clean Water State Revolving Fund Cluster				52,912	
Nonpoint Source Implementation Grants	66.460			5,655	3,412
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	66.468		11,467		10,076
Total Drinking Water State Revolving Fund Cluster				11,467	
Great Lakes Program	66.469			1,033	518
Beach Monitoring and Notification Program Implementation Grants	66.472			315	173
Performance Partnership Grants	66.605			12,279	525
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			58	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			182	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			295	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			6,661	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			150	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			2,216	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809			103	-
State and Tribal Response Program Grants	66.817			824	-
U.S. Environmental Protection Agency Total				**96,515**	**68,816**
U.S. Department of Energy					
State Energy Program	81.041			274	107
ARRA - State Energy Program - Clean Energy Trust Loans	81.041			-	-
Weatherization Assistance for Low-Income Persons	81.042			11,007	9,374
Transportation of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			27	-
State Energy Program Special Projects	81.119			16	16
U.S. Department of Energy Total				**11,324**	**9,497**
U.S. Department of Education					
Adult Education - Basic Grants to States	84.002			20,340	19,248
Title I Grants to Local Education Agencies	84.010	*		619,045	603,025
Migrant Education State Grant Program	84.011			1,816	1,135
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			525	-
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027	*	487,543		477,129
Special Education Preschool Grants	84.173	*	17,345		16,876
Total Special Education (IDEA) Cluster				504,888	
Federal Family Education Loan Program:					
Federal Family Education Loans	84.032G	*	3,814,447		-
Total Federal Family Education Loan Program				3,814,447	
Career and Technical Education -- Basic Grants to States	84.048			39,402	23,295
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	*		109,819	-
Migrant Education Coordination Program	84.144			110	16
Rehabilitation Services Client Assistance Program	84.161			570	-
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177			1,154	1,154
Special Education-Grants for Infants and Families	84.181			20,323	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			786	-

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)	Expenditures	Passed-through to subrecipients
U.S. Department of Education, continued					
Education for Homeless Children and Youth	84.196			2,786	2,639
Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.265			5	-
Charter Schools	84.282			710	691
Twenty-First Century Community Learning Centers	84.287			39,644	37,419
Special Education - State Personnel Development	84.323			1,244	1,191
Special Education - Personnel Developmental to Improve Services and Results for Children with Disabilities	84.325			12	12
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			332	332
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Programs Grants)	84.330			(140)	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			1,397	59
Rural Education	84.358			1,035	1,001
English Language Acquisition State Grants	84.365			26,717	25,776
Mathematics and Science Partnerships	84.366			6,680	6,578
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	*		85,061	82,446
Grants for State Assessments and Related Activities	84.369			7,048	-
Statewide Longitudinal Data Systems	84.372			1,916	-
School Improvement Grants	84.377			20,833	20,559
Race to the Top - Early Learning Challenge	84.412			3,580	27
Race to the Top	84.413			(13)	-
Preschool Development Grants	84.419			19,371	18,826
Student Support and Academic Enrichment Program	84.424			9,463	9,462
U.S. Department of Education Total				**5,360,906**	**1,348,896**
National Archives and Records Administration					
National Historical Publications and Records Grants	89.003			106	26
National Archives and Records Administration Total				**106**	**26**
Election Assistance Commission					
Help America Vote Act Requirements Payments	90.401			218	-
Election Assistance Commission Total				**218**	**-**
U.S. Department of Health and Human Services					
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			224	191
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			(154)	-
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043			831	821
Aging Cluster:					
Special Programs for the Aging, Title III, Part B-Grants for Supportive Services and Senior Center	93.044	*	15,194		14,966
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	*	21,560		20,544
Nutrition Services Incentive Program	93.053	*	5,733		5,733
Total Aging Cluster				42,487	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			156	-
Alzheimer's Disease Demonstration Grants to States	93.051			163	163
National Family Caregiver Support, Title III, Part E	93.052			5,707	5,388
Laboratory, Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure	93.065			3	-
Public Health Emergency Preparedness	93.069			127	-
Environmental Public Health and Emergency Response	93.070			698	233
Medicare Enrollment Assistance Program	93.071			432	343
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			505	90
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074			24,048	15,043
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			199	-
Guardianship Assistance	93.090			7,250	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			1,916	1,731
Well-Integrated Screening and Evaluation for Woman Across the Nation	93.094			875	552
Food and Drug Administration Research	93.103			461	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			272	143
Maternal and Child Health Federal Consolidated Programs	93.110			84	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			1,151	93
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			289	72
Injury Prevention and Control Research and State and Community Based Programs	93.136			2,568	1,284

(Continued)

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures		Passed-through to subrecipients
U.S. Department of Health and Human Services, continued					
Projects for Assistance in Transition from Homelessness (PATH)	93.150			2,522	2,369
Grants to States for Loan Repayment Program	93.165			807	-
Family Planning Services	93.217			3,675	2,744
Research on Healthcare Costs, Quality and Outcomes	93.226			63	-
Abstinence Education Program	93.235			3,026	3,026
Grants to States to Support Oral Health Workforce Activities	93.236			328	188
State Rural Hospital Flexibility Program	93.241			724	705
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			8,796	7,163
Immunization Cooperative Agreements	93.268	*		88,024	625
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			270	40
Teenage Pregnancy Prevention Program	93.297			1,796	1,761
Small Rural Hospital Improvement Grant Program	93.301			496	496
National State Based Tobacco Control Programs	93.305			910	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			16	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			3,863	397
State Health Insurance Assistance Program	93.324			1,477	400
ACL Independent Living State Grants	93.369			420	420
Non-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424			69	-
ACL Assistive Technology	93.464			629	629
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.505		2,339		2,339
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		5,896		5,426
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				8,235	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521			471	252
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539			3,776	57
Promoting Safe and Stable Families	93.556			12,874	5,108
TANF Cluster:					
Temporary Assistance for Needy Families	93.558	*	609,860		177,073
Total TANF Cluster				609,860	
Child Support Enforcement	93.563	*		114,873	13,102
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			3,951	2,772
Low-Income Home Energy Assistance	93.568			121,067	116,449
Community Services Block Grant	93.569			35,121	33,148
CCDF Cluster:					
Child Care and Development Block Grant	93.575	*	122,681		116,238
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	117,700		115,175
Total CCDF Cluster				240,381	
Refugee and Entrant Assistance Discretionary Grants	93.576			87	87
Refugee and Entrant Assistance Targeted Assistance Grants	93.584			848	-
State Court Improvement Program	93.586			631	542
Community-Based Child Abuse Prevention Grants	93.590			1,086	922
Grants to States for Access and Visitation Programs	93.597			329	298
Chafee Education and Training Vouchers Program (ETV)	93.599			1,246	-
Head Start	93.600			3,134	2,862
Adoption Incentive Payments	93.603			3,670	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630			2,604	1,208
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634			593	145
Children's Justice Grants to States	93.643			485	473
Stephanie Tubbs Jones Child Welfare Services Program	93.645			12,547	-
Child Welfare Research Training or Demonstration	93.648			10	10
Foster Care Title IV-E	93.658	*	197,729		-
ARRA - Foster Care Title IV-E	93.658	*	7		-
Total Foster Care Title IV-E				197,736	
Adoption Assistance	93.659	*		81,096	-
Social Services Block Grant	93.667	*		50,510	21,525
Child Abuse and Neglect State Grants	93.669			1,055	952
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			3,155	3,152
Chafee Foster Care Independence Program	93.674			4,812	-
Advance Interoperable Health Information Technology Services to Support Health Information Exchang	93.719			533	-
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735			693	693

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands)	Expenditures	Passed-through to subrecipients
U.S. Department of Health and Human Services, continued					
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745			268	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752			2,123	1,980
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753			367	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757			985	399
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			2,625	520
Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADI-SSS) thru Prevention and Public Health Funds (PPHF)	93.763			290	290
Children's Health Insurance Program	93.767	*		348,948	-
Medicaid Cluster:					
State Medicaid Fraud Control Units	93.775	*	6,185		-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	*	23,893		-
Medical Assistance Program	93.778	*	13,226,070		48,214
Total Medicaid Cluster				13,256,148	
Opioid STR	93.788			9,405	8,873
Money Follows the Person Rebalancing Demonstration	93.791			1,097	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			1,817	1,172
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			148	133
Section 223 Demonstration Program to Improve Community Mental Health Services	93.829			383	-
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881			231	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			7,198	4,721
Grants to States for Operation of State Offices of Rural Health	93.913			176	-
HIV Care Formula Grants	93.917	*		51,169	8,367
HIV Prevention Activities Health Department Based	93.940			2,193	483
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			949	74
Assistance Programs for Chronic Disease Prevention and Control	93.945			329	212
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			265	133
Block Grants for Community Mental Health Services	93.958			15,615	15,025
Block Grants for Prevention and Treatment of Substance Abuse	93.959	*		50,282	48,481
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			1,263	151
Maternal and Child Health Services Block Grant to the States	93.994			20,704	18,459
Assisted Outpatient Treatment	93.997			83	-
U.S. Department of Health and Human Services Total				**15,500,733**	**866,048**
Corporation for National and Community Service					
State Commissions	94.003			434	42
AmeriCorps	94.006			9,512	9,500
Training and Technical Assistance	94.009			69	41
Operation AmeriCorps	94.025			209	113
Corporation for National and Community Service Total				**10,224**	**9,696**
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security Disability Insurance	96.001	*	75,751		-
Total Disability Insurance/SSI Cluster				75,751	
Social Security Administration Total				**75,751**	**-**
U.S. Department of Homeland Security					
State and Local Homeland Security National Training Program	97.005			94	94
Non-Profit Security Program	97.008			1,487	1,487
Boating Safety Financial Assistance	97.012			1,979	-
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			271	-
Flood Mitigation Assistance	97.029			296	234
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			161	89
Hazard Mitigation Grant	97.039			13,049	13,049
National Dam Safety Program	97.041			163	-
Emergency Management Performance Grants	97.042			9,212	3,580
Cooperating Technical Partners	97.045			50	-
Pre-Disaster Mitigation	97.047			197	145
Port Security Grant Program	97.056			64	-

(Continued)

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures	Passed-through to subrecipients
U.S. Department of Homeland Security, continued				
Homeland Security Grant Program	97.067	*	54,871	50,169
Homeland Security Biowatch Program	97.091		1,128	-
Financial Assistance for Countering Violent Extremism	97.132		62	-
U.S. Department of Homeland Security Total			**83,084**	**68,847**
Total expenditures of federal awards			**28,996,579**	**3,837,343**

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.
*Denotes Major Program

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The schedule of expenditures of federal awards includes all federal award programs administered by the State of Illinois (the State), except for component units, for the fiscal year ended June 30, 2018. The State's financial reporting entity is described in Note 1B of the State's Comprehensive Annual Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Comprehensive Annual Financial Report, which received federal financial assistance for the year ended June 30, 2018. Each of these entities is subject to separate audits in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles and Audit Requirements for Federal Awards* (the Uniform Guidance).

The federal transactions of the following entities are not reflected in this Schedule:

University of Illinois
Illinois State University
Northern Illinois University
Chicago State University
Western Illinois University
Governors State University
Northeastern Illinois University
Eastern Illinois University
Southern Illinois University

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission under the Federal Family Education Loan program, are not reflected in the schedule of expenditures of federal awards for the year ended June 30, 2018. IDAPP has elected to have a separate lender compliance audit performed on an annual basis in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

(b) Basis of Presentation

The schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with the Uniform Guidance. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.XXX).

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the schedule of expenditures of federal awards on a cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State.

(d) Indirect Cost

The State does not use the 10% de minimus indirect cost rate discussed in section 200.414 of the Uniform Guidance.

(2) Description of Major Federal Award Programs

The following is a brief description of the major programs presented in the schedule of expenditures of federal awards:

U.S. Department of Agriculture

SNAP Cluster: Supplemental Nutrition Assistance Program (CFDA No. 10.551) / State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)

The objective of the Supplemental Nutrition Assistance Program (SNAP) Cluster is to improve the nutrition levels of low-income households by ensuring access to nutritious, healthful diets through the provision of nutrition education and nutrition assistance through the issuance of monthly benefits for the purchase of food at authorized retailers.

Child Nutrition Cluster: School Breakfast Program (CFDA No. 10.553) / National School Lunch Program (CFDA No. 10.555) / Special Milk Program for Children (CFDA No. 10.556) / Summer Food Service Program for Children (CFDA No. 10.559)

The objective of the Child Nutrition Cluster is to assist States: (1) in providing a nutritious nonprofit breakfast and lunch service for school children, through meal reimbursements and food donations; (2) to encourage the domestic consumption of nutritious agricultural commodities; (3) to provide subsidies to schools and institutions to encourage to consumption of fluid milk by children; and (4) to provide free meals to eligible children during the summer months and at other approved times, when school is not in session.

(Continued)

WIC Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)

The objective of this program is to provide low-income pregnant, breastfeeding, and postpartum women, infants and children to age five who have been determined to be at nutritional risk with supplemental nutritious foods, nutrition education, and referrals to health and social services at no cost. WIC also promotes breastfeeding as the feeding method of choice for infants, provides substance abuse education, and promotes immunization and other aspects of healthy living.

Child and Adult Care Food Program (CFDA No. 10.558)

The objective of this program is to assist States, through grants-in-aid and other means, to initiate and maintain nonprofit food service programs for children and elderly or impaired adults enrolled in nonresidential day care facilities, children attending afterschool care programs in low-income areas, and children residing in emergency shelters. This program provides aid to child and adult care sponsoring organizations, centers, and day care homes for the provision of nutritious foods that contribute to the wellness, healthy growth, and development of young children, and the health and wellness of older adults and chronically impaired disabled persons.

U.S. Department of Labor

Unemployment Insurance (CFDA No. 17.225)/ARRA Unemployment Insurance (CFDA No. 17.225ARRA)

The objective of this program is to oversee unemployment insurance programs for eligible workers through federal and state cooperation, including unemployment compensation for federal employees or ex-service members, disaster unemployment assistances, and to assist in the oversight of trade adjustment assistances and alternative trade adjustment assistance, and reemployment trade adjustment assistance programs.

Workforce Innovation Opportunity Act (WIOA) Cluster: WIA/WIOA Adult Program (CFDA No. 17.258) / WIA/WIOA Youth Activities (CFDA No. 17.259) / WIA/WIOA Dislocated Workers Formula Grants Adult Program (CFDA No. 17.278)

The objectives of these programs are: (1) to prepare workers, particularly disadvantaged, low-skilled, and underemployed adults, for good jobs by providing job search assistance and training; (2) to help low income youth acquire the educational and occupational skills, training, and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood; and (3) to help dislocated workers become reemployed through job search assistance and/or training that builds their occupational skills to meet labor market needs.

U.S. Department of Transportation

Airport Improvement Program (CFDA No. 20.106)

The objective of this program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. The purpose of the law includes the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

Highway Planning and Construction Cluster: Highway Planning and Construction (CFDA No. 20.205) / Recreational Trails Program (CFDA No. 20.219)

The objectives of these programs are to assist States in providing for construction, preservation, and improvement of highways and bridges on eligible Federal-Aid routes, (including the National Highway System (NHS) – an integrated, interconnected transportation system important to interstate commerce and travel), and for other special purpose programs and projects. The programs also provide for the construction and improvement of the highways in the District of Columbia, Puerto Rico, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands and the U.S. Virgin Islands.

U.S. Environmental Protection Agency

Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)

The objective of this program is to provide a long term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

U.S. Department of Education

Title I Grants to Local Educational Agencies (CFDA No. 84.010)

The objective of this program is to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic achievement standards.

Special Education Cluster (IDEA): Special Education Grants to States (CFDA No. 84.027) / Special Education Preschool Grants (CFDA No. 84.173)

The objectives of these programs are to provide grants to States to assist them in providing special education and related services to all children with disabilities and provide special education and related services to children with disabilities ages three through five years.

(Continued)

Federal Family Education Loan Program – Guaranty Agencies (CFDA No. 84.032G)

The objective of this program is to encourage lenders to make loans to students enrolled at eligible postsecondary institutions to help pay for educational expenses. The loans are insured by the State of Illinois (Illinois Student Assistance Commission) and reinsured by the Federal Government.

Rehabilitation Services Vocational Rehabilitation Grants to States (CFDA No. 84.126)

The purpose of this program is to assist States in operating comprehensive, coordinated, effective, efficient, and accountable programs of vocational rehabilitation; to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strength, resources, priorities, concerns, abilities, capabilities, and informed choice so they may prepare for and engage in competitive employment.

Supporting Effective Instruction State Grants (CFDA No. 84.367)

The objective of this program is to provide grants to State Educational Agencies (SEA) and local educational agencies (LEA) in order to increase student academic achievement through such strategies as improving teacher and principal quality, increasing the number of teachers and principals who are effective in improving student academic achievement in schools, and provide low-income minority students greater access to effective teachers, principals and other school leaders.

U.S. Department of Health and Human Services

Aging Cluster: Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers (CFDA No. 93.044) / Special Programs for the Aging, Title III, Part C, Nutrition Services (CFDA No. 93.045) / Nutrition Services Incentive Program (CFDA No. 93.053)

The objective of the Special Programs for Aging Title III, Part B, Grants for Supportive Services and Senior Centers program is to maximize the informal support provided to older Americans to enable them to remain in their homes and communities. Providing transportation services, in-home services, and other support services, this program insures that elders receive the services they need to remain independent.

The objective of the Special Programs for Aging, Title III, Part C, Nutrition Services program is to provide grants to States to support nutrition services including nutritious meals, nutrition education and other appropriate nutrition services for older adults in order to maintain health, independence and quality of life. Meals and nutrition services are to be served in a congregate setting or delivered to the home, if the older adult is homebound.

(Continued)

The objective of the Nutrition Services Incentive Program is to reward effective performance by States and Tribes in the efficient delivery of nutritious meals to older adults through the use of cash or USDA Foods.

Immunization Cooperative Agreements (CFDA No. 93.268)

The objective of this program is to assist states and communities in establishing and maintaining preventative service programs to immunize individuals against vaccine-preventable diseases (including measles, rubella, poliomyelitis, diphtheria, pertussis, tetanus, hepatitis A, varicella, mumps, haemophilus influenza type b, influenza, and pneumococcal pneumonia).

Temporary Assistance for Needy Families (TANF Cluster) (CFDA No. 93.558)

The objective of this program is to: (1) provide grants to States, Territories, the District of Columbia, and Federally-recognized Indian Tribes operating their own tribal TANF programs to assist needy families with children so that children can be cared for in their own homes; (2) to reduce dependency by promoting job preparation, work, and marriage; (3) to reduce and prevent out-of- wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent families.

Child Support Enforcement (CFDA No. 93.563)

The objective of this program is to enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support.

Child Care Development Funds Cluster: Child Care and Development Block Grant (CFDA No. 93.575) / Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)

The objective of these programs is to make grants to states for child care assistance for low-income families. The goals are to: (1) allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within that State; (2) promote parental choice to empower working parents to make their own decisions regarding the child care services that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care services and to promote involvement by parents and family members in the development of their children in child care setting; (4) assist States in delivering high-quality, coordinated early childhood care and education services to maximize parents' options and support parents trying to achieve independence from public assistance ; (5) assist States in improving the overall quality of child care services and programs by implementing the health, safety, licensing, training, and oversight standards; (6) improve child care and development of participating children; and (7) increase the number and percentage of low-income children in high-quality child care settings.

Foster Care Title IV-E (CFDA No. 93.658)/ARRA Foster Care Title IV-E (CFDA No. 93.658ARRA)

The objective of this program is to help states provide safe and stable out-of-home care for children under the jurisdiction of the state until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency.

Adoption Assistance (CFDA No. 93.659)

The objective of this program is to provide adoption subsidy costs for the adoption of children with special needs who cannot be reunited with their families and who meet certain eligibility tests.

Social Services Block Grant (CFDA No. 93.667)

The objective of this program is to enable each State to furnish social services best suited to the needs of the individuals residing in the State. Federal block grant funds may be used to provide services directed toward one of the following five goals specified in the law: (1) to prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

Children's Health Insurance Program (CFDA No. 93.767)

The objective of this program is to provide funds to States to enable them to maintain and expand child health assistance to uninsured, low-income children, and at a state option, low-income pregnant women and legal immigrants, primarily by three methods: (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; (2) expand eligibility for children under the State's Medicaid program; and (3) reduce the number of children eligible for Medicaid, CHIP and insurance affordability programs under the ACA, who are not enrolled and improve retention of those who are already enrolled.

Medicaid Cluster: State Medicaid Fraud Control Units (CFDA No. 93.775) / State Survey and Certification of Health Care Providers and Suppliers (Title XVII) Medicare (CFDA No. 93.777) / Medical Assistance Program (CFDA No. 93.778)

The objectives of these programs are: (1) to eliminate fraud and patient abuse in the State Medicaid programs; (2) provide financial assistance to any State which is able and willing to determine through its State health agency or other appropriate State agency that providers and suppliers of health care services are in compliance with Federal regulatory health and safety standards and conditions participation; and (3) provide financial assistance to States for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements and other categorically eligible groups.

HIV Care Formula Grants (CFDA No. 93.917)

The objective of this program is to enable States and Territories to improve the quality, availability, and organization of a comprehensive continuum of HIV/AIDS health care, treatment, and support services.

Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)

The purpose of this program is to provide financial assistance to states and territories to support projects for the development and implementation of prevention, treatment, and rehabilitation activities directed to the diseases of alcohol and drug abuse.

Social Security Administration

Disability Insurance/SSI Cluster: Social Security Disability Insurance (CFDA No. 96.001)

The objectives of these programs are: (1) to replace part of the earnings lost because of physical or mental impairment, or a combination of impairments, severe enough to prevent a person from working; and (2) to ensure a minimum level of income to persons who have attained age 65 or are blind or disabled, and whose income and resources are below specified levels.

U.S. Department of Homeland Security

Homeland Security Grant Program (CFDA No. 97.067)

The objective of this program is to provide funds to eligible entities to support state, local, tribal, and territorial efforts to prevent terrorism and other catastrophic events and to prepare the Nation for the threats and hazards that pose the greatest risk to the security of the United States

(Continued)

(3) Non-monetary Assistance Inventory

The State reports the following non-cash federal awards on the Schedule of Expenditures of Federal Awards:

- National School Lunch Program (CFDA No. 10.555) – Federal expenditures for this program represents the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors. The commodities were valued based on USDA price lists.

- Commodity Supplemental Food Program (CFDA No. 10.565) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.

- Emergency Food Assistance Program (CFDA No. 10.569) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.

- National Guard Military Operations and Maintenance (CFDA No. 12.401) – Federal expenditures for this program represent the value of all operations and maintenance costs reimbursed through the Master Cooperative Agreement by the U.S. Department of Defense.

- National Guard Challenge Program (CFDA No. 12.404) – Federal expenditures for this program represent the value of all Lincoln's Challenge Program operations and maintenance costs reimbursed through the Master Cooperative Agreement by the U.S. Department of Defense.
- Donation of Federal Surplus Personal Property (CFDA No. 39.003) – The objective of this program is strictly a donation program of assets from the federal government to qualified local Illinois donees. Donees (customers) of the Illinois State Agency for Surplus Property (ILSASP) are local Illinois municipalities, public schools, charitable non-profit groups, providers of assistance to the homeless, and some other authorized small businesses as defined by the Federal General Services Administration (GSA). These donees have access to federal excess property that comes from military bases and federal offices such as the USDA for EPA. Assets are available through screening (shopping) online. Donees request property through the ILSASP. ILSASP coordinates the release of the property and assess a service charge to the donee. Service charges are generally 5% of the original acquisition value of the asset. This service charge is intended to maintain the ILSASP operating budget. An 18 month restriction period is set on each asset. Donees are expected to maintain the assets and use them within their business for 18 months. After the restriction period, the assets become the property of the donee.

- Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide assistance with both financial and managerial reviews of the program.

- Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468) – Federal expenditures for this program represent the value of contractual support to allow vendors to upgrade the State Revolving Fund data system for Illinois as well as provide assistance with both financial and managerial reviews of the program.

- Immunization Grants (CFDA No. 93.268) – Federal expenditures for this program can either be in cash grants or represent the value of donated vaccine, personnel and other items "in lieu of cash" received from U.S. Department of Health and Human Services.

(4) Federal Loan Guarantees

The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) as well as the outstanding balance of defaulted loans held by ISAC under the Federal Family Education Loans Program - Guaranty Agencies (CFDA No. 84.032G) were as follows:

	July 1, 2017	**June 30, 2018**
Original Principal Balance of Loans Guaranteed by ISAC	$ 3,271,587,000	$ 2,844,211,000
Outstanding Balance of Defaulted Loans held by ISAC	401,164,000	328,225,000
Total FFEL Loans	$ 3,672,751,000	$ 3,172,436,000

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance with Government Auditing Standards

Honorable Frank J. Mautino
Auditor General
State of Illinois:

As special assistant auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of expenditures of federal awards (the Schedule) and the related notes to the Schedule of the State of Illinois (the State) for the year ended June 30, 2018, and have issued our report thereon dated August 22, 2019.

Our report on the Schedule included an emphasis of matter paragraph describing the basis of accounting described in Note 1(c) of the Schedule.

As described in Note 1(a) to the Schedule, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Also as described in Note 1(a) to the Schedule, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs in findings 2018-001 through 2018-006, 2018-020, and 2018-024 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's Responses to the Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
August 22, 2019

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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Honorable Frank J. Mautino
Auditor General
State of Illinois:

Report on Compliance for Each Major Federal Program

We have audited the compliance of the State of Illinois (the State) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2018. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Schedule and our audit described above does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The schedule of expenditures of federal awards and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our adverse, modified, and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinions on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements for the programs listed below as described in specified finding numbers for the listed compliance requirements, as follows:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, Reporting, and Special Tests and Provisions – ADP System for SNAP	2018-002
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-002
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-002
IL Department of Human Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions – ADP System for SNAP	2018-003
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-003
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-003
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-004
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-004
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-005
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-005

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Healthcare and Family Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, Reporting, and Special Tests and Provisions – ADP System for SNAP	2018-020
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-020
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-020
IL Department on Aging	Aging Cluster	Allowable Costs/Cost Principles, Cash Management Period of Performance, and Reporting	2018-073
IL Department on Aging	Aging Cluster	Allowable Costs/Cost Principles and Period of Performance	2018-074

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Adverse Opinions on Major Federal Programs

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinions on Major Federal Programs* paragraph, the State did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the *Basis for Adverse Opinions on Major Federal Programs* paragraph for the year ended June 30, 2018.

Basis for Qualified (Scope Limitation) Opinion on Unemployment Insurance Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State with the Unemployment Insurance program as described in finding number 2018-051 for Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting, consequently, we were unable to determine whether the State complied with the requirements applicable to that program.

Qualified (Scope Limitation) Opinion on Unemployment Insurance Program

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified (Scope Limitation) Opinion* paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance program for the year ended June 30, 2018.

Basis for Qualified (Noncompliance) Opinions on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, Maintenance of Effort, and Reporting	2018-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2018-003
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2018-004
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2018-005
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles, and Maintenance of Effort	2018-007
IL Department of Human Services	Vocational Rehabilitation Grants to States	Allowable Costs/Cost Principles	2018-019
IL Department of Healthcare and Family Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-020
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2018-028
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2018-028
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-029
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2018-042

Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major federal programs.

Qualified (Noncompliance) Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions on Major Federal Programs* paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the *Basis for Qualified Opinions on Major Federal Programs* paragraph for the year ended June 30, 2018.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying scheduled of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-008 through 2018-018, 2018-021 through 2018-023, 2018-025 through 2018-027, 2018-030 through 2018-033, 2018-035 through 2018-041, 2018-043 through 2018-046, 2018-048 through 2018-050, 2018-052 through 2018-055, 2018-057 through 2018-061, 2018-063 through 2018-069, 2018-071, 2018-072, and 2018-075 through 2018-080. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. A material weakness in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-046, 2018-048 through 2018-071, 2018-073 through 2018-078, and 2018-080 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-047, 2018-072, and 2018-079 to be significant deficiencies.

The State’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
August 22, 2019

(1) Summary of Auditors' Results

(a) The type of report issued by the Auditor General, State of Illinois, on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b)(1) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois:

- Material weaknesses: **Yes**
- Significant deficiencies: **None reported**

(b)(2) Internal control deficiencies over financial reporting disclosed by the audit of the schedule of expenditures of federal awards:

- Material weaknesses: **Yes**
- Significant deficiencies: **None reported**

(c)(1) Noncompliance which is material to the basic financial statements: **Yes**

(c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **Yes**
- Significant deficiencies: **Yes**

(e) The type of report issued on compliance for major programs:

Adverse:
Supplemental Nutrition Assistance Program Cluster
Aging Cluster
Children's Health Insurance Program
Medicaid Cluster

Qualified (Scope Limitation):
Unemployment Insurance

Qualified (Noncompliance):
Special Education Cluster (IDEA)
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Foster Care – Tile IV-E
Adoption Assistance
Block Grants for Prevention and Treatment of Substance Abuse

The opinions for all other major programs are unmodified.

(f) Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Major programs:

U.S. Department of Agriculture

1. Supplemental Nutrition Assistance Program Cluster (10.551/10.561)
2. Child Nutrition Cluster (10.553/10.555/10.556/10.559)
3. Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
4. Child and Adult Care Food Program (10.558)

U.S. Department of Labor

5. Unemployment Insurance (17.225/17.225ARRA)
6. WIOA Cluster (17.258/17.259/17.278)

U.S. Department of Transportation

7. Airport Improvement Program (20.106)
8. Highway Planning and Construction Cluster (20.205/20.219)

U.S. Environmental Protection Agency

9. Clean Water State Revolving Fund Cluster (66.458)

U.S. Department of Education

10. Title I – Grants to Local Educational Agencies (84.010)
11. Special Education Cluster (IDEA) (84.027/84.173)
12. Federal Family Education Loan Program (84.032G)
13. Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
14. Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) (84.367)

U.S. Department of Health and Human Services

15. Aging Cluster (93.044/93.045/93.053)
16. Immunization Cooperative Agreements (93.268)
17. Temporary Assistance for Needy Families Cluster (93.558)
18. Child Support Enforcement (93.563)
19. Child Care Development Funds Cluster (93.575/93.596)
20. Foster Care – Title IV-E (93.658/93.658ARRA)
21. Adoption Assistance (93.659)
22. Social Services Block Grant (93.667)
23. Children's Health Insurance Program (93.767)
24. Medicaid Cluster (93.775/93.777/93.778)
25. HIV Care Formula Grants (93.917)
26. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

U.S. Social Security Administration

27. Social Security-Disability Insurance (96.001)

U.S. Social Security Administration

28. Homeland Security Cluster (97.067)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$43,494,869**

(i) The State did not qualify as a low-risk auditee.

(2)(a) Findings related to the basic financial statements reported in accordance with *Government Auditing Standards*:

Findings related to the basic financial statements for the year ended June 30, 2018 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

(2)(b) Findings related to the schedule of expenditures of federal awards reported in accordance with *Government Auditing Standards*:

Finding No.	State Agency	Finding Title	Finding Type
2018-001	IL Office of the Governor and IL Office of the Comptroller	Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards	Material weakness

In addition, the following findings which are reported as current findings and questioned costs relating to federal awards also meet the reporting requirements of *Government Auditing Standards* in relation to the schedule of expenditures of federal awards:

Finding No.	State Agency	Finding Title	Finding Type
2018-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2018-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material weakness
2018-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
2018-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material weakness
2018-006	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2018-020	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Material weakness
2018-024	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness

State Agency: Office of the Governor and Office of the State Comptroller

Federal Agency: All Federal Agencies

Finding 2018-001 *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 (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the Statewide SEFA.

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 the 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).

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.

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the Comprehensive Annual Financial Report (CAFR) preparation process and there are minimum qualifications for all new GAAP Coordinators who oversee the preparation of financial reporting forms, the current process still lacks sufficient internal controls at State agencies. As a result, adjustments relative to the SEFA continue to occur.

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past sixteen 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. The process is overly dependent on the post-audit program even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function **is not** a substitute for appropriate internal controls at State agencies.

Errors identified in the SEFA reporting process in the current year included corrections to amounts reported or provided during the audit and unreconciled amounts. These items have been reported in agency level findings for the Illinois Department of Human Services (Finding Code 2018-010), the Illinois Department of Healthcare and Family Services (Finding Code 2018-026), the Illinois Department of Children and Family Services (Finding Code 2018-033), the Illinois State Board of Education (Finding Code 2018-046), the Illinois Community College Board (Finding Code 2018-049), the Illinois Department of Employment Security (Finding Code 2018-055), the Illinois Department of Transportation (Finding Code 2018-069), the Illinois Department on Aging (Finding Code 2018-078), and the Illinois Emergency Management Agency (Finding Code No. 2018-080). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

(Continued)

While many of the adjustments identified at the State agencies are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Although the deficiencies relative to the SEFA financial reporting processes have been reported by the auditors for a number of years, **problems continue** with the State's ability to provide accurate external financial reporting.

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 and must include the total amount provided to subrecipients for each Federal program.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with the Office of the Governor, they stated that the weakness is due to (1) lack of a statewide accounting and grants management system and (2) lack of personnel adequately trained in governmental accounting and federal grants management. Without adequate financial and grants management systems, agency staff are required to perform highly manual calculations of SEFA amounts in a short time frame which results in increased errors. The lack of adequate financial and grants management personnel is due in part to a failure to establish the necessary job titles with specific qualifications to ensure agencies hire applicants who have the minimum required education and specialized skills.

In discussing these conditions with IOC management, they stated errors and delays at the departmental level were caused by a lack of sufficient internal control processes in State agencies for the accurate accumulation and reporting of financial information. The old and antiquated highly decentralized system of tracking, reporting and compiling federal spending information is inadequate to allow for the timely and accurate completion of the SEFA.

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 by the Uniform Guidance and may result in the suspension of federal funding. (Finding Code 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-01, 11-01, 10-01, 09-01, 08-01, 07-01, 06-01, 05-01, 04-01, 03-01, and 02-01)

Recommendation:

We recommend 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.

Office of the Governor's Response:

The Office of the Governor concurs with the auditor's finding and recommendation. The Office of the Governor and the Office of the State Comptroller will continue to work together to address the core issues of the State's inability to produce timely and accurate GAAP basis financial information. The State is in the midst of a multi-year implementation of an Enterprise Resource Planning (ERP) system to develop an integrated enterprise-wide application system for financials, which is an aspect of the Governor's Executive Order that created the Illinois Department of Innovation and Technology to transform Illinois' IT systems to be more responsive to state employees and taxpayers. An operational ERP system will improve the State's control environment and processes to produce accurate financial statements in a timely manner. More important, the State is moving the process for preparing the SEFA to the supervision of the Governor's Office of Management and Budget (GOMB), so that GOMB will be able to work with agencies to reconcile and correct items in the SEFA before they reach the auditors' hands.

IOC's Response:

The Office accepts the recommendation. The Office agrees that the existing financial reporting systems need to be upgraded with a cost-effective statewide grants management system that is designed to provide the information needed to complete the SEFA report and to improve the quality of the accounting information provided to the IOC.

(3) Current Findings and Questioned Costs Relating to Federal Awards:

Finding No.	State Agency	Finding Title	Finding Type
2018-002	IL Department of Human Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Adverse and material weakness
2018-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Adverse and material weakness
2018-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Adverse and material weakness
2018-005	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Adverse and material weakness
2018-006	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2018-007	IL Department of Human Services	Failure to Provide Adequate Documentation for the SAPT MOE Requirement	Material noncompliance and material weakness
2018-008	IL Department of Human Services	Inadequate Process for Monitoring Interagency Program Expenditures	Noncompliance and material weakness
2018-009	IL Department of Human Services	Inadequate Procedures to Ensure Controls Are Operating Effectively at the Service Organization of the SNAP Cluster Program	Noncompliance and material weakness
2018-010	IL Department of Human Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-011	IL Department of Human Services	Inadequate Review of Single Audit Reports	Noncompliance and material weakness
2018-012	IL Department of Human Services	Failure to Follow Established Subrecipient Monitoring Procedures	Noncompliance and material weakness
2018-013	IL Department of Human Services	Failure to Communicate Award Information to Subrecipients	Noncompliance and material weakness
2018-014	IL Department of Human Services	Failure to Determine Eligibility in Accordance with VR Program Regulations	Noncompliance and material weakness
2018-015	IL Department of Human Services	Untimely Return of Refunded Retirement Costs to Federal Programs	Noncompliance and material weakness
2018-016	IL Department of Human Services	Improper Title XX Beneficiary Payment	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2018-017	IL Department of Human Services	Inaccurate Special Report for the SNAP Cluster Program	Noncompliance and material weakness
2018-018	IL Department of Human Services	Inaccurate Financial Report for the TANF Cluster Program	Noncompliance and material weakness
2018-019	IL Department of Human Services	Unallowable Costs Charged to the Vocational Rehabilitation Program	Material noncompliance and material weakness
2018-020	IL Department of Healthcare and Family Services	Failure to Establish Adequate Controls over the Integrated Eligibility System	Adverse and material weakness
2018-021	IL Department of Healthcare and Family Services	Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries	Noncompliance and material weakness
2018-022	IL Department of Healthcare and Family Services	Inadequate Procedures to Determine Provider Eligibility	Noncompliance and material weakness
2018-023	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers	Noncompliance and material weakness
2018-024	IL Department of Healthcare and Family Services	Inadequate Controls over Information Systems	Material weakness
2018-025	IL Department of Healthcare and Family Services	Failure to Complete Cash Management Reconciliations Timely	Noncompliance and material weakness
2018-026	IL Department of Healthcare and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-027	IL Department of Healthcare and Family Services	Untimely Return of Refunded Retirement Costs to Federal Programs	Noncompliance and material weakness
2018-028	Illinois Department of Children and Family Services	Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report	Material noncompliance and material weakness
2018-029	Illinois Department of Children and Family Services	Failure to Maintain Adequate Provider Licensing Files	Material noncompliance and material weakness
2018-030	Illinois Department of Children and Family Services	Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs	Noncompliance and material weakness

(Continued)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Finding No.	State Agency	Finding Title	Finding Type
2018-031	Illinois Department of Children and Family Services	Inadequate Procedures to Reasonably Ensure Children are in the Continued Care of Their Adoptive Parent	Noncompliance and material weakness
2018-032	Illinois Department of Children and Family Services	Missing Documentation in Adoption Assistance Eligibility Files	Noncompliance and material weakness
2018-033	Illinois Department of Children and Family Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-034	Illinois Department of Children and Family Services	Inadequate Controls over Information Systems	Material weakness
2018-035	Illinois Department of Children and Family Services	Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement	Noncompliance and material weakness
2018-036	Illinois Department of Children and Family Services	Inadequate Process for Reconciling Cash Balances to IOC's Records	Noncompliance and material weakness
2018-037	Illinois Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
2018-038	IL Department of Public Health	Failure to Investigate Provider Complaints within Required Timeframes	Noncompliance and material weakness
2018-039	IL Department of Public Health	Inadequate Procedures to Verify Provider Licenses	Noncompliance and material weakness
2018-040	IL Department of Public Health	Failure to Obtain and Review Subrecipient Single Audit Reports	Noncompliance and material weakness
2018-041	Illinois Department of Public Health	Untimely Return of Refunded Retirement Costs to Federal Programs	Noncompliance and material weakness
2018-042	Illinois State Board of Education	Inadequate Monitoring of Special Education Subrecipients	Material noncompliance and material weakness
2018-043	Illinois State Board of Education	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2018-044	Illinois State Board of Education	Failure to Obtain Certifications for IDEA Child Count	Noncompliance and material weakness
2018-045	Illinois State Board of Education	Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2018-046	Illinois State Board of Education	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-047	Illinois State Board of Education	Inadequate Controls Over Maintenance of Effort Requirements for Subrecipients	Significant deficiency
2018-048	Illinois Community College Board	Inadequate Risk Assessment of Subrecipients of the CTE Program	Noncompliance and material weakness
2018-049	Illinois Community College Board	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-050	Illinois Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and material weakness
2018-051	Illinois Department of Employment Security	Failure to Maintain Adequate Supporting Documentation for UI Program Administrative Grants	Scope limitation and material weakness
2018-052	Illinois Department of Employment Security	Failure to Implement UI Program Integrity and Overpayment Reduction Requirements	Noncompliance and material weakness
2018-053	Illinois Department of Employment Security	Failure to Issue Eligibility Determinations within Prescribed Timeframes	Noncompliance and material weakness
2018-054	Illinois Department of Employment Security	Inadequate Process for Preparing UI Financial Reports	Noncompliance and material weakness
2018-055	Illinois Department of Employment Security	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-056	Illinois Department of Employment Security	Inadequate Controls over Information Systems	Material weakness
2018-057	Illinois Department of Employment Security	Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports	Noncompliance and material weakness
2018-058	Illinois Department of Employment Security	Inadequate Process for Preparing ETA 581 Financial Reports	Noncompliance and material weakness
2018-059	Illinois Department of Employment Security	Improper Interest Rate used in the CMIA Interest Calculation	Noncompliance and material weakness
2018-060	Illinois Department of Employment Security	Inaccurate Calculation of Dependent Child Allowance Supplemental Benefits	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2018-061	Illinois Department of Employment Security	Inaccurate Reporting of UI BAM Case File Data to USDOL	Noncompliance and material weakness
2018-062	Illinois Department of Employment Security	Failure to Prepare and Review Unemployment Trust Fund Reconciliations Timely	Material weakness
2018-063	Illinois Department of Employment Security	Inadequate Controls over Retirement Costs for the Unemployment Insurance Program	Noncompliance and material weakness
2018-064	IL Department of Commerce and Economic Opportunity	Inadequate Process for Preparing WIOA Financial Reports	Noncompliance and material weakness
2018-065	IL Department of Commerce and Economic Opportunity	Untimely Return of Refunded Retirement Costs to WIOA Cluster	Noncompliance and material weakness
2018-066	Illinois Department of Transportation	Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program	Noncompliance and material weakness
2018-067	Illinois Department of Transportation	Inaccurate Airport Improvement Financial Status Reports	Noncompliance and material weakness
2018-068	Illinois Department of Transportation	Failure to Obtain and Review Subrecipient Single Audit Reports	Noncompliance and material weakness
2018-069	Illinois Department of Transportation	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-070	Illinois Department of Transportation	Inadequate Controls over Information Systems	Material weakness
2018-071	Illinois Environmental Protection Agency	Inaccurate SF-425 Federal Financial Reports	Noncompliance and material weakness
2018-072	Illinois Environmental Protection Agency	Untimely Review of Subrecipient Single Audit Reports	Noncompliance and significant deficiency
2018-073	IL Department on Aging	Failure to Correct Improperly Drawn Cash and Reported Cash Advances for the Aging Cluster	Adverse and material weakness
2018-074	IL Department on Aging	Failure to Obligate Funds in Accordance with Period of Performance Requirements	Adverse and material weakness
2018-075	IL Department on Aging	Inaccurate Certification of Maintenance of Effort (MOE) Expenditures	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
2018-076	IL Department on Aging	Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of Aging Cluster Program	Noncompliance and material weakness
2018-077	IL Department on Aging	Inadequate Review of Subrecipient Single Audit Reports	Noncompliance and material weakness
2018-078	IL Department on Aging	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2018-079	IL Department on Aging	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
2018-080	Illinois Emergency Management Agency	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)
93.558 ($609,860,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-002 – *Failure to Establish Adequate Controls over the Integrated Eligibility System*

Condition Found:

The Illinois Department of Human Services (IDHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

IDHS administers the SNAP Cluster, the TANF Cluster, and certain Medicaid Cluster waiver programs and DHFS administers the CHIP and Medicaid Cluster programs. The Affordable Care Act of 2010 required the State to consolidate and modernize its eligibility determination functions into a single system which is known as the Integrated Eligibility System (IES). Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded the use of IES to eligibility determinations for beneficiaries of the SNAP Cluster, TANF Cluster, and CHIP programs. In addition, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs.

During our testwork, we were unable to perform adequate procedures to satisfy ourselves that certain general information technology controls over the IES system were operating effectively. Specifically, we noted IDHS and DHFS could not provide all information necessary to test system access security controls relative to the network on which IES resides. Additionally, a specific change management policy was developed for IES; however, it was not effective until April 1, 2018.

(Continued)

Accordingly, we were not able to rely on IES with respect to our testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and Medicaid Cluster programs. We were also not able to rely on IES with respect to the special test and provision – ADP System for SNAP related to the SNAP Cluster program.

As discussed further in finding 2018-005, we also noted due dates for cases that were overdue for redeterminations as of the IES go live date (October 24, 2017) and cases that were due for redetermination between October 1 and December 31, 2017 were extended in the system by a year.

In addition to the control deficiencies and noncompliance identified above, we noted several potential instances of noncompliance with requirements of the State Plans for each of the federal programs noted above identified during analysis of IES data. As discussed above, the general IT control deficiencies prevented us from relying on IES and, as a result, we were not able to determine the completeness and accuracy of the IES data analyzed. The specific exceptions identified in in the IES data provided by the State were as follows:

- Cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status) and without valid social security numbers or submission of an application for a social security number. In reviewing the data provided, we noted errors related to 129 SNAP/TANF cases and 406 CHIP/Medicaid Cluster cases.
- Cases were redetermined in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status) and without valid social security numbers or submission of an application for a social security number. In reviewing the data provided, we noted errors related to 891 SNAP/TANF cases and 326 CHIP/Medicaid Cluster cases.

While IDHS and DHFS were aware of certain system issues and have established manual workarounds for the known errors in redetermination dates and identified in the data above, formal procedures were not established to monitor and evaluate noncompliance resulting from the known data errors during the year ended June 30, 2018. Requirements of the State Plans were not modified or waived by the federal agencies for these matters during the year ended June 30, 2018 and the payments made to or on behalf of the beneficiaries impacted by these matters were not excluded from federal claims.

Details of the beneficiary payments paid by the State during the year ended June 30, 2018 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	**Total Beneficiary Payments in Fiscal Year 2018**	**Total Fiscal Year 2018 Program Expenditures**	**Percentage**	**Administering Agency**
SNAP Cluster	$2,825,582,000	$2,940,459,000	96.1%	IDHS
TANF Cluster	30,103,000	609,860,000	4.9%	IDHS
CHIP	332,187,000	348,948,000	95.2%	DHFS
Medicaid Cluster	12,737,234,000	13,256,148,000	96.1%	DHFS

(Continued)

Criteria or Requirement:

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2018, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. 2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 7 CFR 272.10 and 277.18, the State is required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

Cause:

In discussing these conditions with IDHS officials, they stated the planned corrective action requires significant time and resources to complete. The non-financial eligibility issues identified were a combination of caseworker error and system defects.

Possible Asserted Effect:

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-002. (Finding Code 2018-002, 2017-002, 2016-002, 2015-002)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend IDHS implement adequate general information technology control procedures for the IES system. We also recommend IDHS evaluate the known IES system issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs.

Views of IDHS Officials:

The Department accepts the recommendation. The Department continues to enhance and implement adequate general information technology control procedures for the IES system. In addition, IDHS is evaluating the known IES issues and working to implement monitoring procedures to identify potential noncompliance relative to our federal programs resulting from these items. The Department is enhancing its process and considering changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under the federal programs.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)
93.558 ($609,860,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-003 – _Failure to Properly Maintain and Control Case File Records_

Condition Found:

IDHS 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 Medicaid Cluster programs.

IDHS is the State agency responsible for performing eligibility determinations for the federal public welfare assistance programs. IDHS has established a series of local offices throughout the State at which eligibility determinations and redeterminations are performed and documented. The eligibility intake processes for each of the programs identified above require case workers to obtain and review supporting documentation including signed benefits applications, copies of source documents reviewed in verifying information reported by applicants, and other information.

Effective October 1, 2013, the State implemented the Integrated Eligibility System (IES) to perform and document eligibility determinations for certain beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs. Since its initial implementation, the use of IES has continued to expand and documentation related to eligibility determinations performed using IES has generally resided solely within the information system. In addition, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES.

During our testwork, we noted the procedures in place to maintain and control manual beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in our review of case files at five separate local offices, we noted manual case files were generally available to all IDHS personnel and that formal procedures have not been developed for checking hard-copy case files in and out of the file rooms or for tracking their locations. We selected 50 eligibility case records from two off-site case file storage facilities and noted 23 case records could not be located for our testing.

In addition, during our testwork over case files selected for the TANF Cluster, CHIP, and Medicaid Cluster programs, we noted a number of case files were provided several weeks past the original request date due to the fact that case files had been transferred between local offices and were not easily located by IDHS. We also noted 3 CHIP and 3 Medicaid case files (with medical payments sampled of $659 and $22,363, respectively) for which IDHS could not locate any case file documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of these beneficiaries of the CHIP and Medicaid Program were $10,344 and $153,643 during the year ended June 30, 2018.

Details of the beneficiary payments selected in our eligibility samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2018	Total Fiscal Year 2018 Program Expenditures
TANF Cluster	50	$18,549	$30,103,000	$609,860,000
CHIP	65	7,116	332,187,000	348,948,000
Medicaid Cluster	125	126,852	12,737,234,000	13,256,148,000

As discussed above, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of IES Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. As discussed in findings 2018-002 and 2018-020, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

IDHS has not established appropriate procedures to ensure documentation supporting eligibility determinations and redeterminations are properly maintained in accordance with program requirements.

Criteria or Requirement:

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2018, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

Cause:

In discussing these conditions with IDHS officials, they stated that the weakness identified can be attributed to the enormous volume of physical case files; difficulty in locating case records in the Family and Community Resource Centers (FCRCs) and in centralized storage facilities; and the current transition from paper records to a completely digital record system.

Possible Asserted Effect:

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.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-003. (Finding Code 2018-003, 2017-003, 2016-003, 2015-003, 2014-003, 2013-003, 12-03, 11-03, 10-04, 09-04, 08-04, 07-11)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS 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.

Views of IDHS Officials:

The Department accepts the recommendation. To relieve some of the space limitations, offsite storage facilities were obtained and are being used. In addition, the Department is now utilizing a document management system. As new cases are approved, the information that was previously printed and stored in paper case files is now maintained in the new electronic storage system. This is assisting in the reduction of the overwhelming size and amount of paper files retained in storage.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 ($609,860,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-004 – *Missing Documentation in Beneficiary Eligibility Files*

Condition Found:

IDHS 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.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2018	Total Fiscal Year 2018 Program Expenditures
TANF Cluster	50	$18,549	$30,103,000	$609,860,000
CHIP	65	7,116	332,187,000	348,948,000
Medicaid Cluster	125	126,852	12,737,234,000	13,256,148,000

During our testwork, we selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. We noted the following exceptions during our testwork:

- In 12 TANF Cluster, 1 CHIP, and 2 Medicaid Cluster cases (with payments sampled of $4,512, $18, and $3,693, respectively), IDHS could not locate the initial case application or redetermination completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2018 totaled $45,896. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $15 and $34,302 for the CHIP and Medicaid Cluster programs, respectively.

(Continued)

- In 1 TANF case file (with payments sampled of $318), IDHS could not provide adequate documentation that citizenship verifications were performed to verify the beneficiaries were eligible. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2018 totaled $3,816.
- In 2 CHIP case files (with medical payments sampled of $269), IDHS could not locate adequate documentation evidencing income verification was performed. In lieu of collecting copies of paystubs to verify income, caseworkers verbally confirmed income information, relied on client handwritten notes, or used income verified on previous applications. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $2,168 for the CHIP programs.
- In 16 Medicaid case files (with medical payments sampled of $27,772), IDHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $297,472 for the Medicaid Cluster program.
- In 24 TANF, 19 CHIP, and 17 Medicaid case files (with TANF payments sampled of $9,257 and medical payments sampled of $1,752 and $36,119, respectively), IDHS could not provide source documentation from IES for certain eligibility determinations performed for the beneficiaries. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2018 totaled $80,674. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $23,843 and $320,960 for the CHIP and Medicaid Cluster program.
- In 1 TANF Cluster Child Support Cooperation special test case, IDHS could not provide evidence that the beneficiary was sanctioned subsequent to the beneficiary's failure to cooperate. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2018 totaled $5,558.
- In 1 TANF Cluster Child Support Cooperation special test case, IDHS failed to take timely action in sanctioning the beneficiary subsequent to the beneficiary's failure to cooperate. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2018 totaled $3,408.
- In 2 TANF Child Under Six special test cases, IDHS could not provide documentation of a birth certificate evidencing the child was under six. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2018 totaled $6,773.
- In 4 TANF Cluster cases (with payments sampled of $1,296), IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2018 totaled $11,279.
- In 1 TANF Cluster case (with a payment sampled of $270), the Responsibility Service Plan completed and signed by the beneficiary was prepared late. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2018 totaled $5,512.

We also noted the State implemented IES on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. Effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. As discussed in findings 2018-002 and 2018-020, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

IDHS does not have adequate resources to perform and document eligibility determinations. Additionally, IDHS has not established appropriate monitoring procedures to ensure eligibility determinations are properly documented in accordance with program requirements.

Criteria or Requirement:

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2018, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

Cause:

In discussing these conditions with IDHS officials, they stated that the cause of the deficiencies noted can be attributed to misplaced, misfiled, or erroneously indexed documentation.

Possible Asserted Effect:

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-004. (Finding Code 2018-004, 2017-004, 2016-004, 2015-004, 2014-004, 2013-004, 12-04, 11-04, 10-06, 09-06, 08-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

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

(Continued)

Views of IDHS Officials:

The Department of Human Services accepts the recommendation. The Department continues to ensure staff understand the importance of proper and accurate filing processes. In addition, the Department continues to expand the use of electronic document management systems that now captures information that has was previously printed and maintained in paper case files. The Department has used and is continuing to use electronic verifications available from the Federal Data Services Hub, as notated per policy and federal law, to establish factors of eligibility.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 ($609,860,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-005 – *Failure to Perform Eligibility Redeterminations within Prescribed Timeframes*

Condition Found:

IDHS 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.

Each of the State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs require the State to perform eligibility redeterminations on an annual basis. During our testwork over eligibility, we noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF Cluster, CHIP, and Medicaid Cluster programs. Specifically, effective with the implementation of Phase II of the Integrated Eligibility System (IES) on October 24, 2017, we noted IDHS and the Department of Healthcare and Family Services (DHFS) made the decision to extend the due date by one year for any beneficiaries whose cases were overdue for a redetermination at the time Phase II went live. IDHS and DHFS also extended the due dates for beneficiaries whose cases were scheduled to be redetermined from the go live date (October 24, 2017) through the end of the calendar year (December 31, 2017). Neither IDHS, nor DHFS provided evidence that the extension of the redetermination due dates had been discussed with or approved by the US Department of Health and Human Services during our audit procedures.

Additionally, in our testing of case files selected for testing, we noted redeterminations were not completed within required time frames for 2 TANF cluster cases, 5 CHIP cases, and 10 Medicaid Cluster cases (with payments sampled of $642, $330, and $17,382, respectively). Delays in performing redeterminations ranged from 2 to 17 months after the required timeframe; however, we were unable to determine whether these delays were affected by the due date extensions discussed in the previous paragraph.

(Continued)

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2018	Total Fiscal Year 2018 Program Expenditures
TANF Cluster	50	$18,549	$30,103,000	$609,860,000
CHIP	65	7,116	332,187,000	348,948,000
Medicaid Cluster	125	126,852	12,737,234,000	13,256,148,000

IDHS does not have adequate resources to perform and document eligibility redeterminations. Additionally, IDHS has not established appropriate monitoring procedures to ensure eligibility redeterminations are completed in accordance with program requirements.

Criteria or Requirement:

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2018, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the Medicaid Cluster, CHIP, and TANF Cluster programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

Cause:

In discussing these conditions with IDHS officials, they stated that the deficiencies noted can be attributed to an increasing number of overdue redeterminations resulting from the absorption of cases that require staff action in completing the redetermination rather than using the now obsolete Passive or Administrative Renewal process, which allowed eligible medical cases to be re-determined based on the absence of any known changes in the customer's household or financial situation. Additionally, the audit period was met with a substantial learning curve for staff becoming acclimated to the newly developed Integrated Eligibility System and its functionality.

Possible Asserted Effect:

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.

(Continued)

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-005. (Finding Code 2018-005, 2017-005, 2016-005, 2015-005, 2014-002, 2013-002, 12-02, 11-02, 10-03, 09-03, 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS 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.

Views of IDHS Officials:

The Department accepts the recommendation. As part of the IES Phase 2 implementation, added process steps were needed for case actions due to conversion. The re-determination process was enhanced with the implementation of the new updated processing system in IES phase 2, which went live October 24, 2017. The IES Phase 2 system assists in tracking and auto initiating renewal notices to eligible customers using a three step process. In addition, online and classroom training venues are mandated and also available for periodic, as needed reference to all staff using the new system.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency:	U.S. Department of Agriculture (USDA) U.S. Department of Education (USDE) U.S. Department of Health and Human Services (USDHHS) U.S. Social Security Administration (USSSA)
Program Name:	Supplemental Nutritional Assistance Program Cluster Special Supplemental Nutrition Program for Women, Infants, and Children Rehabilitation Services – Vocational Rehabilitation Grants to States Temporary Assistance for Needy Families Cluster Child Care Development Funds Cluster Social Services Block Grant Children's Health Insurance Program Medicaid Cluster Block Grants for Prevention and Treatment of Substance Abuse Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)
10.557 ($169,047,000)
84.126 ($109,819,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)
93.959 ($50,282,000)
96.001 ($75,751,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-006 – *Inadequate Controls over Information Systems*

Condition Found:

IDHS does not have adequate program access and change management controls over information systems used to document and determine beneficiary eligibility and record program expenditures.

The information technology applications that support the IDHS major programs include the following:

- *Concurrent* – serves as the eligibility system for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs for all cases with eligibility determinations performed prior to October 1, 2013, including subsequent eligibility redeterminations performed on those cases. The system is used by IDHS to store participant information, perform eligibility determinations for participants, and initiate and document the completion of a variety of required cross-matches for its federal programs. Effective October 24, 2017, IDHS decommissioned Concurrent with the implementation of Phase II of the Integrated Eligibility System (IES). With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES.

- *Child Care Management System (CCMS)* – serves as the main database for the State's child care activities which is funded by the Child Care Development Funds (Child Care) Cluster and TANF Cluster programs. The system is used by IDHS and its subrecipients to store participant information, perform eligibility determinations for participants, and track the issuance and redemption of child care vouchers.
- *Consolidated Accounting Record System (CARS)* – serves as the financial accounting database for all of IDHS' federal programs and State funded programs. This system is used by IDHS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Cornerstone* – serves as the data management and analysis system for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This system is used by IDHS to store participant information, perform eligibility determinations for participants, and provide benefit information for payment.

As noted above, IDHS decommissioned the Concurrent application effective October 24, 2017 and did not retain a copy of the Client Database (CDB) which contained the history of the case file information changes processed by Concurrent. Because the system was decommissioned, IDHS did not have the ability to provide listings of users with access or identify changes made to Concurrent. Accordingly, we were not able to test application or related general IT controls for Concurrent.

In addition, during our testwork of IDHS' controls over user access to the CCMS and Cornerstone applications, we noted the following:

- Access rights to the Cornerstone application were not removed in a timely manner for terminated employees. In our comparison of the listing of active users in Cornerstone as of the date of our testing (June 30, 2018) to the list of terminated employees, we identified 10 users who retained access to the Cornerstone application after the date their employment with IDHS was terminated.
- Periodic user access reviews were not performed in fiscal year 2018 by IDHS in accordance with established procedures to ensure access rights were appropriate for the Cornerstone application.
- Administrative access to the Cornerstone application was not reviewed by IDHS during the fiscal year 2018 in accordance with established procedures to ensure user access rights were appropriate.
- IDHS' policies and procedures do not include specific procedures to review access rights to CCMS or Cornerstone for users at subrecipient organizations who have been contracted to assist IDHS in carrying out compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children, Child Care Development Funds Cluster, and TANF Cluster programs.

We also noted during our testwork over changes made to IDHS' information systems that IDHS was not able to generate a list of changes made to the Cornerstone application. IDHS' current procedures include tracking changes made to Cornerstone in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes to the Cornerstone application provided by IDHS from the database during our audit was complete.

Criteria or Requirement:

The A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

Cause:

In discussing these conditions with IDHS officials, they stated that the IDHS Concurrent system was decommissioned in 2017. The server for this system was also decommissioned after 60 days had expired and was physically removed from the Illinois Department of Innovation and Technology (DoIT) Data Center. At that point, there was no platform that could provide access or readability for the decommissioned data.

Possible Asserted Effect:

Failure to maintain system documentation evidencing the performance of compliance procedures or the functioning of internal control over compliance relative to IDHS' federal programs, inhibits federal agencies from monitoring the State's compliance with program requirements and prevents the auditor from performing a single audit in accordance with the Uniform Guidance. In addition, failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-007. (Finding Code 2018-006, 2017-007, 2016-007, 2015-018, 2014-013, 2013-014, 12-12)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS take the necessary steps to retain evidence of compliance or internal control over compliance relative to IDHS' federal programs resident in its information systems prior to decommissioning or eliminating applications and related databases. We also recommend IDHS implement the necessary procedures to ensure access to its information systems are adequately secured and are able to generate a list of program changes.

(Continued)

Views of IDHS Officials:

The Department accepts the recommendation. It is not cost effective for DoIT-IDHS to maintain a decommissioned application due to the overhead cost to maintain an obsolete system. However, steps will be taken in the future to maintain the application data on a platform or Database (DB) in a useable format, so the data itself is accessible as evidence for audit purposes. DoIT-IDHS has an Enterprise Audit and Accountability Policy in place and is currently working with the IDHS Program areas to enhance the Department's policy to meet this requirement. IDHS will enhance necessary procedures to ensure access to its information systems are adequately secured and are able to generate a list of program changes.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 93.959 ($50,282,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-007 – *Failure to Provide Adequate Documentation for the SAPT MOE Requirement*

Condition Found:

IDHS was unable to provide adequate documentation to substantiate the MOE requirements were met for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

As a condition of receiving federal funding under the SAPT program, USDHHS requires the State to maintain the level of State and locally funded expenditures for substance abuse prevention and treatment activities at an amount that is at least equal to the average level of these same amounts for the prior two years. In addition, the State is required to maintain its level of expenditures for substance abuse prevention and treatment services provided to pregnant women and women with dependent children, individuals with HIV, and individuals with tuberculosis.

During the current fiscal year, we noted IDHS was required to maintain aggregate State expenditures for State fiscal year June 30, 2018 of $86,140,869. IDHS reported actual aggregate State expenditures for State fiscal year June 30, 2018 of $105,094,409. However, IDHS could not provide detailed supporting documentation for managed care organization expenditures totaling $31,331,157. Of this amount, $13,586,939 were estimated expenditures and $17,744,218 were expenditures for which IDHS could not provide underlying specific capitation payment and beneficiary records during our audit procedures. Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort requirement.

State funded expenditures used to meet the SAPT MOE requirement totaled $105,094,409 for the year ended June 30, 2018.

Criteria or Requirement:

According to 45 CFR 96.30(a), the fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. Further, 45 CFR 96.134(a) states with respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for

(Continued)

authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure the MOE requirement is met and maintaining adequate supporting documentation to support the expenditures used to meet the MOE requirement.

Cause:

In discussing these conditions with IDHS officials, they stated the agency did not have access to the Department of Healthcare and Family Services (HFS) Electronic Data Warehouse.

Possible Asserted Effect:

Failure to maintain required State expenditure levels for MOE and maintain adequate supporting documentation to support expenditures used to meet the MOE requirement results in noncompliance with program requirements.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-008. (Finding Code 2018-007, 2017-008, 2016-008, 2015-009, 2014-010)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS review its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS will review and enhance its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.959 ($50,282,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-008 – *Inadequate Process for Monitoring Interagency Program Expenditures*

Condition Found:

IDHS does not have an adequate process for monitoring interagency expenditures claimed under or used to meet maintenance of effort (MOE) requirements of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

Federal and State expenditures under the SNAP Cluster, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs are comprised of programs operated by various State agencies. As the State agency responsible for administering these programs, IDHS has executed interagency agreements with each of the State agencies expending federal and/or State program funds. The interagency agreements require periodic reporting of a summary of the agency's "allowable" expenditures to IDHS for preparation of the financial reports required for each program. As the State agencies expending program funds do not determine under which program IDHS reports their expenditures, IDHS is responsible for establishing procedures to ensure the expenditures reported by the expending State agencies meet the applicable federal requirements.

During the year ended June 30, 2018, IDHS reported expenditures from other agencies that were claimed for reimbursement or used to meet MOE requirements as follows:

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
SNAP Cluster	Department of Healthcare and Family Services	$1,216,000	$2,940,459,000
TANF Cluster	Department of Children and Family Services	295,414,000	609,860,000
TANF Cluster	Department of Healthcare and Family Services	1,536,000	609,860,000
TANF Cluster	Illinois Department of Revenue	68,695,000	609,860,000
TANF Cluster	Illinois Student Assistance Commission	21,531,000	609,860,000
TANF MOE	Department of Healthcare and Family Services	9,983,000	510,513,000
TANF MOE	Illinois State Board of Education	96,700,000	510,513,000
Child Care Cluster	Department of Children and Family Services	392,000	240,381,000
Child Care MOE	Department of Children and Family Services	16,652,000	117,700,000
Title XX	Illinois Department of Public Health	3,134,000	50,510,000
SAPT MOE	Department of Healthcare and Family Services	43,727,000	105,094,000

IDHS' procedures to monitor other State agencies expending program funds reported by IDHS include the following:

- Interagency agreements were reviewed and updated (where necessary) to ensure all State programs claimed under or used to meet MOE requirements of the SNAP Cluster, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs were subject to an interagency agreement.
- Program questionnaires were developed and distributed to each of the State agencies to assist in documenting the nature of the expenditures provided to IDHS and the internal controls established to ensure compliance with the applicable federal regulations.
- Quarterly certification reports were collected from each of the State agencies to support amounts reported in the federal reports required for each federal program.
- Expenditure details were obtained from each of the State agencies and were reconciled to the quarterly certifications.

However, during our testwork over the documentation of the monitoring procedures discussed above, we noted the following deficiencies:

- Program questionnaires describing internal control procedures were not obtained by IDHS from the Department of Healthcare and Family Services (SNAP Cluster, TANF Cluster, and SAPT MOE).
- Interagency agreements were not obtained by IDHS with the Department of Healthcare and Family Services (TANF Cluster and SAPT MOE).
- Quarterly certification reports were not obtained from the Department of Healthcare and Family Services (SAPT MOE).
- Quarterly certification reports were not prepared accurately for the Department of Healthcare and Family Services (TANF Cluster).
- Quarterly certification reports were not obtained timely for the Department of Healthcare and Family Services (TANF Cluster).
- IDHS did not perform a detailed review of costs claimed from expenditures reported by any of the other State agencies to ensure they met the specific program requirements. The other State agencies do not necessarily know which federal program or maintenance of effort requirement the costs they

(Continued)

are providing to IDHS will be claimed or used and are not able to assess whether the costs are allowable.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure expenditures reported by the expending state agencies meet the applicable federal requirements.

Cause:

In discussing these conditions with IDHS officials, they stated that procedures were not followed to monitor other state agencies' expenditures which are claimed by IDHS.

Possible Asserted Effect:

Failure to properly monitor interagency expenditures may result in claiming of expenditures that are inconsistent with the objectives of the federal program.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-009. (Finding Code 2018-008, 2017-009, 2016-009, 2015-007)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other State agencies meet the applicable program regulations.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS has enhanced its monitoring procedures to ensure federal and state expenditures incurred by other state agencies meet applicable program regulations. The Department is implementing procedures including review and updating of interagency agreements and completion and submission of program questionnaires and quarterly certifications by other state agencies reporting TANF expenditures to IDHS. In addition, the Office of Contract Administration (OCA) performs reviews of TANF expenditures of agencies on an on-going, annual basis.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Supplemental Nutritional Assistance Program Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-009 – *Inadequate Procedures to Ensure Controls Are Operating Effectively at the Service Organization of the SNAP Cluster Program.*

Condition Found:

IDHS has not established adequate procedures to ensure controls are operating effectively at its third party service organization for the Supplemental Nutritional Assistance Program (SNAP) Cluster.

IDHS issues SNAP benefits in the form of EBT (Electronic Benefits Transfer) cards to beneficiaries of the SNAP Cluster which are used to purchase food from retail stores. IDHS contracts with a service organization to pay retailers that have accepted EBT cards for food purchases. Among other things, the service organization is responsible for drawing cash from the U.S. Treasury which is used to reimburse retailers. IDHS is responsible for reconciling the payments made to retailers by its service organization with the amounts drawn from its EBT account with the U.S. Treasury on a monthly basis.

In order to ensure the service organization is properly performing its contracted duties relative to the EBT card settlement process, IDHS requires the service organization to have a service organization control report (SOC 1 report) in accordance with *Statement on Standards for Attestation Engagements No. 16: Reporting on Controls at a Service Organization (SSAE 16).* During our audit, we noted the auditors' report was modified for two control objectives that were not achieved. Specifically, the control objectives not achieved related to: (1) ensuring logical access to programs, data, and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions and (2) ensuring the settlement of funds to EBT providers is executed timely and accurately.

IDHS personnel responsible for reviewing the service organization report did not identify the report modification as an exception or control deficiency on their internal review checklist and did not perform procedures to assess the impact of the control deficiencies with respect to the SNAP Cluster program until this item was identified during our audit.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the

Federal award. Effective internal controls should include procedures to follow up on deficiencies identified in service organization control reports and assess their impact on the administration of the SNAP Cluster program.

Cause:

In discussing these conditions with IDHS officials, they stated that when the review of the SOC 1 report was completed, one deficiency was not documented appropriately on the review checklist.

Possible Asserted Effect:

Failure to ensure controls are operating effectively at its third party service organization prohibits IDHS from assessing the effectiveness of internal controls over the reconciliation of payments made to retailers by its service organization.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-010. (Finding Code 2018-009, 2017-010)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We recommend IDHS review its procedures for monitoring its service organizations and implement additional procedures to ensure appropriate follow up is performed relative to control deficiencies identified at its service organization. Such procedures should include documentation of IDHS' assessment of the impact of any control deficiencies and/or noncompliance identified in the service organization's control report on the SNAP Cluster program.

View of IDHS Officials:

The Department accepts the recommendation. IDHS will review its procedures for monitoring its service organizations to ensure appropriate follow-up is performed relative to internal control deficiencies identified at its service organization. A review sheet will be utilized to identify and document the review and if necessary, any corrective action plan.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name: Supplemental Nutrition Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)
10.557 ($169,047,000)
84.126 ($109,819,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)
93.959 ($50,282,000)
96.001 ($75,751,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-010 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IDHS did not accurately report Federal expenditures under the Supplemental Nutrition Assistance (SNAP) Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to States (VR), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), Children's Health Insurance Program (CHIP), Medicaid Cluster, Block Grants for Prevention and Treatment of Substance Abuse (SAPT), and Disability Insurance/SSI Cluster (SSDI) programs.

IDHS inaccurately reported federal expenditures and amounts which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following errors for IDHS' major programs for the year ended June 30, 2018:

Program	Amounts per IDHS' Records	Amounts Initially Reported to the IOC	Difference
SNAP	$2,940,538,000	$2,940,459,000	$(79,000)
WIC	168,999,000	169,047,000	48,000
VR	109,911,000	109,819,000	(92,000)
CCC	240,367,000	240,381,000	14,000
Title XX	51,510,000	50,510,000	(1,000,000)
CHIP	348,948,000	342,220,000	(6,728,000)
Medicaid	13,256,148,000	13,121,708,000	(134,440,000)
SAPT	51,833,000	50,282,000	(1,551,000)
SSDI	75,720,000	75,751,000	31,000

Additionally, the following differences were identified relative to amounts passed through to subrecipients for the following major program:

Program	Amounts per IDHS' Records	Amounts Initially Reported to the IOC	Difference
SNAP	$16,822,000	$17,048,000	$226,000
Title XX	26,598,000	21,525,000	(5,073,000)
SAPT	48,475,000	48,481,000	6,000

We also noted several errors and unsupported amounts identified in IDHS' financial statement audit that impacted the statewide SEFA as follows:

- IDHS could not provide supporting documentation for expenditures of approximately $1,624,000 identified as an adjustment to agree to the expenditure pattern related to the WIC program.
- IDHS could not provide supporting documentation for expenditures of approximately $1,000,000 identified as an adjustment to agree to the expenditure pattern related to the Title XX program.
- IDHS could not provide supporting documentation for expenditures of approximately $1,264,000 identified as an adjustment to agree to the expenditure pattern related to the VR program.
- IDHS does not maintain supporting documentation for certain amounts reported relative to the CHIP and Medicaid Cluster programs. Amounts reported by IDHS which were provided by the Illinois Department of Healthcare and Family Services totaled approximately $5,667,000 and $417,831,000 for the CHIP and Medicaid Cluster programs, respectively.

Also, upon further review, we noted the cash basis expenditures provided by IDHS for our audit procedures included accrued (not paid) expenditures. We also noted these same amounts were reported to the IOC and were used to prepare the SEFA. Specifically, we noted the following expenditures that were not paid as of June 30, 2018, but were erroneously reported as cash basis expenditures:

Program	Amounts Accrued (Not Paid)	Expenditures Reported on the SEFA	%
SNAP Cluster	$1,746,000	$2,940,459,000	0.06%
WIC	3,014,000	169,047,000	1.78%
VR	472,000	109,819,000	0.43%
TANF Cluster	890,000	609,860,000	0.15%
Child Care Cluster	22,000	240,381,000	0.01%
Title XX	330,000	50,510,000	0.65%
SAPT	1,571,000	50,282,000	3.12%
SSDI	52,000	75,751,000	0.07%

Although some of the differences identified above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510 (a) and (b), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

Cause:

In discussing these conditions with IDHS officials, they stated that the differences in the amount of federal expenditures and amount passed through to subrecipients was due to inadequate procedures for analyzing expenditures and subrecipient amounts reported by the Bureau of Federal Reporting and failure to include revised amounts in the Schedule of Expenditures of Federal Awards (SEFA).

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-011. (Finding Code 2018-010, 2017-011, 2016-010, 2015-008, 2014-006, 2013-006)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

Views of IDHS Officials:

The Department accepts the recommendation. Illinois Department of Human Services (IDHS) will enhance processes and procedures to address reporting deficiencies found in the Schedule of Expenditures of Federal Awards (SEFA).

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Security Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($169,047,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.959 ($50,282,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-011 – *Inadequate Review of Single Audit Reports*

Condition Found:

IDHS did not adequately review single audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than $750,000 in federal awards are required to submit a single audit report to IDHS. The Office of Contract Administration (OCA) is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A desk review checklist is used to document the review of the single audit reports. Subrecipients who are required to report their single audits to the OCA must submit their audit report within 6 months of their fiscal year end. Subrecipients who fail to provide the required reporting package within that timeframe will be suspended, unless a deadline waiver or extension is granted by the OCA.

During our review of a sample of 194 subrecipient single audit desk review files, we noted IDHS did not notify 12 subrecipients of the results of single audit desk reviews or issue management decisions on reported findings within 6 months of acceptance of the single audit report by the Federal Audit Clearinghouse (FAC) as required.

These reviews were completed as follows:

Desk Review Period	Number of Subrecipients
180-210 days after FAC acceptance	5
210-240 days after FAC acceptance	2
240+ days after FAC acceptance	5

We also noted the single audit desk reviews for the two most recent fiscal years are still in process and have not been finalized as of the date of our testwork (February 1, 2019) for 20 subrecipients.

Additionally, we noted 22 subrecipients who did not submit their reporting package to IDHS within 6 months of their fiscal year end in accordance with IDHS policies. IDHS' files did not contain evidence that waivers were granted or sanctions were imposed on these subrecipients.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	%
WIC	$161,867,000	$169,047,000	95.8%
TANF Cluster	177,073,000	609,860,000	29.0%
Child Care Cluster	231,413,000	240,381,000	96.3%
Title XX	21,525,000	50,510,000	42.6%
SAPT	48,481,000	50,282,000	96.4%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, 2 CFR 200.331(d)(3) and 2 CFR 200.521 state that a pass-through entity is required to issue a management decision on audit findings within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC) and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include implementing procedures and hiring adequate resources to ensure single audit reports are reviewed in a timely manner and management decision letters are issued with required timeframes.

Cause:

In discussing these conditions with IDHS officials, they stated that staffing shortages within the Office of Contract Administration (OCA) desk audit section contributed to the deficiencies.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. Additionally, failure to issue management decisions within six months of acceptance of the single audit report by the FAC results in noncompliance with federal regulations.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-012. (Finding Code 2018-011, 2017-012, 2016-011, 2015-010, 2014-009, 2013-008, 12-06, 11-08)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS establish procedures to ensure: (1) subrecipient single audit reports are obtained and reviewed within established deadlines, (2) management decisions are issued for all findings affecting its federal programs in accordance with the Uniform Guidance, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

Views of IDHS Officials:

The Department accepts the recommendation. Due to ongoing changes per 2 CFR 200 and additional changes being implemented per GATA, 30 ILCS 708/5, IDHS-Office of Contract Administration (OCA) has made appropriate changes to its desk review processes to ensure subrecipient single audit reports are obtained and reviewed within established deadlines, management decisions are issued for all findings affecting its federal programs in accordance with the Uniform Guidance, and follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($169,047,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.959 ($50,282,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-012 – *Failure to Follow Established Subrecipient Monitoring Procedures*

Condition Found:

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

IDHS has implemented procedures whereby program staff perform periodic on-site and desk reviews of IDHS subrecipient compliance with regulations applicable to the federal programs administered by IDHS. Generally, these reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. IDHS's policies require the subrecipient to respond to each finding by providing a written corrective action plan. Additionally, IDHS performs reviews of expenditure reports submitted by subrecipients. IDHS subrecipient monitoring procedures are subject to the review and approval of a supervisor.

During our testwork over on-site review procedures performed for 215 subrecipients of the WIC, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established monitoring procedures as follows:

- IDHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews. We noted the following exceptions:

Federal Program	Number of Late Communications	Number of Subrecipients Tested	Number of Days Late (Range)
WIC	4	43	12 – 77
TANF Cluster	3	40	19 – 98
Child Care Cluster	5	45	6 – 45
Title XX	3	43	24 – 38

- IDHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings or follow up with subrecipients on delinquent CAPs. We noted the following exceptions:

Federal Program	Number of Late CAPs	Number of Subrecipients Tested	Number of Days Late
Child Care Cluster	4	45	2 – 24
WIC	3	43	9 – 62
TANF	1	40	15

- During our testwork performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2018 in accordance with IDHS' planned monitoring schedule. Specifically, we noted the following exceptions:

Federal Program	Number of Reviews Not Performed	Number of Subrecipients Tested
Title XX	1	43
TANF Cluster	19	40
Child Care Cluster	5	45

(Continued)

- During our testwork performed, we noted that IDHS did not provide evidence to support timely notification of the results of the programmatic on-site reviews and/or receipt of the corrective action plan (CAP). Specifically, we noted the following exceptions:

Federal Program	Number of Communications Not Provided	Number of Subrecipients Tested
Title XX	5	43
TANF Cluster	12	40
Child Care Cluster	2	45
SAPT	1	44

- During our testwork performed, we noted that IDHS did not provide evidence to support payments of $913,672 to six SAPT subrecipients tested. The amount passed through to these subrecipients under the SAPT program were $4,068,730 during the year ended June 30, 2018.

IDHS's subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	%
WIC	$161,867,000	$169,047,000	95.8%
TANF Cluster	177,073,000	609,860,000	29.0%
Child Care Cluster	231,413,000	240,381,000	96.3%
Title XX	21,525,000	50,510,000	42.6%
SAPT	48,481,000	50,282,000	96.4%

Criteria or Requirement:

According to 2 CFR 200.331(d), 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, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring on-site procedures and expenditure reviews are performed in a timely manner and are designed to monitor fiscal controls.

Cause:

In discussing these conditions with IDHS officials, they stated that the deficiencies noted are due to untimely monitoring and competing priorities in the workflow process.

(Continued)

Possible Asserted Effect:

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify subrecipients of findings in a timely manner may result in subrecipients not properly administering the Federal programs in accordance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-013. (Finding Code 2018-012, 2017-013, 2016-012, 2015-011, 2014-008, 2013-009, 12-07, 11-09)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS will review its process to ensure all programmatic on-site and expenditure reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, IDHS will review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($169,047,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.959 ($50,282,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-013 – *Failure to Communicate Award Information to Subrecipients*

Condition Found:

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During our testwork of the award communications for our sample of subrecipients, we selected the fiscal year contracts awarded to each subrecipient in 2018 to review for compliance with federal award communication requirements. During our review of the award communication files for our sample of awards, we noted the CFDA number was not communicated in the subrecipient award agreement for nine TANF Cluster, one Title XX, and one Child Care Cluster subrecipients tested. Upon further review, we noted a general State appropriation code was communicated in the original award document for these 11 subrecipients as IDHS had not determined under which federal program (if any) the expenditures would be claimed at the time they were awarded. Amounts passed through to these subrecipients under the TANF Cluster, Title XX, and Child Care Cluster programs were $1,110,887, $577,618, and $5,895,472, respectively, during the year ended June 30, 2018.

As noted above, IDHS uses a general State appropriation code in award communications for which the State is uncertain under which federal program (if any) expenditures will be claimed. Accordingly, subrecipients whose agreements use the general State appropriation code do not adequately address the federal requirements applicable to the program under which the expenditures may ultimately be claimed by IDHS.

While the instances of noncompliance identified in this finding only pertain to certain major programs, we noted the processes and deficiencies in internal controls over compliance described in the preceding paragraphs that contributed to the compliance exceptions pertain to all programs.

Details of the subrecipient payments selected in our samples are as follows:

Major Program	Number of Subrecipients Sampled	Amounts Passed Through to Subrecipients Sampled	Total Subrecipient Payments in Fiscal Year 2018	Total Fiscal Year 2018 Program Expenditures
WIC	43	$90,612,660	$161,867,000	$169,047,000
TANF Cluster	40	6,117,545	177,073,000	609,860,000
Child Care Cluster	45	94,565,605	231,413,000	240,381,000
Title XX	43	17,116,634	21,525,000	50,510,000
SAPT	44	36,322,050	48,481,000	50,282,000

Criteria or Requirement:

According to 2 CFR 200.331(a), a pass-through entity is required to identify Federal awards made by informing each subrecipient of the CFDA title and number, award name and number, award year, if the award is Research and Development, and name of Federal agency.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure required information is properly communicated and retained.

Cause:

In discussing these conditions with IDHS officials, they stated that program and division contracting staff did not properly review Exhibit-A of the Grant Agreements for proper accuracy prior to completing agreements.

Possible Asserted Effect:

Failure to properly communicate required federal award information to subrecipients can result in subrecipients reporting inaccurate information about their programs on their schedule of federal awards.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-014. (Finding Code 2018-013, 2017-014, 2016-013, 2015-012, 2014-007, 2013-007)

(Continued)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

Views of IDHS Officials:

The Department accepts the recommendation. The Office of Contract Administration (OCA), Bureau of Federal Reporting and the Division of Family and Community Services (FCS) will continue to meet and discuss any needed modifications to fiscal year 2019 Exhibit-A information to ensure accuracy of the information.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 ($109,819,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-014 – *Failure to Determine Eligibility in Accordance with VR Program Regulations*

Condition Found:

IDHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Grants to States (VR) program in accordance with federal regulations.

During our testwork of Vocational Rehabilitation Grants to States program beneficiary payments, we selected 80 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions in our testwork:

- For nine cases, IDHS did not perform a required review of the beneficiary's Individualized Plan for Employment (IPE). Payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $68,980. The payments selected in our sample for these beneficiaries were $33,763.

- For 3 cases, IDHS could not locate the eligibility certification in the beneficiary's case file documentation. Accordingly, we could not determine if the required certification was completed within 60 days of the application for benefits. Payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $27,489. The payments selected in our sample for these beneficiaries were $6,623.

IDHS's procedures for determining eligibility for the VR program rely heavily on case workers understanding of policies and program requirements which can be inhibited by case load volume. IDHS has not established appropriate monitoring procedures to ensure eligibility determinations are performed and documented in accordance with program requirements.

Payments made to beneficiaries of the Vocational Rehabilitation Grants to States program totaled $40,672,000 during the year ended June 30, 2018.

Criteria or Requirement:

2 CFR 200.203 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among

other things, that each expenditure must be necessary, reasonable, and supported by adequate documentation.

The Administrative Code, Title 89, Chapter IV, Subchapter B, Section 572.110, states an IPE shall be reviewed whenever necessary, but at least annually. Section 572.50(d) states the IPE must be developed as soon as possible, but no later than 90 days after the customer is determined eligible for the VR program. Additionally, the Administrative Code, Title 89, Chapter IV, Subchapter B, Section 553.50 states that prior to the end of the eligibility determination period of 60 days, a certificate of eligibility shall be completed.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure beneficiary eligibility determinations are performed and documented in accordance with program regulations.

Cause:

In discussing these conditions with IDHS officials, they stated that human error caused eligibility and Individual Plan for Employment timelines to be missed.

Possible Asserted Effect:

Failure to properly determine and document the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being claimed to federal programs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-015. (Finding Code 2018-014, 2017-015, 2016-015, 2015-014, 2014-014, 2013-010, 12-08, 11-11)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility determinations are made and documented in accordance with program regulations.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS will continue to strive to meet all appropriate regulations regarding timely determinations and reviews.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency:
U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)
U.S. Department of Health and Human Services (USDHHS)
U.S. Social Security Administration (USSSA)

Program Name:
Supplemental Nutritional Assistance Program Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Rehabilitation Services – Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families Cluster
Child Care Development Funds Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster
Block Grants for Prevention and Treatment of Substance Abuse
Disability Insurance/SSI Cluster

CFDA # and Program Expenditures:
10.551/10.561 ($2,940,459,000)
10.557 ($169,047,000)
84.126 ($109,819,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)
93.667 ($50,510,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)
93.959 ($50,282,000)
96.001 ($75,751,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $5,686,024

Finding 2018-015 – *Untimely Return of Refunded Retirement Costs to Federal Programs*

Condition Found:

IDHS did not return refunded retirement costs to its federal programs on a timely basis.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees. Funding for State employees compensated from accounting funds other than the State's General Revenue Fund (GRF) are paid to SERS each pay period from appropriations administered by each State agency. Retirement contributions for employees compensated from GRF are paid to SERS for all State agencies on a quarterly basis by the Illinois Office of the Comptroller (IOC).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. In January 2018, SERS notified State agencies that the State fiscal year 2018 employer contribution rate had been recalculated and recertified as 47.342%. The revised rate (which decreased by 6.671%) was prospectively applied to payrolls beginning January 16, 2018. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

IDHS received communication from SERS on September 14, 2018 that a refund in the amount of $2,835,986 would be made to the agency for the excess contributions made for the period from July 1, 2017 through January 15, 2018. A warrant dated October 18, 2018 was received from the IOC and was deposited by IDHS on December 3, 2018.

IDHS also has a significant number of employees who are paid from GRF and whose quarterly retirement contributions are made by the IOC. IDHS allocates the quarterly retirement contribution for employees paid from GRF through IDHS' federally approved Public Assistance Cost Allocation Plan (PACAP). IDHS calculated an adjustment for the refund received by the State for IDHS' employees paid from GRF by applying the difference between the rates (6.671%) to the payroll for the quarters ended September 30, 2017 and December 31, 2017. The resulting adjustment to the retirement contribution for employees paid from GRF was $22,701,100.

IDHS allocated the retirement contribution adjustments (totaling $25,537,086) through its PACAP using the various cost allocation methodologies applicable to its State and Federal programs during the preparation of the PACAP allocation workpapers for the quarter ended December 31, 2018. Accordingly, the Special Nutritional Assistance Program (SNAP) Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation Grants to State (VR), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Funds (Child Care) Cluster, Social Services Block Grant (SSBG), State Children's Health Insurance Program, Medicaid Cluster, Block Grants for Prevention and Treatment of Substance Abuse (SAPT), and Disability Insurance/SSI (SSDI) Cluster programs were overcharged by $5,686,024. IDHS determined its major programs were overcharged for retirement contributions as follows:

Federal Program	Award Number(s)	Retirement Contribution Overcharged	Total Payroll and Fringe Benefit Expenditures	Total Program Expenditures
SNAP Cluster	See schedule of award numbers	$2,819,780	$77,867,699	$2,940,459,000
WIC	See schedule of award numbers	73,853	3,876,889	169,047,000
VR	See schedule of award numbers	1,100,904	53,891,349	109,819,000
TANF Cluster	See schedule of award numbers	523.092	13,929,774	609,860,000
Child Care Cluster	See schedule of award numbers	132,308	3,632,553	240,381,000
Title XX	See schedule of award numbers	16,575	1,123,588	50,510,000
CHIP	See schedule of award numbers	Cannot be determined	8,428,294	348,948,000
Medicaid Cluster	See schedule of award numbers	Cannot be determined	53,676,100	13,256,148,000
SAPT	See schedule of award numbers	67,883	2,892,213	50,282,000
SSDI	See schedule of award numbers	951,629	48,139,759	75,751,000

Adjustments were not reported to the federal agencies or refunded to the applicable federal program(s) until IDHS filed the periodic financial report required for each major program after the 12/31/18 PACAP allocation workpapers were prepared. The refunded amount did not include any earnings and was not returned to IDHS' Federal programs until January 28, 2019.

Criteria or Requirement:

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based on established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. Also, 2 CFR 200.431 (g)(6)(v) states the Federal Government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

In addition, the A-102 Common Rule and 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure pension contribution refunds are properly calculated and returned to federal programs in a timely manner.

Cause:

In discussing these conditions with IDHS officials, they stated the delay was due to the timing of the refund from SERS.

Possible Asserted Effect:

Failure to calculate and return pension contribution refunds in a timely manner results in noncompliance with federal regulations and may result in unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-015)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDHS implement procedures to ensure refunds of retirement contributions, which are allocated through the PACAP, are properly calculated and returned to federal programs in a timely manner.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS processed the retirement adjustment through the PACAP in the same quarter, quarter ending December 31, 2018, when the refund was received.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Social Services Block Grant

CFDA # and Program Expenditures: 93.667 ($50,510,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $732

Finding 2018-016 – *Improper Title XX Beneficiary Payment*

Condition Found:

IDHS made an improper payment on behalf of a beneficiary of the Social Services Block Grant (Title XX) program.

IDHS operates several State social service programs which qualify for Title XX funding. During our review of Title XX program expenditures, we noted IDHS claimed approximately $20 million of expenditures under its Home Services program. IDHS' Home Services program involves providing individuals with severe disabilities under the age of 60 who are at risk of moving into a nursing home or other facility with assistance with daily living activities in their homes.

During our testwork of 50 Title XX program Homes Services beneficiary payments (totaling $275,261), we noted a payment made on behalf of one beneficiary was improperly calculated. As a result of the calculation error, the payment on behalf of one beneficiary of $3,658 was overstated by $732. Total payments made on behalf of this beneficiary under the Title XX program were $44,560 for the year ended June 30, 2018. As of the date of our testing (February 1, 2019), the payment error identified in our sample had not been corrected by IDHS.

IDHS' procedures for calculating Home Services payments is manual in nature and supervisory review procedures are not designed to operate at a level of precision to identify the error noted in our testing.

Payments made on behalf of beneficiaries of the Title XX program totaled $20,248,000 during the year ended June 30, 2018.

Criteria or Requirement:

According to 45 CFR 96.30(a), the State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds and fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

(Continued)

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to monitor the accuracy of program beneficiary payments.

Cause:

In discussing these conditions with IDHS officials, they stated that human error resulted in an overpayment of a voucher.

Possible Asserted Effect:

Failure to properly calculate benefit payments may result in unallowable costs being charged to the Title XX program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-016)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We recommend IDHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid in accordance with program requirements.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS will review its process to ensure the accuracy of all payments.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Supplemental Nutrition Assistance Program Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-017 – *Inaccurate Special Report for the SNAP Cluster Program*

Condition Found:

IDHS did not prepare an accurate special report for the Supplemental Nutrition Assistance Program (SNAP) Cluster program.

IDHS is required to prepare a special report (FNS-209) identifying the Status of Claims Against Households for households that received more SNAP benefits than it is entitled to receive for the SNAP Cluster program on a quarterly basis. During our testwork over the FNS-209 report for the quarters ending September 30, 2017 and March 31, 2018, we noted IDHS inaccurately reported the following line items:

Report Line Item	Reported Amount	Actual Amount	Difference
Line 3b – Balance Adjustment: State Agency Administrative Error – (Quarter Ending 9/30/17)	$13,158	$15,105	$1,947
Line 3a – Beginning Balance: State Agency Administrative Error (Quarter Ending 3/31/18)	11,635,357	11,634,865	(492)

Additionally, in considering the reporting process for the FNS-209 report, we noted IDHS does not perform analytical or other procedures during the report preparation process to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to 7 CFR 273.18(m)(1), the State must maintain an accounting system for monitoring recipient claims against households. Further, 2 CFR 273.18(m)(5) requires that the State's accounting system reconcile summary balances reported to individual supporting records on a quarterly basis. In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure data is accurately reported.

Cause:

In discussing these conditions with IDHS officials, they stated that the special report for the SNAP cluster program was inaccurate due to human error in the entering of a transaction type and reports running out of sequence.

Possible Asserted Effect:

Failure to accurately prepare special reports prevents the USDA from effectively monitoring the SNAP Cluster program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-017)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We recommend IDHS review the process and procedures in place to prepare special reports required for the SNAP Cluster program and implement procedures necessary to ensure the reports are accurate.

Views of IDHS Officials:

The Department accepts the recommendation. In order to ensure the reports are accurate, the Department will review the process and procedures in place to prepare the special reports required for the SNAP Cluster program.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families Cluster

CFDA # and Program Expenditures: 93.558 ($609,860,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-018 – *Inaccurate Financial Report for the TANF Cluster Program*

Condition Found:

IDHS did not prepare an accurate financial report for the Temporary Assistance for Needy Families (TANF) Cluster program.

IDHS is required to prepare federal financial reports (ACF-196R) for the TANF Cluster program on a quarterly basis. During our testwork over the ACF-196R report for the quarter ending March 31, 2018, we noted IDHS inaccurately reported the following line items:

Report Line Item	Reported Amount	Actual Amount	Difference
Line 6 – Basic Assistance: Federal TANF Expenditures	$13,059,655	$13,610,733	$551,078
Line 6 – Basic Assistance: State MOE Expenditures in TANF	1,043,686	1,087,509	43,823

Additionally, in considering the reporting process for the ACF-196R report, we noted IDHS does not perform analytical or other procedures during the report preparation process to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to 45 CFR 265.7(a), the State's quarterly financial report must be complete and accurate. In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure expenditures are accurately reported in the federal financial report.

 (Continued)

Cause:

In discussing these conditions with IDHS officials, they stated IES report source documentation used to derive required data was updated, but updated data was not used on the TANF financial report.

Possible Asserted Effect:

Failure to accurately prepare financial reports prevents the USDHHS from effectively monitoring the TANF Cluster program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-018)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendations:

We recommend IDHS review the process and procedures in place to prepare financial reports required for the TANF Cluster program and implement procedures necessary to ensure the reports are accurate.

Views of IDHS Officials:

The Department accepts the recommendation. Federal Reporting staff will follow established and updated procedures to ensure appropriate and accurate data is used in completing and filing TANF financial reports in a timely manner.

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 ($109,819,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $2,899,993

Finding 2018-019 – _Unallowable Costs Charged to the Vocational Rehabilitation Program_

Condition Found:

IDHS charged unallowable expenditures to the Vocational Rehabilitation Grants to States (VR) program.

During our comparison of the VR program expenditure pattern as of and for the year ended June 30, 2018 to the 2017 expenditure pattern, we noted a change of approximately $2.9 million in the Other than Personal Services (contractual) expenditures. Upon review of supporting documentation for this expenditure, we noted this item pertained to a repayment made by IDHS to USDE during fiscal year 2018 for a cash overdraw related to grant award H126A160018. Specifically, IDHS repaid USDE $2,899,993 for failing to reduce its cash draws for program income collected during the period from October 1, 2015 to September 30, 2017. The repayment to USDE was improperly reported as an expenditure in 2018 by IDHS on its financial reports and the Schedule of Expenditures of Federal Awards (SEFA).

Additionally, IDHS is required to prepare a final federal financial report (SF-425) for the VR program for each grant at the end of the grant period of performance. During our testwork over the SF-425 report for the federal fiscal year ending September 30, 2017, we noted IDHS inaccurately reported the following line items:

Report Line Item	Reported Amount	Actual Amount	Difference
Line 10c – Cash on Hand	$2,889,993	$0	$2,899,993
Line 10m – Program Income Expended in Accordance with the Deduction Alternative	5,146,553	0	5,146,553
Line 10n – Program Income Expended In Accordance with the Addition Alternative	2,555,158	7,701,711	(5,146,553)

In considering the reporting process for the SF-425 report, we noted IDHS does not perform analytical or other monitoring procedures during the report preparation process to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to 34 CFR 361.63(c), program income, whenever earned, must be used for the provision of vocational rehabilitation services and the administration of the vocational rehabilitation services portion of the Unified or Combined State Plan. 34 CFR 361.63(c)(3)(ii) states a State must disburse program income funds, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional funds from the USDE.

According to 2 CFR 200.403, in order to be allowable under Federal awards, costs must (a) be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, (b) conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, and (c) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

According to 34 CFR 361.40, the State must comply with the requirements necessary to ensure the accuracy and verification of reports required to be submitted for the program.

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure allowable costs are charged to federal grants, amounts are accurately reported in the federal financial report, and program income is used in accordance with federal regulations and the grant agreement.

Cause:

In discussing these conditions with IDHS officials, they stated that a lack of coordination between the Division of Rehabilitation Services (DRS) program staff and the Bureau of Federal Reporting resulted to program income not being considered in determining federal draws.

Possible Asserted Effect:

Failure to charge allowable costs and apply program income in accordance with federal regulations and the grant agreement results in unallowable costs charged to the VR program. In addition, failure to accurately prepare financial reports prevents the USDE from effectively monitoring the VR program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-019)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendations:

We recommend IDHS review its current process for reporting and applying program income and reviewing expenditures claimed as federal expenditures for the VR program. We also recommend IDHS review the process and procedures in place to prepare financial reports required for the VR program and implement procedures necessary to ensure the reports are accurate.

Views of IDHS Officials:

The Department accepts the recommendation. IDHS has adjusted its processes to accommodate the program income appropriately for federal reporting and cash draw purposes.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Health and Human Services (USDHHS)

Program Name: Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($2,940,459,000)
93.558 ($609,860,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-020 – *Failure to Establish Adequate Controls over the Integrated Eligibility System*

Condition Found:

The Illinois Department of Human Services (IDHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

IDHS administers the SNAP Cluster, the TANF Cluster, and certain Medicaid Cluster waiver programs and DHFS administers the CHIP and Medicaid Cluster programs. The Affordable Care Act of 2010 required the State to consolidate and modernize its eligibility determination functions into a single system which is known as the Integrated Eligibility System (IES). Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded the use of IES to eligibility determinations for beneficiaries of the SNAP Cluster, TANF Cluster, and CHIP programs. In addition, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs.

During our testwork, we were unable to perform adequate procedures to satisfy ourselves that certain general information technology controls over the IES system were operating effectively. Specifically, we noted IDHS and DHFS could not provide all information necessary to test system access security controls relative to the network on which IES resides. Additionally, a specific change management policy was developed for IES; however, it was not effective until April 1, 2018.

Accordingly, we were not able to rely on IES with respect to our testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and Medicaid Cluster programs. We were also not able to rely on IES with respect to the special test and provision – ADP System for SNAP related to the SNAP Cluster program.

As discussed further in finding 2018-005, we also noted due dates for cases that were overdue for redeterminations as of the IES go live date (October 24, 2017) and cases that were due for redetermination between October 1 and December 31, 2017 were extended in the system by a year.

In addition to the control deficiencies and noncompliance identified above, we noted several potential instances of noncompliance with requirements of the State Plans for each of the federal programs noted above identified during analysis of IES data. As discussed above, the general IT control deficiencies prevented us from relying on IES and, as a result, we were not able to determine the completeness and accuracy of the IES data analyzed. The specific exceptions identified in in the IES data provided by the State were as follows:

- Cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status) and without valid social security numbers or submission of an application for a social security number. In reviewing the data provided, we noted errors related to 129 SNAP/TANF cases and 406 CHIP/Medicaid Cluster cases.
- Cases were redetermined in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status) and without valid social security numbers or submission of an application for a social security number. In reviewing the data provided, we noted errors related to 891 SNAP/TANF cases and 326 CHIP/Medicaid Cluster cases.

While IDHS and DHFS were aware of certain system issues and have established manual workarounds for the known errors in redetermination dates and identified in the data above, formal procedures were not established to monitor and evaluate noncompliance resulting from the known data errors during the year ended June 30, 2018. Requirements of the State Plans were not modified or waived by the federal agencies for these matters during the year ended June 30, 2018 and the payments made to or on behalf of the beneficiaries impacted by these matters were not excluded from federal claims.

Details of the beneficiary payments paid by the State during the year ended June 30, 2018 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Major Program	Total Beneficiary Payments in Fiscal Year 2018	Total Fiscal Year 2018 Program Expenditures	Percentage	Administering Agency
SNAP Cluster	$2,825,582,000	$2,940,459,000	96.1%	IDHS
TANF Cluster	30,103,000	609,860,000	4.9%	IDHS
CHIP	332,187,000	348,948,000	95.2%	DHFS
Medicaid Cluster	12,737,234,000	13,256,148,000	96.1%	DHFS

(Continued)

Criteria or Requirement:

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Compliance Supplement, dated April 2018, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs. 2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 7 CFR 272.10 and 277.18, the State is required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform and document beneficiary eligibility determinations.

Cause:

In discussing these conditions with DHFS officials, they stated control policies and procedures for IES had not been fully documented due to competing IES priorities. Department management stated the problems noted regarding eligibility were due to caseworker error and not maintaining documentation.

Possible Asserted Effect:

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-017. (Finding Code 2018-020, 2017-017, 2016-020, 2015-019)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend DHFS implement adequate general information technology control procedures for the IES system. We also recommend DHFS evaluate the known IES system issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs.

Views of DHFS Officials:

The Department accepts the recommendation. Change management procedures have been documented. The Department will continue to identify potential noncompliance and implement additional procedures as necessary to ensure eligibility determinations are documented appropriately.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-021 – *Inadequate Process to Verify Procedures Billed by Providers with Beneficiaries*

Condition Found:

DHFS does not have adequate procedures in place to verify with beneficiaries of the Medicaid Cluster program whether services billed by providers were actually received.

During our testwork, we noted DHFS procedures for verifying with beneficiaries whether services billed by providers were actually received by Medicaid Cluster beneficiaries consisted of special projects performed by the DHFS Office of Inspector General and Bureau of Comprehensive Health Services. However, the current projects only cover procedures billed by non-emergency transportation providers, optometric providers, and dental providers which account for less than 0.6% of total provider reimbursements. Additionally, we noted DHFS obtains an annual summary of the results of recipient verification procedures performed by managed care organizations. DHFS does not perform any verification procedures for services billed by the following fee for service provider types:

- Hospitals
- Mental Health Facilities
- Nursing Facilities
- Intermediate Care Facilities
- Physicians
- Other Practitioners
- Home and Community-Based Service Providers
- Physical Therapy Providers
- Occupational Therapy Providers

Payments made to non-emergency transportation providers, optometric providers, and dental providers totaled $37,155,000 during the year ended June 30, 2018. Payments made to managed care organizations totaled $6,367,502,000 during the year ended June 30, 2018. Payments made to providers on behalf of all beneficiaries of the Medicaid Cluster totaled $12,737,234,000 during the year ended June 30, 2018.

(Continued)

Criteria or Requirement:

According to 42 CFR 455.20(a), the State must have a method for verifying with recipients whether services billed by providers were received. In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to verify with recipients whether services billed by providers were received.

Cause:

In discussing these conditions with DHFS officials, they stated that prior to the roll out of managed care the Department used a risk-based approach to send verifications so not all provider types were included in the verifications.

Possible Asserted Effect:

Failure to verify with recipients whether services billed by providers were received may result in expenditures being made for services not actually provided to beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-018. (Finding Code 2018-021, 2017-018, 2016-022, 2015-022, 2014-020, 2013-017, 12-19, 11-23, 10-20)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS implement procedures to verify with recipients whether services billed by providers were received.

Views of DHFS Officials:

The Department believes it has a method for verifying with recipients whether services were billed. Managed Care Organizations, acting on the Department's behalf, send recipient verifications to recipients that have received services from various provider types. While the Department does not send verifications to recipients of services of the same provider types the managed care organizations send, the Department focuses its efforts on high risk fee for service providers. The Department believes the combined effort is compliant with the federal regulation to have a method of verification. The Federal Medicaid Program Integrity auditors review compliance with this regulation every three years. The Federal auditors did not find the Department out of compliance with this regulation in the most recent program integrity reviews.

Auditors' Comment:

We do not believe federal regulations permit the State to exclude close to 50% of Medicaid expenditures from its procedures to verify services were provided.

(Continued)

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-022 – *Inadequate Procedures to Determine Provider Eligibility*

Condition Found:

DHFS does not have adequate procedures for enrolling Medicaid providers.

In order to receive payments under the Medicaid Cluster program, medical service providers must be licensed in accordance with federal and state laws and regulations and provide certain disclosures to the State. The State plan includes the specific requirements for licensing and entering into agreements with providers.

In Illinois, Medicaid providers are required to input their initial enrollment information in the Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system. The IMPACT system maintains each provider's electronic enrollment information, including their professional licenses and the provider's history of sanctions. Revalidations for Medicaid providers who were previously enrolled are also documented within the IMPACT system.

The IMPACT system is designed to prevent providers who have not met enrollment requirements from receiving Medicaid reimbursements until any provider enrollment exceptions have been resolved. The procedures for resolving provider enrollment exceptions within the IMPACT system are manual and sometimes require staff to review documentation outside of the IMPACT system to clear the exception indicators within IMPACT. DHFS has not established procedures to maintain documentation or require a supervisory review to ensure resolutions were proper.

During our testing of DHFS' compliance with provider enrollment requirements for 40 Medicaid Cluster program providers, we noted the IMPACT system did not contain documentation of the records reviewed outside of IMPACT to resolve enrollment exceptions at the time each sampled provider was enrolled. Specifically, we identified Clinical Laboratory Improvement Amendment licenses documented in the IMPACT system were shown to have a name match issue at the date of initial enrollment for 6 providers sampled. While DHFS was able to provide documentation to evidence the provider was eligible subsequent to our testing, the information evaluated by DHFS at the time the provider was enrolled was not maintained.

Payments made to providers on behalf of beneficiaries of the Medicaid Cluster program totaled $12,737,234,000 during the year ended June 30, 2018.

 (Continued)

Criteria or Requirement:

According to 42 CFR 455.412(b), the State Medicaid agency must confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing adequate procedures to document the resolution of potential exceptions to provider eligibility criteria and any professional judgments made. Effective internal controls should also include supervisory review procedures to ensure the effective completion of provider eligibility determinations and application of professional judgments.

Cause:

In discussing these conditions with DHFS officials, they stated the Department understood it was not required to maintain supporting documentation if notes to support the actions taken were documented in IMPACT.

Possible Asserted Effect:

Failure to adequately review Medicaid Cluster program provider enrollment decisions may result in federal funds being paid to providers that should have been denied, which are unallowable costs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-022)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS review its current process for documenting the exceptions cleared during provider enrollment and implement any additional procedures necessary to ensure provider enrollment is appropriately documented and supported.

Views of DHFS Officials:

The Department accepts the recommendation and will review its process for documenting actions taken when approving provider enrollment.

(Continued)

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-023 – *Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers*

Condition Found:

DHFS does not have an adequate process to monitor agencies operating the Home and Community-Based Services Waiver programs.

The Illinois Medicaid program, as administered by DHFS, currently has nine federally approved home and community-based waiver programs. Eight of the nine waivers are operated by another state agency. The federal Centers for Medicare and Medicaid Services (CMS) holds DHFS, as the Single State Medicaid agency, responsible for oversight and monitoring of the nine federally-approved home and community-based waiver programs operated by the State. To ensure compliance with these federal requirements, DHFS contracts with a Quality Improvement Organization (QIO) to independently perform onsite participant level review activities, known as Record Reviews, as well as more extensive reviews at the Provider level, known as Comprehensive Provider Reviews, for five of the nine waiver programs, including Elderly, Adult DD, Brain Injury, HIV and AIDS, and Persons with Disabilities. Record Reviews are conducted on a random sample of waiver participants who are Medicaid Fee for Service. In fiscal year 2018, the QIO conducted 1,406 Record Reviews at 101 different site locations.

Following each on-site review, DHFS sends the other state agencies a letter notifying them of the deficiencies identified, with a request to respond within 60 days with plans for individual and systemic correction. During our review of monitoring procedures performed by DHFS and its service providers for 25 provider reviews sampled, we noted DHFS selects a sample of on-site provider reviews with deficiencies to validate corrective action plans were implemented and that deficiencies were remediated. Following each on-site review, DHFS sends the other state agencies a letter notifying them of the deficiencies identified, with a request to respond within 60 days with plans for individual and systemic correction. However, no formal follow-up procedures were performed over three provider reviews sampled to ensure the corrective action plans were implemented or whether the deficiencies may still exist and the on-site provider reviews performed by DHFS in fiscal year 2018 were selected based upon the proximity of the providers location to available monitoring personnel and did not take into consideration the severity of the deficiencies identified.

(Continued)

Criteria or Requirement:

According to 42 CFR 431.10, the Medicaid agency is responsible for ensuring that a waiver is operated in accordance with applicable Federal regulations and the provisions of the waiver itself. According to 42 CFR 441.302, states are required to provide assurance that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of the services. Those safeguards must include adequate standards for all types of providers that provide services under the waiver; assurance that the standards of any State licensure or certification requirements are met for services or for individuals furnishing services that are provided under the waiver; and assurance that all facilities covered by section 1616(e) of the Act, in which home and community-based services will be provided, are in compliance with applicable State standards that meet the requirements of 45 CFR Part 1397 for board and care facilities.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing follow-up procedures on monitoring deficiencies to determine whether corrective action plans are implemented or whether the deficiencies still exist.

Cause:

In discussing these conditions with DHFS officials, they stated they believed their methodology for monitoring of agencies operating home and community-based waivers met federal requirements.

Possible Asserted Effect:

Failure to adequately monitor agencies operating Home and Community-Based Waiver programs may result in provider health and safety standard violations and unallowable costs being claimed to the program.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-019. (Finding Code 2018-023, 2017-019, 2016-023, 2015-023, 2014-021, 2013-019, 12-25)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS review its current process for monitoring agencies operating Home and Community-Based Waivers to ensure monitoring is in accordance with the federal regulations.

Views of DHFS Officials:

The Department accepts the recommendation and has expanded sampling for monitoring purposes to include more than just those providers in close proximity.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($114,873,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Finding 2018-024 – *Inadequate Controls over Information Systems*

Condition Found:

DHFS does not have adequate program access controls over information systems used to pay medical benefits to beneficiaries and record program expenditures.

The information technology applications that support the DHFS major programs include the following:

- *Programmatic and Administrative Accounting System (PAAS)* – serves as the financial accounting database for all of DHFS' federal programs and State-funded programs. This system is used by DHFS to track cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.
- *Medicaid Management Information System (MMIS)* – serves as the main system used to process the State's Medicaid activities, including the monthly collection, validation, and processing of Medicaid claims under the Medicaid Cluster program.
- *Key Information Delivery System (KIDS)* – serves as the child support system that processes benefit claims for children's healthcare under the Child Support Enforcement program.

During our testwork over user access to the State's network and DHFS' applications, we noted nine individuals (out of 25 tested) did not have evidence that annual user access reviews were performed during the year ended June 30, 2018. DHFS requires an annual certification to be completed for each user granted access. The annual certification requires each user's immediate supervisor to view the user's access permissions and certify those permissions continue to be appropriate.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured.

(Continued)

Cause:

In discussing these conditions with DHFS officials, they stated the process for management to review access rights was not being completed in a timely manner when it was tied to the annual employee evaluation process.

Possible Asserted Effect:

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-020. (Finding Code 2018-024, 2017-020, 2016-025, 2015-026)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS follow its established policies and procedures to ensure access to its information systems are adequately secured.

Views of DHFS Officials:

The Department accepts the recommendation. New security access review procedures are in place.

(Continued)

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($114,873,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-025 – *Failure to Complete Cash Management Reconciliations Timely*

Condition Found:

DHFS did not complete quarterly cash management reconciliations of cash draws to actual expenditures for assistance payments made under the Medicaid Cluster, Children's Health Insurance Program (CHIP), and Child Support Enforcement (CSE) programs timely or make adjustments identified as a result of these reconciliations in a timely manner.

The cash management process for the Medicaid Cluster and CHIP includes making assistance cash draws on a daily basis based on actual warrants issued the previous day, an estimate of the agency's overall federal participation rate, and any expected refunds. At the end of each quarter, DHFS reports actual assistance expenditures of the Medicaid Cluster and CHIP to USDHHS through the claim reporting process. At the end of the quarter, DHFS reconciles the actual expenditures of these programs to the amount drawn. The cash management process of CSE includes making administrative cash draws on the same day payroll is paid. Prior to the start of each quarter, DHFS prepares an estimate of CSE federal administrative expenditures based upon a combination of historical data in CSE administrative costs. At the end of the quarter, DHFS reconciles all actual expenditures of the CSE program to the amount drawn.

Since cash draws are based on estimated expenditures for each quarter, the reconciliations identify the difference between the actual program expenditures and those estimates. The net cash position identified for each program in the quarterly reconciliation process is used to estimate the expenditures to be used for the next quarter's draws and to adjust future draws to ensure amounts drawn equal actual program expenditures.

During our testwork, we noted the first through third quarter reconciliations were not timely performed for all three programs and that draws for the CHIP, Medicaid Cluster, and CSE programs were not adjusted for the quarterly net cash position identified in the reconciliations in a timely manner. We noted the following differences in our review of the quarterly reconciliations of the CSE, CHIP, and Medicaid Cluster programs:

	Medicaid		CHIP		CSE	
Quarter	**Over/(Under) Drawn Position**	**Date Reconciliation Completed**	**Over/(Under) Drawn Position**	**Date Reconciliation Completed**	**Over/(Under) Drawn Position**	**Date Reconciliation Completed**
9/30/2017	$13,642,275	6/14/2018	$67,356,822	6/14/2018	$6,129,063	6/14/2018
12/31/2017	$6,699,211	6/14/2018	$28,246,105	6/14/2018	($3,642,743)	6/14/2018
3/31/2018	$444,316,267	6/14/2018	$72,971,950	6/14/2018	($6,203,740)	6/14/2018
6/30/2018	$517,174,632	8/24/2018	($3,831,584)	8/24/2018	$9,225,355	8/24/2018

Criteria or Requirement:

According to 31 CFR 205.7(d), a State must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs. 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure the cash draw reconciliations are performed timely to ensure funds requested meet actual cash needs and reconciling items can be resolved in a timely manner.

Cause:

In discussing these conditions with DHFS officials, they stated reconciliations were performed quarterly, however, the final supervisory review was late due to staff participation in the new IT development for MMIS and accounting systems.

Possible Asserted Effect:

Failure to complete reconciliations of cash draws to actual expenditures in a timely manner may result in the State requesting funds in excess of actual and immediate cash needs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-022. (Finding Code 2018-025, 2017-022)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS implement procedures to ensure quarterly expenditure reconciliations are performed and completed in a timely manner and adjustments identified in the reconciliation process are made in a timely manner.

(Continued)

Views of DHFS Officials:

The Department accepts the recommendation.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($114,873,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-026 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

DHFS did not accurately report Federal expenditures under the Child Support Enforcement (CSE), Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

DHFS inaccurately reported federal expenditures and amounts which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following errors for DHFS' major programs for the year ended June 30, 2018:

Program	Amounts per DHFS' Records	Amounts Initially Reported to the IOC	Difference
CSE	$103,535,000	$114,873,000	$11,338,000
CHIP	348,948,000	342,220,000	(6,728,000)
Medicaid	13,256,148,000	13,121,708,000	(134,440,000)

Upon further review, we noted the errors in the reported federal expenditures for the CHIP and Medicaid Cluster programs were the result of the miscalculation of expenditures made by the Illinois Department of Human Services (IDHS) which was detected during the IDHS departmental financial statement audit. The difference related to the CSE program appears to be related to refunds which were not appropriately reported. Although the differences identified above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510 (a) and (b), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

Cause:

In discussing these conditions with DHFS officials, they stated when following up with the Comptroller's Office, they discovered additional adjustments to the SEFA were provided to the IOC.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-023. (Finding Code 2018-026, 2017-023)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Views of DHFS Officials:

The Department accepts the recommendation.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement Program
Children's Health Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($114,873,000)
93.767 ($348,948,000)
93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-027 – *Untimely Return of Refunded Retirement Costs to Federal Programs*

Condition Found:

IDHFS did not return refunded retirement costs to its federal programs on a timely basis.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees. Funding for State employees compensated from accounting funds other than the State's General Revenue Fund (GRF) are paid to SERS each pay period from appropriations administered by each State agency. Retirement contributions for employees compensated from GRF are paid to SERS for all State agencies on a quarterly basis by the Illinois Office of the Comptroller (IOC).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. In January 2018, SERS notified State agencies that the State fiscal year 2018 employer contribution rate had been recalculated and recertified as 47.342%. The revised rate (which decreased by 6.671%) was prospectively applied to payrolls beginning January 16, 2018. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

DHFS received communication from SERS on August 28, 2018 that a refund in the amount of $2,466,361 would be made to the agency for the excess contributions made for the period from July 1, 2017 through January 15, 2018. A warrant dated October 2, 2018 was received from the IOC and was deposited by DHFS on October 18, 2018.

DHFS also has a significant number of employees who are paid from GRF and whose quarterly retirement contributions are made by the IOC. DHFS allocates the quarterly retirement contribution for employees paid from GRF through DHFS' federally approved Public Assistance Cost Allocation Plan (PACAP). As of the date of our testing (May 13, 2019), DHFS has not determined the adjustment necessary for DHFS' employees paid from GRF. Accordingly, the retirement contribution overcharged for the Child Support Enforcement, Children's Health Insurance Program, and Medicaid Cluster programs cannot be determined.

Criteria or Requirement:

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based on established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. Also, 2 CFR 200.431 (g)(6)(v) states the Federal Government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure pension contribution refunds are properly calculated and returned to federal programs in a timely manner.

Cause:

In discussing these conditions with DHFS officials, they stated delay was due to the timing of the refunds from SERS.

Possible Asserted Effect:

Failure to calculate and return pension contribution refunds in a timely manner results in noncompliance with federal regulations and may result in unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-027)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DHFS implement procedures to ensure refunds of retirement contributions, which are allocated through the PACAP, are properly calculated and returned to federal programs in a timely manner.

Views of DHFS Officials:

The Department accepts the recommendation. The Department has calculated adjusted amounts and they will be included in the next quarters PACAP allocations.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($197,736,000)
93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $1,019 (Adoption Assistance)

Finding 2018-028 – *Inadequate Process for Supporting Adjustments to the Title IV-E Claiming Report*

Condition Found:

DCFS does not have an adequate process for supporting adjustments to the Title IV-E claiming report.

DCFS is required to submit quarterly financial reports (CB-496) for both the Foster Care and Adoption Assistance programs, which include information such as current quarter claims and adjustments to amounts reported in previous quarterly claims. DCFS is required to maintain complete and accurate records to support amounts reported on its quarterly claiming reports. Increasing and decreasing adjustments to amounts previously claimed are required to be reported on a gross basis and supported by eligibility determinations or documentation that provides the basis for the adjustment.

During the year ended June 30, 2018, DCFS identified and reported 79 increasing and 99 decreasing adjustments to the Foster Care program. DCFS also identified and reported 25 increasing and 36 decreasing adjustments to the Adoption Assistance program. Increasing and decreasing adjustments reported on quarterly claims pertaining to the year ended June 30, 2018 totaled as follows:

	Foster Care		Adoption Assistance	
Quarter Ended	**Increasing**	**Decreasing**	**Increasing**	**Decreasing**
September 30, 2017	$7,652,356	$4,437,025	$17,837	$346,854
December 31, 2017	8,883,995	747,697	216,114	179,117
March 31, 2018	3,654,900	2,312,925	63,621	40,178
June 30, 2018	5,340,974	3,515,885	233,912	737,589

During our testwork over adjustments to the Foster Care and Adoption Assistance programs reported on quarterly claiming reports filed during the year ended June 30, 2018, we noted DCFS did not properly report adjustments on a gross basis for all 12 adjustments tested. Specifically, we noted three increasing Foster Care adjustments (totaling $14,354), six decreasing Foster Care adjustments (totaling $14,780), two increasing Adoption Assistance adjustments (totaling $1,280), and one decreasing Adoption Assistance adjustment (totaling $7,286) sampled in our testing included both debit and credit transactions.

Accordingly, increasing and decreasing adjustments reported by DCFS are understated because they are reported net.

Additionally, in our testing of 40 individual adjusting transactions (30 from Foster Care totaling $54,958 and 10 from Adoption Assistance totaling $7,204), we noted the DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one decreasing transaction totaling $1,019 sampled from a decreasing adjustment (of $7,286) for the Adoption Assistance program.

In evaluating DCFS's process for identifying and documenting adjustments made to its quarterly claims, we noted DCFS has not implemented adequate supervisory reviews or other monitoring controls to determine if the adjustments being made are complete, accurate, and properly supported.

As of the date of our testing, DCFS had not quantified the impact of this reporting error.

Criteria or Requirement:

According to 42 USC 1320b-2, a State agency must file a claim for payment with respect to an expenditure made during any calendar quarter by the State within the two-year period which begins on the first day of the calendar quarter immediately following such calendar quarter. Any payment shall not be made on account of any such expenditure if the claim is not made within the two-year period, except with respect to any expenditure involving court-ordered retroactive payments, audit exceptions, or adjustments to prior year costs.

Additionally, according to 45 CFR 205.60(a), the State agency must maintain or supervise the maintenance of records necessary for the proper and efficient operation of the State plan, including records regarding applications, determination of eligibility, recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations, and modifications. The records will include facts essential to the determination of initial and continuing eligibility, and the basis for discontinuing assistance.

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure all adjustments to prior year costs are properly determined and supported.

Cause:

In discussing these conditions with DCFS officials, they stated system limitations prevent the Department from segregating positive and/or negative adjustments as required.

Possible Asserted Effect:

Failure to properly report adjustments on a gross basis inhibits the ability of USDHHS to monitor the Foster Care and Adoption Assistance programs. Additionally, failure to maintain proper supporting documentation for expenditures (adjustments) claimed for the Foster Care and Adoption Assistance programs may result in payments to ineligible beneficiaries which are unallowable costs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-024. (Finding Code 2018-028, 2017-024, 2016-027)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS review its current process for reporting adjustments and implement procedures to ensure the adjustments claimed for the Foster Care and Adoption Assistance programs are properly determined and supported. DCFS should also consider implementing additional monitoring controls to ensure the adjustments are reported in accordance with program requirements.

Views of DCFS Officials:

The Department agrees with this recommendation. Although improvements have been made to our federal claiming system, additional system changes are required to enable the Department to separately report increasing and decreasing adjustments on a gross basis as required. This is a significant change to the current system and will be completed as resources become available. The Department will continue to review and improve its monitoring controls to ensure adjustments to its quarterly financial reports are properly supported by adequate file documentation.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658 ($197,736,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $35,664

Finding 2018-029 – *Failure to Maintain Adequate Provider Licensing Files*

Condition Found:

DCFS did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers.

The objective of the Foster Care program administered by DCFS is to provide safe, appropriate, substitute care for children in Illinois in need of temporary placement and care outside their homes. DCFS, as the State foster care licensing authority, is required to ensure foster family homes or child care service providers are fully licensed, which includes ensuring the required background checks have been performed and the safety considerations with respect to child-care institution staff have been addressed.

During our testwork of 50 Foster Care maintenance assistance payments (totaling $64,367), we reviewed the associated provider licensing files for compliance with licensing requirements and for the allowability of related benefits paid, we noted the licensing files for 36 foster care beneficiary payments sampled (totaling $35,664) related to 22 child care service providers and 1 foster family home did not contain documentation that verified the safety considerations with respect to staff of the institution had been addressed. Specifically, required background clearances were not obtained for all staff members. DCFS claimed reimbursement for foster care maintenance payments made to these providers on behalf of these children totaling $247,473 during the year ended June 30, 2018.

As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for ensuring foster care providers were properly licensed prior to claiming Foster Care maintenance payments. Additionally, monitoring controls were not established to ensure licensing procedures were being followed.

Foster care maintenance payments during the year ended June 30, 2018 totaled $69,602,000.

(Continued)

Criteria or Requirement:

According to 42 USC 671(a)(20)(A), any prospective foster parent must submit to criminal records checks, including a fingerprint-based check of national crime information databases, and a child abuse and neglect registry check before the foster parent may be finally approved for placement of a child. According to 45 CFR 1356.30(f), in order for a child-care institution to be eligible for Title IV-E funding, the licensing file for the institution must contain documentation that verifies the safety considerations with respect to the staff of the institution has been addressed. According to State requirements (225 ILCS 10/4.1), any applicant, employee, or volunteer of a child care facility or non-licensed service provider must submit his fingerprints to the Department of State Police to be checked against the fingerprint records filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases.

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the foster care provider licensing files are complete, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees, volunteers, or non-licensed service providers.

Cause:

In discussing these conditions with DCFS officials, they stated that high employee turnover in their provider community, combined with limitations of their current licensing tracking system, makes it difficult to monitor completeness of provider files related to newly-hired staff who are awaiting background clearances.

Possible Asserted Effect:

Failure to maintain complete provider licensing files for foster family homes and child-care institutions, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees, volunteers, or non-licensed service providers, could result in payments being made to ineligible service providers, which are unallowable costs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-025. (Finding Code 2018-029, 2017-025, 2016-028)

(Continued)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure the provider licensing files are complete, including documentation that all required background checks have been performed and documentation that verifies safety considerations with respect to foster family homes and the staff of child-care institutions has been properly addressed. Additionally, we recommend DCFS evaluate its process for ensuring providers are properly licensed and meet program requirements prior to placing Foster Care beneficiaries in their care and claiming payments to these providers for federal reimbursement.

Views of DCFS Officials:

The Department agrees with the recommendation. Procedures exist to ensure that all required background checks have been performed and safety considerations with respect to foster family homes and staff of child-care providers are addressed before a child is placed in a home. The Department is continuing to review its procedures to ensure proper documentation is maintained and available as required. Improvements have been made in this regard as the number of service providers without background information entered into the system was reduced from 31 to 23 from fiscal year 2017 to fiscal year 2018 (26 percent). The Department expects to make further improvements to its reporting and monitoring capabilities in order to meet program requirements prior to placing foster care beneficiaries in the care of properly-licensed caregivers.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance
Temporary Assistance for Needy Families Cluster
Child Care and Development Fund Cluster

CFDA # and Program Expenditures: 93.658 ($197,736,000)
93.659 ($81,096,000)
93.558 ($609,860,000)
93.575/93.596 ($240,381,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: Cannot be determined

Finding 2018-030 – *Inadequate Controls over Fringe Benefit Rates Allocated to Federal Programs*

Condition Found:

DCFS does not have adequate controls in place over retirement fringe benefit rates used to determine costs to be allocated through the Public Assistance Cost Allocation Plan (PACAP).

DCFS administers several federal and state programs, including Foster Care, Adoption Assistance, Emergency Assistance under the Temporary Assistance for Needy Families Cluster (TANF EA) program, and the Child Care Development Funds Cluster (CCDF) program to protect children by strengthening and supporting families. In administering each of these programs, DCFS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, DCFS has submitted a PACAP to the USDHHS describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies by DCFS. DCFS has developed the methodologies for allocating costs to its programs, which DCFS believes best represent the actual costs associated with the program.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees. Funding for State employees compensated from accounting funds other than the State's General Revenue Fund (GRF) are paid to SERS each pay period from appropriations administered by each State agency. Retirement contributions for employees compensated from GRF are paid to SERS for all State agencies on a quarterly basis by the Illinois Office of the Comptroller (IOC).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-

0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. In January 2018, SERS notified State agencies that the State fiscal year 2018 employer contribution rate had been recalculated and recertified as 47.342%. The revised rate (which decreased by 6.671%) was prospectively applied to payrolls beginning January 16, 2018. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

As a result of the change in the employer retirement contribution rate calculated by SERS and communicated to each State agency by Public Act 100-0023 as described above, DCFS received communication from SERS on June 25, 2018 that a refund in the amount of $362,060 would be made to the agency for the excess contributions made for the period from November 16, 2017 through January 15, 2018. A warrant dated August 24, 2018 was received from the IOC and was deposited by DCFS on September 26, 2018.

Adjustments were not reported to the US Department of Health and Human Services or refunded to the major programs administered by DCFS during the year ended June 30, 2018.

Additionally, during our review of 25 employee payroll expenditures (totaling $99,203) and related fringe benefit charges (totaling $60,813) allocated to DCFS's federal programs during the year ended June 30, 2018, we noted retirement benefits charged were not consistent with rates approved by SERS. Specifically, we noted the following errors:

- The retirement fringe benefit charges for one employee during the lapse period (pay period June 16-30, 2017) were calculated using a higher percentage than the approved percentage established by SERS. Specifically, we noted the approved retirement percentage was 44.568% and the percentage utilized was 45.598%, which resulted in costs of $106.77 being overcharged for the one employee sampled. Upon further review, we noted the retirement fringe benefit rate was improperly used for 2,011 transactions resulting in overcharges of $106,515. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, TANF EA, and CCDF programs were overcharged by $21,781, $5,613, $46,109, and $4,633, respectively, during the year ended June 30, 2018.
- The retirement fringe benefit charges for eleven employees during fiscal year 2018 were calculated using a higher percentage than the approved percentage established by SERS. The approved retirement percentage was originally 54.013% for pay periods from July 1-15, 2017 through June 16-30, 2018. Per review of SERS bulletin dated January 10, 2018, the fiscal year 2018 contribution rate was recertified and the SERS approved employer contribution rate changed to 47.342% effective with the next available payroll. Specifically, we noted for pay periods from January 1-15, 2018 through June 16-30, 2018 DCFS did not properly utilize the SERS recertified employer contribution rate of 47.342%, which resulted in costs of $2,669 being overcharged for the eleven employees sampled. Upon further review, we noted the retirement fringe benefit rate was improperly used for 29,985 transactions resulting in overcharges of $6,353,374. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, TANF EA, and CCDF programs were overcharged by $1,237,095, $281,600, $2,863,131, and $253,964, respectively, during the year ended June 30, 2018.

We also noted instances in which the health and dental rates used by DCFS were inconsistent with the benefit elections made by employees. We compared the health rate, dental rate, and the dependent elections made by the employees to the rates published by the Department of Central Management Services (DCMS) and noted 8 employees with 35 transactions that were inconsistent as follows:

(Continued)

- The dental insurance fringe benefit rates for 3 employees for a total of 15 transactions was less than the approved semi-monthly rate established by DCMS. Specifically, we noted the approved rate was \$23.54 and the rate allocated was \$12.54, resulting in undercharges of \$165. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, and TANF EA programs were undercharged by \$36, \$6, and \$31 during the year ended June 30, 2018.
- The dental insurance fringe benefit rates for 1 employee for a total of 11 transactions was more than the approved semi-monthly rate established by DCMS. Specifically, we noted the approved rate was \$23.54 and the rate allocated was \$45.56, resulting in overcharges of \$242. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, and TANF EA programs were overcharged by \$44, \$8, and \$168 during the year ended June 30, 2018.
- The health insurance fringe benefit rate for 2 employee for a total of 2 transactions was less than the approved semi-monthly rate established by DCMS. Specifically, we noted the approved rates were \$823.50 and \$1,066.56 and the rate allocated was \$528.06, resulting in undercharges of \$834. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, and TANF EA programs were undercharged by \$149, \$26, and \$577 during the year ended June 30, 2018.
- For one transaction for one employee, health and dental benefit costs were allocated although the employee had opted out of the benefits, resulting in overcharges of \$1,145. Accordingly, the Foster Care – Title IV-E, Adoption Assistance, and TANF EA programs were overcharged by \$204, \$35, and \$792 during the year ended June 30, 2018.
- The health insurance fringe benefit rates for 1 employee for a total of 6 transactions was more than the approved semi-monthly rate established by DCMS. Specifically, we noted the approved rate was \$528.06 and the rate allocated was \$1,066.56, resulting in overcharges of \$3,231. Although the Foster Care – Title IV-E, Adoption Assistance, TANF EA, and CCDF programs were not overcharged during the year ended June 30, 2018, we noted these errors occurred as a result of the inadequate process of calculating fringe benefit rates (control finding) which could have impacted these programs.

DCFS does not have adequate management review or other approval controls in place to ensure the fringe benefit rates used to determine costs to be allocated to its federal programs are accurate and consistent with rates published by SERS or DCMS and employees benefit election forms.

Total personal services (payroll and fringe benefits) costs allocated through the PACAP for the year ended June 30, 2018 for Foster Care, Adoption Assistance, TANF EA, and CCDF programs were \$65,755,000, \$7,786,000, \$165,134,000, and \$267,000 respectively.

Criteria or Requirement:

According to 45 CFR 95.507(a), the State shall submit a cost allocation plan for the State agency to the HHS Regional Office, and the plan shall describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency.

Additionally, according to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based upon established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure pension contribution refunds are properly calculated and returned to federal programs in a timely manner. Effective internal controls should also include procedures to ensure benefit rates are updated annually for changes communicated by DCMS and SERS and are consistent with employee elections.

Cause:

In discussing these conditions with DCFS officials, they stated fiscal year 2018 retirement rate change was not communicated to those responsible for calculating the retirement benefit portion of the federal claim. The other errors were data entry errors related to health and dental benefit costs and an oversight utilizing the wrong fiscal year retirement rate when calculating the fiscal year 2017 lapse payroll retirement rate.

Possible Asserted Effect:

Failure to calculate and return pension contribution refunds in a timely manner results in noncompliance with federal regulations and may result in unallowable costs being charged to federal programs. Additionally, failure to update fringe benefit charges for annual changes and employee benefit elections may result in the unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-031. (Finding Code 2018-030, 2017-031)

Recommendation:

We recommend DCFS implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner. Additionally, DCFS should evaluate its internal controls and identify the additional procedures necessary to ensure the retirement contribution rates and other fringe benefit rates used to determine costs to be allocated through the PACAP are accurate and consistent with those approved by SERS and DCMS and employee benefit elections.

Views of DCFS Officials:

The Department agrees with this recommendation. The Department has enhanced its insurance benefit calculation application to include automated balance checks to improve its accuracy of those benefit calculations. Quarterly reports will be reviewed by management staff with the knowledge of SERS retirement rates to ensure the proper rates are used for retirement benefit calculations.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $16,194

Finding 2018-031 – *Inadequate Procedures to Reasonably Ensure Children Are in the Continued Care of Their Adoptive Parent*

Condition Found:

DCFS does not have adequate procedures to reasonably ensure adoptive children for which adoption assistance subsidies are paid are in the continued care of their adoptive parent(s).

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. A child's eligibility for the program is determined initially at the time of adoption proceedings. However, it is the State's responsibility to establish a process to ensure that children on behalf of whom the State is making subsidy payments are in the continued care of their adoptive parent(s).

Prior to January 29, 2018, the State sent a recertification form to the adoptive parent(s) of a child on behalf of whom the parent is receiving adoption subsidy payments on an annual basis. The form contains a series of questions concerning the parents' legal and financial responsibility of the child. The adoptive parent(s) were required to answer the questions, sign and return the form to DCFS to demonstrate their continued legal and financial responsibility for the adopted child. Effective January 29, 2018, the State amended DCFS's policy guide to eliminate the requirement for the adoptive parent to complete, sign, and return the recertification form.

During our testwork of 50 adoption assistance beneficiary payments (totaling $37,639), we noted 19 adoption assistance payments paid prior to January 29, 2018 (totaling $16,194) for which DCFS could not locate a recertification form submitted by the adoptive parents within the most recent 12-month period. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $65,025 during the year ended June 30, 2018.

In addition, we noted DCFS has not made any changes to its forms or procedures relative to the DCFS policy guide change discussed above. As a result, the recertification forms sent subsequent to January 29, 2018 continue to state they are to be returned to the agency within 20 days of receipt. DCFS has not established procedures to track recertification forms returned by adoptive parents and were unable to determine if any forms had been returned by adoptive parents. Accordingly, DCFS personnel could not provide evidence that any recertification forms returned by adoptive parents had been reviewed or that the reported updates were made to the child's case record.

Adoption subsidies paid during the year ended June 30, 2018 totaled $61,631,000.

Criteria or Requirement:

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 673(a)(4), payments are discontinued when the state determines that the adoptive parents are no longer legally responsible for the support of the child. Parents must keep the state agency informed of circumstances that would make the child ineligible for adoption assistance payments or eligible for assistance payments in a different amount.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to monitor whether eligibility recertification forms have been obtained and any reported updates are included in the State's case record.

Cause:

In discussing these conditions with DCFS officials, they stated changes were not made to the Rule and to the relevant form letters in a timely manner.

Possible Asserted Effect:

Failure to establish adequate procedures to obtain, retain, and process changes reported on eligibility recertification forms may result in payments to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was not reported in prior year audit. (Finding Code 2018-031)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure payments made to adoptive parents are only on behalf of eligible children in the continued care of their adoptive parents. Additionally, we recommend DCFS implement procedures to ensure information communicated by adoptive parents is tracked and case records and benefit payments are updated for any information impacting eligibility.

Views of DCFS Officials:

The Department agrees that prior to January 29, 2018 we did not receive all signed recertification forms back from the adoptive assistance participants, as required by our department's policy. This internal control was deemed ineffective by the department, as the federal government stated that we could not require the return of this form, and we could not deny payment when it was not received. This led to our January 29, 2019 policy change.

The Department agrees that DCFS should have internal controls to reasonably ensure adoptive assistance children are in the continued care of their adoptive parent(s). Our current processes include:

- Legalese within the adoptive assistance contracts that states the adoptive parents/guardians are contractually responsible for notifying the department if the adopted child's status changes.
- The department tracks those children "aging out" of the program to determine if the youth is eligible for the subsidy to continue beyond age 18.
- The system tracks children’s placement using unique identifiers. This prevents ongoing payment of a subsidy if a child disrupts from guardianship/adoption back into foster care.
- And recently added, letters are mailed out on the annual anniversary of each adoptive assistance initiation date, requesting that the adoptive assistance participants return the letter if the child’s status has changed.

The Department will continue to tighten up its internal controls to reasonably ensure adoptive assistance children are in the continued care of their adoptive parent(s).

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: $445

Finding 2018-032 – *Missing Documentation in Adoption Assistance Eligibility Files*

Condition Found:

DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. In order to be eligible to receive benefits under the adoption assistance program, certain judicial determinations must be made and other eligibility criteria must be evaluated. Evidence supporting eligibility determinations were performed is required to be maintained in the beneficiary case record.

During our testwork of 50 Adoption Assistance beneficiary payments (totaling $37,639), we noted the following:

- For one adoption assistance payment (totaling $409), DCFS was unable to provide the original case file. DCFS claimed reimbursement for adoption assistance benefits made on behalf of this child totaling $4,908 during the year ended June 30, 2018.
- For one adoption assistance payment (totaling $445), DCFS could not locate the Child Abuse and Neglect Tracking System and/or Sex Offender Registry background checks for at least one adoptive parent or member of the household over the age of 13. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $5,338 during the year ended June 30, 2018.

As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

In evaluating the controls in place relative to this compliance requirement, we noted case record documentation is maintained in several locations, including with third party contractors, and can be difficult for DCFS to locate. Additionally, adequate monitoring controls have not been established to ensure eligibility requirements were met and adequately documented in accordance with established procedures.

Criteria or Requirement:

According to 42 USC 671(a)(20), in order for the State to be eligible for payments, it shall have a plan approved by the Secretary that provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases for any prospective adoptive parent. Additionally, the State plan must provide procedures such that the State shall check the child abuse and neglect registry maintained by the State for any prospective adoptive parent and on any other adult living in the home of such prospective parent.

According to 89 Ill. Adm. Code Chapter III, Subchapter d, Part 385.30, the following people are subject to background checks: 1) adult members of the household age 18 and older shall be fingerprinted to be screened for prior criminal convictions by submitting fingerprints to the Federal Bureau of Investigation (FBI), and 2) all members of the household age 13 and over shall be screened for a history of child abuse or neglect (CANTS) and for inclusion in the Illinois Sex Offender Registry (SOR).

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable, under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

Cause:

In discussing these conditions with DCFS officials, they stated insufficient resources as the cause for these errors.

Possible Asserted Effect:

Failure to maintain case file documentation, including relevant documentation to support the eligibility of children and evidence of required background checks for prospective adoptive parents and applicable members of the household, could result in payments to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-027. (Finding Code 2018-032, 2017-027, 2016-030)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure supporting documentation for all eligibility requirements is maintained. Additionally, we recommend DCFS evaluate its process for verifying eligibility requirements are met and adequately documented and implement additional procedures to ensure established procedures are followed.

Views of DCFS Officials:

The Department agrees with this finding. The Department is looking forward to a Comprehensive Child Welfare Information System (CCWIS) computer system that will be able to maintain documentation of adoption cases more efficiently than current paper files.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($197,736,000)
93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-033 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

DCFS did not accurately report Federal expenditures under its major programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to DCFS's financial records. Specifically, we noted the following differences for the year ended June 30, 2018:

Program	Federal Expenditures per DCFS's Records	Federal Expenditures Reported to the IOC	Difference
Adoption Assistance	$80,104,000	$81,096,000	$992,000
Foster Care	194,744,000	197,736,000	2,992,000

Although the differences identified are not quantitatively material to the SEFA, as a whole, the State does not have a process in place to evaluate items of this nature outside the audit process, as discussed in finding 2018-001. Accordingly, any error which may be material to the SEFA (in quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

Cause:

In discussing these conditions with DCFS officials, they stated Department personnel inaccurately applied prior period adjustments to the expenditure calculations for the SEFA.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-030. (Finding Code 2018-033, 2017-030)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Views of DCFS Officials:

The Department agrees with this recommendation. The forms used by the State to capture DCFS' expenditures for the SEFA are not designed to represent cash basis expenditures as per the reporting requirements of the SEFA. DCFS will work with parties involved with compiling information for the SEFA to ensure the Department's expenditures are properly reported.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($197,736,000)
93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-034 – *Inadequate Controls over Information Systems*

Condition Found:

DCFS does not have adequate access review controls over information systems used to document beneficiary eligibility determinations, to record program expenditures, and to identify amounts to be claimed under federal programs.

DCFS utilizes a federal claiming system to determine which expenditures can be claimed under the various federal programs. The system queries the general ledger and eligibility database in order to match expenditures to a beneficiary. Based on the eligibility of the beneficiary, the expenditure is further analyzed by the claiming system for allowability under the federal program for which the beneficiary is eligible. The claiming system applies the applicable eligibility percentage to the expenditure established for the program. Reports generated from the system are used to calculate the amount of expenditures claimable for federal reimbursement and to prepare the quarterly claim reports.

During our testwork of DCFS's controls over user access to the federal claiming system applications, we noted eight terminated users still appeared on the active user listing for the mainframe. There were 318 terminated users during the year ended June 30, 2018.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured, system access rights are appropriate, and established access review controls are operating as designed.

Cause:

In discussing these conditions with DCFS officials, they stated the process of sending the list of users monthly for review by the owner of the system did not get transferred during a personnel change.

(Continued)

Possible Asserted Effect:

Failure to adequately control the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-032. (Finding Code 2018-034, 2017-032, 2016-035, 2015-032, 2014-029, 2013-029, 12-40)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure access to its information systems is adequately secured and terminated users are removed from applications and the mainframe in a timely manner.

Views of DCFS Officials:

The Department is implementing automated access review report generation, notification and tracking to ensure that reviews are sent out and progress towards completion and timeliness is documented. If a review has not been completed after three months of the initial notification senior management will be notified.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($197,736,000)
93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-035 – *Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement*

Condition Found:

DCFS did not perform its cash draws in accordance with the funding technique prescribed in the Treasury-State Agreement (TSA).

On an annual basis, the State of Illinois negotiates the TSA with the U.S. Department of the Treasury (the Treasury), which details, among other things, the funding techniques to be used for requesting federal funds. The TSA requires DCFS to draw funds in monthly installments (for receipt on the median business day of the month) equal to 1/3rd of the quarterly grant awards for the Foster Care and Adoption Assistance programs.

During our testwork over monthly cash draws performed for the Foster Care and Adoption Assistance programs during the year ended June 30, 2018, we noted 9 draws for each program in which funds were not drawn for receipt on the median business day of the month. These draws were performed on dates such that the Federal funds would be deposited between 7 days prior to and 11 days subsequent to the median business day of the month during the year ended June 30, 2018. Specifically, DCFS did not perform cash draws timely for the following months:

Month	Median Business Day (MBD)	Date Requested by DCFS on PMS	Expected Settlement Date	Number of Days (Prior to) or Subsequent to MBD
August	8/15/17	8/16/17	8/17/17	2
October	10/16/17	10/16/17	10/17/17	1
November	11/15/17	11/15/17	11/16/17	1
January	1/16/18	1/16/18	1/17/18	1
February	2/15/18	2/7/18	2/8/18	(7)

(Continued)

Month	Median Business Day (MBD)	Date Requested by DCFS on PMS	Expected Settlement Date	Number of Days (Prior to) or Subsequent to MBD
March	3/15/18	3/15/18	3/16/18	1
April	4/16/18	4/26/18	4/27/18	11
May	5/15/18	5/10/18	5/11/18	(4)
June	6/15/18	6/9/18	6/12/18	(3)

Criteria or Requirement:

According to 31 CFR part 205.6(a), a TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Treasury and the State for each Federal program governed by subpart A of the Treasury regulations. Section 6.3.2 of the 2018 Treasury State Agreement (effective July 1, 2017 to June 30, 2018) states that the Foster Care and Adoption Assistance programs are required to use the Modified Payment Schedule – Monthly funding technique. Section 6.2.4 of the 2018 Treasury State Agreement describes the Modified Payment Schedule – Monthly funding technique as being interest neutral and requiring the State to request funds such that they are deposited in a State account on the median business day of the month.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that Federal cash draws are performed in accordance with the TSA.

Cause:

In discussing these conditions with DCFS officials, they stated the February draw was done early due to fears over a federal government shutdown. Delays in the drawdown in April, May and June were due to a transition in staffing. The other draws were within one (4 months) or two days (1 month) of the median business day and were due to daily job priority scheduling.

Possible Asserted Effect:

Failure to draw funds in accordance with the TSA results in noncompliance with U.S. Treasury Regulations.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-033. (Finding Code 2018-035, 2017-033, 2016-033)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend DCFS implement procedures to ensure cash draws are performed in accordance with the TSA or amend the TSA to reflect DCFS's cash draw request practices.

Views of DCFS Officials:

The Department agrees with this recommendation. The Department has shown improvement reducing the total variant days from 54 in fiscal year 2017 to 31 in fiscal year 2018. The Department will continue to review its procedures to ensure compliance with the TSA.

(Continued)

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E
Adoption Assistance

CFDA # and Program Expenditures: 93.658 ($197,736,000)
93.659 ($81,096,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-036 – *Inadequate Process for Reconciling Cash Balances to IOC's Records*

Condition Found:

DCFS does not have an adequate process to reconcile its cash balances in a timely manner to the records of the Illinois Office of the Comptroller (IOC).

DCFS is the state agency responsible for expending program funds and requesting federal cash reimbursement for expenditures under the Foster Care – Title IV-E (Foster Care) and Adoption Assistance programs. The IOC is the official record keeper of the State and is responsible for paying vouchers processed by DCFS and other state agencies. DCFS is required to reconcile its records to the IOC records on a monthly basis and resolve any reconciling items on a timely basis.

During our testwork over the monthly cash reconciliation process, we noted DCFS did not prepare monthly reconciliations of its cash balances to the IOC's records on a timely basis during the year ended June 30, 2018. Additionally, supervisory reviews of the monthly reconciliations were not consistently completed on a timely basis. Specifically, we noted the following during our review of all 12 monthly reconciliations:

- Four monthly reconciliations were not prepared in a timely manner after month end. The number of days these reconciliations were prepared after month end ranged from 29 to 78 days.

- Four monthly reconciliations were not reviewed in a timely manner after month end. The number of days these reconciliations were reviewed after month end ranged from 41 to 82 days.

- Four monthly reconciliations did not contain a signature or date to evidence completion of a supervisory review.

In addition, we were unable to determine when one reconciliation was completed and reviewed by DCFS personnel as the dates documented for these activities were 18 and 17 days prior to the month end.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance

requirements. Effective internal controls should include procedures to ensure that cash reconciliations are properly performed and reviewed on a monthly basis during the year.

Cause:

In discussing these conditions with DCFS officials, they stated that during the examination period the Department was involved with the planning and implementation of a new accounting system (SAP) and availability of staff due to constantly shifting priorities prevented the timely completion of reconciliations.

Possible Asserted Effect:

Failure to appropriately reconcile cash records in a timely manner may result in inaccurate financial reporting and drawing federal funds in excess of expenditures incurred.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-034. (Finding Code 2018-036, 2017-034, 2016-034, 2015-030, 2014-027)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS implement procedures to ensure cash reconciliations are performed and reviewed in a timely manner throughout the year.

Views of DCFS Officials:

The Department agrees with this recommendation. The Department will continue to look at ways to improve its processes to ensure timeliness and accuracy of reconciliations.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Stephanie Tubbs Jones Child Welfare Services Program

CFDA # and Program Expenditures: 93.645 ($12,547,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-037 – *Failure to Ensure Timely Preparation of Initial Case Plans*

Condition Found:

DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

The case plan serves as DCFS's written documentation of the services planned for each child taken into protective custody. The case plan describes DCFS's plans to improve or protect the welfare of the child. Information documented in the case plan includes the health and education records of the child, a description of the type of home or institution in which the child is to be placed, DCFS's plan for assuring the child receives safe and proper care and services to improve the condition of the child's home in order to facilitate his or her return home, as well as other pertinent information.

During a review of 40 case files selected for testwork, we noted seven of the initial case plans were completed within a range of 4 to 87 days over the 60-day federal requirement, and nine of the initial case plans were completed within a range of 1 to 102 days over the 45-day State requirement.

Criteria or Requirement:

According to 45 CFR 1356.21(g)(2), case plans are required to be developed within a reasonable period, to be determined by the State, but no later than 60 days from the child's removal from their home. According to State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable time frame as 45 days.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure initial service plans are completed in a timely manner.

Cause:

In discussing these conditions with DCFS officials, they there are many factors that appear to be contributing to ongoing problems in this area, including staff turnover, vacancies, and delays due to case workers waiting for the results of Integrated Assessments prior to completing initial service plans.

(Continued)

Possible Asserted Effect:

Failure to prepare case plans in a timely manner could result in Child Welfare Services not being performed/provided in accordance with Title IV-E or the State law.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-035. (Finding Code 2018-037, 2017-035, 2016-036, 2015-031, 2014-028, 2013-028, 12-38, 11-46, 10-42, 09-39, 08-40, 07-38, 06-37, 05-51, 04-37, 03-35, 02-33, 01-20, 00-20, DCFS 99-5)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal and State requirements.

Views of DCFS Officials:

As noted in the Program Improvement Plan (PIP) for the Child and Family Services Review (CFSR), we are working to implement streamlined Integrated Assessment and Service Plan processes in order to provide Service Plans that are timelier and more family-centered. In the meantime, we will stress the importance of preparing and completing initial service plans in a timely manner to all caseworkers.

(Continued)

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-038 – *Failure to Investigate Provider Complaints within Required Timeframes*

Condition Found:

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required time frames.

The Office of Health Care Regulation within IDPH is responsible for receiving and investigating complaints received against providers of the Medicaid Cluster. State laws require the Office of Health Care Regulation to investigate complaints within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within 7 days of receipt. As the time frames for complaint investigations included in the State's laws are more stringent than those included in the federal Medicaid regulations, the State time frames are required to be followed.

During our testwork of 40 complaints filed against Medicaid providers during the year ended June 30, 2018, we identified 15 complaints that were not investigated within the time frames required by the State's law. The delays in investigating these complaints ranged from 8 to 178 days in excess of required time frames.

Criteria or Requirement:

According to Section 5010 of the Centers for Medicare and Medicaid Services (CMS) State Operations Manual, each state is expected to have written policies and procedures to ensure that the appropriate response is taken for each complaint received against providers. Among other things, these policies and procedures are required to include timelines for investigating complaints which are at least as stringent as those included in federal regulations. Additionally, the Nursing Home Care Act (210 ILCS 45/3-702(d)) requires complaints to be investigated within 30 days of receipt. Complaints of abuse or neglect are required to be investigated within 7 days of receipt, except that complaints of abuse or neglect which indicate that a resident's life or safety is in imminent danger shall be investigated within 24 hours after receipt of the complaint.

(Continued)

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure provider complaints are investigated within required timeframes.

Cause:

In discussing these conditions with IDPH officials, they stated this was the result of staff turnover and shortage of experienced surveyors and supervisory staff.

Possible Asserted Effect:

Failure to investigate complaints against Medicaid providers within required time frames may prevent the State from identifying and correcting health and safety violations and from protecting the welfare of Medicaid beneficiaries.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-037. (Finding Code 2018-038, 2017-037, 2016-038, 2015-034, 2014-032, 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDPH review its current process for investigating complaints received against Medicaid providers and consider changes necessary to ensure all complaints are investigated within the time frames required by State law.

Views of IDPH Officials:

The Department concurs with the finding and recommendation. The Department will hire additional staff within budgetary guidelines to investigate complaints of abuse and neglect to meet the required state and federal timeframes.

(Continued)

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($13,256,148,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-039 – *Inadequate Procedures to Verify Provider Licenses*

Condition Found:

IDPH does not have adequate procedures to verify medical providers are properly licensed in accordance with applicable State laws.

During our testwork over the licensing of 40 providers of the Medicaid Cluster program for the year ended June 30, 2018, we noted licenses were not on file for 5 providers sampled. Upon further review with IDPH personnel, we noted these providers were end-stage renal disease facilities. The Centers for Medicare and Medicaid Services (CMS) State Operations Manual for End-Stage Renal Disease Facilities section 405.2135 requires these facilities to be licensed if State law provides for the licensure of such facilities. The Illinois End-Stage Renal Disease (ESRD) Facility Act (210 ILCS 62/10) states that no person shall open, manage, conduct, offer, maintain, or advertise an end-stage renal disease facility without a valid license issued by the State.

Payments to medical providers under the Medicaid Cluster totaled $2,930,847,472 during the year ended June 30, 2018. Payments to end-stage renal disease facilities under the Medicaid Cluster totaled $14,984,581 during the year ended June 30, 2018.

Criteria or Requirement:

According to 42 CFR 455.412, IDPH is required to have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State and to confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to verify provider licenses directly with licensing agencies upon enrollment of a provider and on a periodic basis.

 (Continued)

Cause:

In discussing these conditions with IDPH officials, they stated the Division of Health Care Facilities and Programs has experienced turnover which has resulted in the delay in implementing licensing requirements.

Possible Asserted Effect:

Failure to verify that providers have met the State licensing requirements directly with licensing agencies inhibits the State's ability to determine provider eligibility and could result in payments being made to ineligible providers, which are unallowable.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-038. (Finding Code 2018-039, 2017-038, 2016-039, 2015-035, 2014-033, 2013-036, 12-48, 11-55)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDPH implement policies and procedures to verify providers have met the State licensing requirements directly with licensing agencies upon enrollment and on a periodic basis.

Views of IDPH Officials:

The Department concurs with the finding and recommendation. The Department proposed legislation and the End Stage Renal Disease Facility Act (210 ILCS 62/10) was repealed.

(Continued)

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Social Services Block Grant
HIV Care Formula Grants

CFDA # and Program Expenditures: 93.667 ($50,510,000)
93.917 ($51,169,000)

Award Numbers: Various – See table of award numbers

Federal Award Year: Various – See table of award numbers

Questioned Costs: None

Finding 2018-040 – *Failure to Obtain and Review Subrecipient Single Audit Reports*

Condition Found:

IDPH did not obtain or review single audit reports for subrecipients of the Social Services Block Grant (Title XX) and HIV Care Formula Grants (HIV Care) programs.

IDPH requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IDPH finance staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDPH records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e., unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames.

We noted IDPH passed through approximately $3.1 million and $8.4 million to subrecipients under the Title XX and HIV Care programs. We determined that single audit reports had not been obtained or reviewed for any Title XX or HIV Care subrecipients during the year ended June 30, 2018.

Subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
Title XX	$3,134,000	$50,510,000	6.2%
HIV Care	$8,367,000	$51,169,000	16.4%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(Continued)

Further, 2 CFR 200.331(d)(3) and 2 CFR 200.521 state that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipients' single audits, (2) subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of Uniform Guidance, including that the audits are completed within nine months after the end of the subrecipients fiscal year end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after acceptance of the subrecipients' audit reports by the Federal Audit Clearinghouse.

Cause:

In discussing these conditions with IDPH officials, they stated the Department had a shortage of qualified audit staff within the Department and delay in the implementation of a statewide subrecipient review process through the Grants Accountability and Transparency Act (GATA) has impeded the ability to fully meet these requirements.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to obtain single audit reports and issue management decisions within six months of acceptance of the report by the Federal Audit Clearinghouse results in noncompliance.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-039. (Finding Code 2018-040, 2017-039, 2016-037, 2015-033, 2014-031, 2013-032, 12-45, 11-51, 10-49, 09-44, 08-48, 07-45, 06-46, 05-56)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDPH establish procedures to verify all subrecipients expending federal awards have single audits as required. Additionally, reviews of single audit reports should be formally documented using a single audit review checklist which includes procedures to determine whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the SEFA reconcile to IDPH records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Management decisions should be issued by IDPH within six months after the subrecipient audit report has been accepted by the Federal Audit Clearinghouse.

(Continued)

Views of IDPH Officials:

The Department concurs with the finding and recommendation. The Department lacks qualified audit staff to review single audits. The State of Illinois' Grant Accountability and Transparency Unit (GATU) is centralizing and outsourcing the submission and review of audit reports. The Department will follow the central audit report review process to ensure audits meet single audit requirements when necessary, reconcile grant expenditures, and will issue management decision where necessary.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Immunization Cooperative Agreements
Medicaid Cluster
HIV Care Formula Grants

CFDA # and Program Expenditures: 93.268 ($88,024,000)
93.775/93.777/93.778 ($13,256,148,000)
93.917 ($51,169,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: $88,801 (93.268)
$282,367 (93.775/93.777/93.778)
$56,022 (93.917)

Finding 2018-041 – _Untimely Return of Refunded Retirement Costs to Federal Programs_

Condition Found:

IDPH did not return refunded retirement costs to its federal programs on a timely basis.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees. Funding for State employees compensated from accounting funds other than the State's General Revenue Fund (GRF) are paid to SERS each pay period from appropriations administered by each State agency. Retirement contributions for employees compensated from GRF are paid to SERS for all State agencies on a quarterly basis by the Illinois Office of the Comptroller (IOC).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. In January 2018, SERS notified State agencies that the State fiscal year 2018 employer contribution rate had been recalculated and recertified as 47.342%. The revised rate (which decreased by 6.671%) was prospectively applied to payrolls beginning January 16, 2018. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

IDPH received communication from SERS on June 16, 2018 that a refund in the amount of $1,802,701 would be made to the agency for the excess contributions made for the period from July 1, 2017 through January 15, 2018. A warrant dated August 24, 2018 was received from the IOC and was deposited by IDPH on August 31, 2018.

IDPH determined its major programs were overcharged for retirement contributions as follows:

Federal Program	Award Number(s)	Retirement Contribution Overcharged	Total Payroll and Fringe Benefit Expenditures	Total Program Expenditures
Immunization	6-NH23IP000722-05-03	$88,801	$719,000	$88,024,000
Medicaid Cluster	Various	282,367	53,676,100	13,256,148,000
HIV Care	6-X07HA00013-27-02 6-X07HA00013-28-01	56,022	2,924,000	51,169,000

Adjustments were not reported to the USDHHS or refunded to the applicable federal programs by IDPH during the year ended June 30, 2018.

Criteria or Requirement:

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based on established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. Also, 2 CFR 200.431 (g)(6)(v) states the Federal Government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure pension contribution refunds are properly calculated and returned to federal programs in a timely manner.

Cause:

In discussing these conditions with IDPH officials, they stated the Department was waiting for the refund from SERS and processed by the Comptroller before the refund could be submitted to the federal government.

Possible Asserted Effect:

Failure to calculate and return pension contribution refunds in a timely manner results in noncompliance with federal regulations and may result in unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-041)

(Continued)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDPH implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

Views of IDPH Officials:

The Department concurs with the finding and recommendation. The Department will work to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Special Education Cluster (IDEA)

CFDA # and Program Expenditures: 84.027/84.173 ($504,888,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-042 – *Inadequate Monitoring of Special Education Subrecipients*

Condition Found:

ISBE did not perform adequate monitoring procedures over subrecipients of the Special Education Cluster (IDEA) (Special Education) program.

ISBE selects subrecipients of certain USDE programs to perform on-site fiscal and administrative monitoring procedures using a risk based approach. ISBE's risk assessments are based on the funding level received by the entity, the financial status, the improvement status, any past audit findings, and the type of entity. Once the subrecipients are selected for monitoring, ISBE selects programs and individual locations within each subrecipient for additional reviews which may consist of on-site reviews, desk reviews, or analytical procedures.

During the year ended June 30, 2018, ISBE's monitoring procedures were focused solely on Title I, Title II, and the Careers and Technical Education federal programs, as well as select requirements for certain state-funded programs. Accordingly, program requirements pertaining to the Special Education program were not included in the on-site reviews, desk reviews, or analytical procedures discussed above during the year ended June 30, 2018. Additionally, we noted ISBE had not performed a specific programmatic risk assessment for the Special Education program or reviewed any programmatic requirements during the year ended June 30, 2018.

Payments to subrecipients of the Special Education program during the year ended June 30, 2018 totaled $494,005,000.

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved. According to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

 (Continued)

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing the risk assessment procedures required by the Uniform Guidance and ensuring adequate monitoring procedures are performed for subrecipients.

Cause:

In discussing these conditions with ISBE officials, they stated the Focused Monitoring program, which met the risk assessment criteria, was ended and a replacement program was not established.

Possible Asserted Effect:

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-041. (Finding Code 2018-042, 2017-041)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE review its monitoring procedures relative to the Special Education program and implement additional procedures as necessary to ensure proper monitoring procedures are performed.

Views of ISBE Officials:

The Agency agrees with the finding. Special Education Services has engaged the support of one of ISBE's national technical assistance centers to assist with implementation of a new monitoring system. Planning began in March 2019, with the first phase of implementation scheduled to begin in fall 2019.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program
Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants
School Improvement Grants

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($678,668,000)
10.558 ($149,504,000)
84.010 ($619,045,000)
84.027/84.173 ($504,888,000)
84.048 ($39,402,000)
84.287 ($39,644,000)
84.367 ($85,061,000)
84.377 ($20,833,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-043 – *Inadequate Review of Subrecipient Single Audit Reports*

Condition Found:

ISBE did not review single audit reports received from its subrecipients for the Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP), Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Career and Technical Education – Basic Grants to States (CTE), Twenty-First Century Community Learning Centers (21st Century), Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II), and School Improvement Grants (SIG) programs on a timely basis. Additionally, ISBE does not have adequate resources in place to ensure audit reports are reviewed on a timely basis in order to issue a management decision within the required timeframe.

Subrecipients who spend more than $750,000 in federal awards are required to submit a single audit report to ISBE. ISBE Program staff are responsible for reviewing these reports and issuing management decisions on any finding applicable to ISBE programs noted in the subrecipient reports. A desk review checklist is used to document the review of the subrecipients' single audit reports.

(Continued)

During our review of a sample of 43 subrecipient single audit desk review files (sampled from each of ISBE's major programs and the 21st Century, SIG, and CTE programs), we noted ISBE does not have adequate resources to ensure that single audit reports are obtained and reviewed timely after the reports are accepted by the Federal Audit Clearinghouse (FAC). Timeframes for completing the initial reviews were as follows:

Number of Days	Number of Subrecipients
Less than 90	7
91-120	3
121-150	4
151-180	19
180+	10

As a result of the review timeframes noted above, we noted ISBE did not complete reviews and issue management decisions on reported findings timely in accordance with the timeframes established in the Uniform Guidance. Specifically, we noted the following:

- ISBE did not issue management decisions on reported findings within six months of acceptance of the single audit report by the FAC as required for five subrecipients. The delay in management decision issuance ranged from 14 to 149 days beyond the required timeframe.
- ISBE did not complete the reviews of single audit reports within six months of acceptance of the single audit report by the FAC for six subrecipients. Although none of these audit reports contained ISBE related program findings, ISBE does not have adequate resources to ensure audit reports are reviewed in a timely basis in order to issue a management decision within the required timeframe. The delay in review ranged from 2 to 29 days beyond the required timeframe.

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
CNC	$674,837,000	$678,668,000	99.4%
CACFP	147,156,000	149,504,000	98.4%
Title I	603,025,000	619,045,000	97.4%
Special Education	494,005,000	504,888,000	97.8%
CTE	23,295,000	39,402,000	59.1%
21st Century	37,419,000	39,644,000	94.4%
Title II	80,323,000	85,061,000	94.4%
SIG	20,559,000	20,833,000	98.7%

(Continued)

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved. Additionally, 2 CFR 200.331(d)(3) and 2 CFR section 200.521(d) state that a pass-through entity is required to issue a management decision on Federal award audit findings within six months of acceptance of the subrecipient's audit report by the FAC and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure Single Audit reports are reviewed in a timely manner and management decision letters are issued within required timeframes.

Cause:

In discussing these conditions with ISBE officials, they stated single audit reviews were delayed at the beginning of the cycle in anticipation of the new GATA Centralized Audit Report Review Management System (ARRMs), to be released in December 2017 but was unexpectedly delayed and released in June 2018. In addition, the GATA division's single audit review team had unexpected staff shortages which required prioritizing the review of audits with findings, and caused further delay in single audit reviews.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to issue required management decisions within six months of acceptance of the audit report by the FAC results in noncompliance with federal regulations.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-042. (Finding Code 2018-043, 2017-042, 2016-050, 2015-046)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE establish procedures to ensure subrecipient single audit reports are obtained and reviewed within established deadlines and management decisions are issued for all findings affecting its federal programs in accordance with required timeframes.

(Continued)

Views of ISBE Officials:

The Agency agrees with the finding. The fiscal year 2019 review process (of fiscal year 2018 Single Audits) will be changed because of the Grant Accountability and Transparency Act (GATA). The State now contracts with a CPA firm to perform single audit reviews. The reviews are tracked and documented in the GATA ARRM System. The changes in the review process will allow current ISBE staff to focus on completing finding reviews and management decision memos in a timely manner. In addition, ISBE will continue to make efforts to add additional staff resources for audit reviews.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Special Education Cluster (IDEA)

CFDA # and Program Expenditures: 84.027/84.173 ($504,888,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-044 – *Failure to Obtain Certifications for IDEA Child Count*

Condition Found:

ISBE did not obtain certifications from local educational agencies (LEAs) or other educational institutions that their counts of children with disabilities receiving special education and related services were unduplicated and accurately reported for the Special Education Cluster program.

On an annual basis, States must count and report the number of children with disabilities receiving special education and related services between October 1 and December 1 to the USDE's Office of Special Education and Rehabilitative Services. States are required to obtain certifications from LEAs and other educational institutions that an unduplicated and accurate count of students with disabilities receiving special education services has been reported.

In preparing the annual report of children served under IDEA, ISBE collects special education student data from LEAs and educational institutions and aggregates the data from each district to determine the total State child count. During our testing of the annual IDEA child count, we noted ISBE had not obtained required certifications from the LEAs stating that the data submitted was accurate and unduplicated.

Criteria or Requirement:

According to 34 CFR section 300.640 and 300.641, States must count and report the number of children with disabilities receiving special education and related services between October 1 and December 1 of each year. Under 34 CFR section 300.643, this annual report of children served must include certification from an authorized State official that the child count is accurate and unduplicated.

34 CFR section 300.645 requires the State to, among other things, obtain a certification from each LEA that an unduplicated and accurate count of the number of students with disabilities receiving special education services has been made.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure required certifications are obtained.

Cause:

In discussing these conditions with ISBE officials, they stated the data collection process was not designed to include a certification at the LEA level.

Possible Asserted Effect:

Special Education Cluster funds are awarded by the USDE based on a Federal Statutory formula, for which the number of children served is a factor. Failure to obtain required certifications may result in an inaccurate child count and inhibits the ability of USDE to properly award program funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-043. (Finding Code 2018-044, 2017-043)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE personnel complete their plans to integrate certifications from LEAs and other educational institutions that child counts reported are unduplicated and accurate, in order to appropriately prepare the annual report of children served under the Special Education Cluster.

Views of ISBE Officials:

The Agency agrees with the finding. The new district certification process has been developed and is in place for the 2018-2019 school year.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($678,668,000)
10.558 ($149,504,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-045 – *Failure to Follow On-Site Monitoring Plan for CNC and CACFP Subrecipients*

Condition Found:

ISBE did not perform adequate on-site monitoring procedures in accordance with its established plan for subrecipients of the Child Nutrition Cluster (CNC) and the Child and Adult Care Food Program (CACFP) programs.

USDA program regulations for the CNC and CACFP programs require ISBE to perform on-site fiscal and administrative monitoring procedures on a cyclical basis. For the CNC program, an administrative review of all school food authorities is required every three years (at a minimum). For the CACFP program, at least 1/3rd of all institutions must be reviewed on-site annually. Technical assistance and follow-up procedures for prior reviews are conducted based upon a risk-based approach in addition to the required cycle reviews each year for both programs.

During our review of the 67 CNC (26 from Summer Food Services and 41 from School Nutrition) and 43 CACFP subrecipients selected for testing, we noted ISBE did not follow timeframes established in its on-site monitoring plan for communicating findings, collecting corrective action plans, and closing out monitoring files. Specifically, during our testwork of the 67 CNC and 43 CACFP subrecipients referenced above, we noted ISBE did not communicate findings for 27 reviews within 60 days of the completion of review procedures and did not close out 16 reviews within 60 days of receipt of the subrecipients' corrective action plan (CAP). Timeframes for completing these activities were as follows:

Number of Days	Number of Subrecipients Receiving Untimely Notification of Findings		Number of Subrecipients Whose Monitoring Files Were Not Closed Timely	
	CNC	CACFP	CNC	CACFP
61-90	3	6	6	1
91-120	3	1	5	–
121-150	2	1	2	1

151-180	2	–	1	–
180+	8	1	–	–

Additionally, for two CNC subrecipients, we noted the on-site review files were still open as of the conclusion of our testing (January 9, 2019), and ISBE had not yet obtained the corrective action plan for the subrecipients.

We also noted two CNC subrecipients whose monitoring files were closed timely following receipt of the subrecipients' CAPs; however, ISBE did not receive the subrecipients' CAPs within a timely manner once the review was completed. Delays in receiving the CAPs ranged from 116 to 173 days after the subrecipients were notified of their findings.

ISBE's subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program Name	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
CNC	$674,837,000	$676,668,000	99.4%
CACFP	147,156,000	149,504,000	98.4%

Criteria or Requirement:

According to 2 CFR sections 200.331(d) through (g), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, that performance goals are achieved, and consider whether the results of the subrecipient's audits or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring adequate monitoring procedures are performed for subrecipients and the results of monitoring procedures are communicated and on-site review files are completed and closed out in a timely manner.

Cause:

In discussing these conditions with ISBE officials, they stated the Nutrition Division continued to have staffing issues during fiscal year 2018, with four less personnel than the normal full time staffing level of 16 personnel.

Possible Asserted Effect:

Failure to properly monitor subrecipients and communicate monitoring results may result in undetected noncompliance and subrecipients not properly administering Federal programs in accordance with laws, regulations, and grant agreements.

Repeat Finding:

A similar finding was reported in prior year audit as Finding No. 2017-044. (Finding Code 2018-045, 2017-044, 2016-049)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE review its monitoring procedures and implement additional procedures as necessary to ensure proper monitoring procedures are performed for all programs. Additionally, we recommend ISBE review its procedures for communicating monitoring results and closing out on-site monitoring files and implement additional procedures to ensure timely completion of these activities.

Views of ISBE Officials:

The Agency agrees with the finding. Nutrition has hired four monitors and is in the process of training them to conduct onsite reviews. In addition, Nutrition has hired a staff member to track reviews, review reports and correspondence to ensure the reviews are completed as required in review procedures. Nutrition continues to work with IT staff to modify the letter series in Web-based Illinois Nutrition System (WINS) to promote more timely notification letters to sponsors. Finally, Nutrition is working with IT staff on modifying WINS to display reviews in a priority manner to ensure more timely responses for reviews.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Agriculture (USDA)
U.S. Department of Education (USDE)

Program Name: Child Nutrition Cluster
Child and Adult Care Food Program
Title I – Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-First Century Community Learning Centers
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

CFDA # and Program Expenditures: 10.553/10.555/10.556/10.559 ($678,668,000)
10.558 ($149,504,000)
84.010 ($619,045,000)
84.027/84.173 ($504,888,000)
84.287 ($39,644,000)
84.367 ($85,061,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-046 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

ISBE did not accurately report Federal expenditures, including amounts passed through to subrecipients, under the Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP), Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (Special Education), Twenty-First Century Community Learning Centers (21st Century), and Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II) programs.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) did not agree to ISBE's financial records. Specifically, we noted the following differences for the year ended June 30, 2018:

Program	**Federal Expenditures Reported in ISBE's Records**	**Federal Expenditures Initially Reported to the IOC**	**Difference**
CNC	$676,367,000	$676,649,000	$(282,000)
CACFP	149,218,000	149,395,000	(177,000)
Title I	618,643,000	619,045,000	(402,000)
Special Education	504,906,000	504,799,000	107,000
21st Century	39,510,000	39,644,000	(134,000)
Title II	82,829,000	82,931,000	(102,000)

(Continued)

In addition, we noted the following differences relative to amounts passed through to subrecipients for the ISBE's major programs, as follows:

Program	**Amounts passed to Subrecipients Reported in ISBE's Records**	**Amounts passed to Subrecipients Initially Reported to the IOC**	**Difference**
CNC	$674,653,000	$674,837,000	$(184,000)
Title I	602,879,000	603,025,000	(146,000)
Special Education	490,490,000	494,005,000	(3,515,000)
Title II	80,580,000	80,323,000	$257,000

Upon further investigation, we noted the differences identified in the tables above primarily relate to prior period adjustments to receivables and deferred revenue which should not be reflected in current year cash basis expenditures and amounts passed through to component units of the State of Illinois reporting entity. Additionally, the differences between the federal expenditures and amounts passed to subrecipients reported in ISBE's records in the tables above and the Statewide SEFA may be the result of: (1) errors identified and corrected by the IOC, (2) errors reported by other auditors which were corrected in the SEFA, or (3) expenditures reported by other State agencies. Although most of the differences identified in the tables above and discussed in the preceding sentence are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process, as discussed in finding 2018-001. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

Cause:

In discussing these conditions with ISBE officials, they stated the issues are primarily attributable to the statewide reporting process using the same form, Form SCO-563, for determining modified accrual and cash basis expenditures to report in the agency's financial statements and SEFA, respectively.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-046. (Finding Code 2018-046, 2017-046, 2016-053, 2015-049, 2014-041)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

Views of ISBE Officials:

The Agency agrees with the finding. The State of Illinois GAAP reporting process does not have a process in place to evaluate non-cash transactions that are required to be included in expenditure data submitted to the IOC as part of the GAAP reporting process. ISBE will continue to follow Generally Accepted Accounting Principles as well as procedures outlined by the State Comptroller when compiling data for the preparation of the Agency's financial statements. In addition, ISBE will continue to work closely with the auditors to provide all information required to be reported in the Auditors' Federal Expenditures Questionnaires, as the information becomes available. Finally, a reconciliation will continue to be provided to the Auditors detailing the non-cash transactions which should be adjusted from the Form SCO-563 to prepare a cash basis SEFA.

(Continued)

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Title I – Grants to Local Educational Agencies
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

CFDA # and Program Expenditures: 84.010 ($619,045,000)
84.367 ($85,061,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-047 – *Inadequate Controls Over Maintenance of Effort Requirements for Subrecipients*

Condition Found:

ISBE did not take appropriate action for a subrecipient that did not meet maintenance of effort (MOE) requirements for the Title I – Grants to Local Educational Agencies (Title I) and Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II) programs during the year ended June 30, 2018.

Local educational agencies (LEAs) are required to maintain expenditures from state or local sources at a level of at least 90% of the prior year expenditures (measured either on a per-student or aggregate expenditure basis). LEAs who fail to meet the MOE requirement must obtain a waiver of the requirement or receive a reduction in their federal funding equal to the MOE shortage. ISBE requires LEAs to submit an Annual Financial Report (AFR) and student attendance data each year, which ISBE uses to determine whether the MOE requirements have been met.

During our testing, we noted ISBE identified five LEAs that failed to meet the MOE requirements for the year ended June 30, 2017; however, ISBE only obtained waivers of the MOE requirements from USDE for four of the LEAs. As a result of our testing, ISBE reduced the federal funding of the LEA by $3,354 (approximately 4%) in January 2019.

ISBE's subrecipient expenditures under the applicable major federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
Title I	603,025,000	619,045,000	97.4%
Title II	80,323,000	85,061,000	94.4%

(Continued)

Criteria or Requirement:

According to 34 CFR 299.5, a local educational agency (LEA) may only receive funds under the Title I, Part A, Title II, Part A, and other federal programs if the state educational agency (SEA) finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by USDE.

20 USC 7901 states if an LEA fails to maintain fiscal effort and a waiver is not granted by USDE, the SEA must reduce the LEA's allocation under a covered program if the LEA also failed to maintain effort in one or more of the five immediately preceding fiscal years in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA).

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure any LEAs (subrecipients) failing maintenance of effort requirements are identified and appropriate action is taken.

Cause:

In discussing these conditions with ISBE officials, they stated the failure to obtain the waiver was due to an oversight by staff. The member did not log the MOE so the team could continue with the necessary steps to proceed in a timely manner.

Possible Asserted Effect:

Failure to accurately and timely identify LEAs failing maintenance of effort requirements may result in over-awards of federal funding to subrecipients and could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was not reported in prior year audit. (Finding Code 2018-047)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISBE establish procedures to ensure waivers are obtained or federal funding is reduced for all LEAs (subrecipients) that do not meet MOE requirements.

(Continued)

Views of ISBE Officials:

The Agency agrees with the finding. The work request has been approved to automate the maintenance of effort calculation. Procedures have been established with the Data and Strategy Analytics Division to timely notify the Title Grants Administration Division of subrecipients that did not meet MOE. The Title Grants Administration Division will work closely with the subrecipient to submit the required justification to USDOE. When a waiver is not approved by USDOE, the Title Grants Administration Division will notify and reduce the subrecipient's federal funds immediately.

State Agency: Illinois Community College Board (ICCB)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($39,402,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-048 – *Inadequate Risk Assessment of Subrecipients of the CTE Program*

Condition Found:

ICCB does not perform an adequate risk assessment of subrecipients of the Career and Technical Education (CTE) program as required by Uniform Guidance.

ICCB passed through approximately $14,442,000 of federal funding under the CTE program to 39 community colleges and 2 state universities (subrecipients) during the year ended June 30, 2018. ICCB is required to perform a risk assessment for each subrecipient to determine the appropriate monitoring procedures. During our audit, we noted the risk assessment performed by ICCB did not adequately address all potential risks related to its subrecipients and was not used to determine the monitoring procedures performed by ICCB.

Specifically, we noted ICCB's risk assessment was based on subrecipient responses to an internal control questionnaire submitted by each of its subrecipients to the Grant Accountability and Transparency Act Unit (GATU). This internal control questionnaire asks a variety of questions, including, among other things, the results of previous audits, levels of federal funding, and capabilities relative to administering federal funds. The results of these questionnaires were summarized by ICCB into ten risk categories and were used to determine whether on-site monitoring or desk reviews would be performed.

During our review of the risk assessments performed for three subrecipients of the CTE program (with expenditures totaling $639,436), we noted ICCB's risk assessment procedures only require on-site visits for subrecipients identified as high risk and the only criteria which results in a high risk assessment is if the subrecipient acts as a pass through entity for the program. Accordingly, ICCB determined that none of the 41 CTE subrecipients required an on-site monitoring visit as none were determined to be high risk based on the criteria.

However, in reviewing the monitoring actually conducted by ICCB during fiscal year 2018, we noted ICCB performed 8 fiscal desk reviews in fiscal year 2018 consistent with its previously established cyclical monitoring approach. No on-site reviews were performed for CTE subrecipients. Accordingly, while the risk assessment procedures were not adequate to identify higher risk subrecipients, it does not appear the risk assessment procedures performed were used to determine the monitoring to be performed.

(Continued)

Amounts passed through to subrecipients of the CTE program totaled $14,442,000 during the year ended June 30, 2018.

Criteria or Requirement:

According to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing adequate risk assessment procedures required by the Uniform Guidance for the purposes of determining the appropriate subrecipient monitoring relating to the subaward for CTE subrecipients.

Cause:

In discussing these conditions with ICCB officials, they stated the Board was unable to devise and implement an adequate risk assessment and monitoring procedure prior the end of fiscal year 2018 due to the timing of the prior year audit findings.

Possible Asserted Effect:

Failure to adequately evaluate each subrecipient's risk of noncompliance and perform the appropriate monitoring may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and terms and condition.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-047. (Finding Code 2018-048, 2017-047, 2016-055)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ICCB review and revise their risk assessment procedures to ensure the risk criteria used will appropriately identify high risk subrecipients. Additionally, the risk assessment should be used to determine the appropriate level of monitoring to be performed for each subrecipient.

(Continued)

Views of ICCB Officials:

The Board has developed and implemented a more robust risk assessment process than what was designed as part of the Grant Accountability and Transparency Act. The Board has reviewed and is revising its risk assessment procedures to ensure the risk criteria used appropriately identifies high risk subrecipients. Additionally, the risk assessment is used to determine the appropriate level of monitoring to be performed for each subrecipient. Beginning in fiscal year 2019, with the monitoring of fiscal year 2018 grants, this new process is in place and monitoring has begun.

State Agency: Illinois Community College Board (ICCB)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($39,402,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-049 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

ICCB did not accurately report expenditures under the Career and Technical Education – Basic Grants to States (CTE) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to ICCB's financial records. Specifically, we noted the following differences for the year ended June 30, 2018:

SEFA Caption	Amount per ICCB's Records	Amounts Reported on the Initial SEFA	Difference
Federal expenditures	$15,553,000	$15,284,000	$269,000
Amounts passed through to subrecipients	15,055,000	14,442,000	613,000

Although the difference identified is not quantitatively material to the SEFA, as a whole, the State does not have a process in place to evaluate items of this nature outside the audit process, as discussed in finding 2018-001. Accordingly, any error which may be material to the SEFA (in quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

(Continued)

Cause:

In discussing these conditions with ICCB officials, they stated they stated the total expenditures reported on the SCO-567 were reduced by $268,400 to account for prior year refunds. Additionally, ICCB did not include amounts listed on the SCO-568 as pass-through amounts to universities, totaling $612,500, on the total amount to subrecipients listed on the SCO-567 due to an oversight.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with 2 CFR 200 (Uniform Guidance), which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-048. (Finding Code 2018-049, 2017-048, 2016-057, 2015-051)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ICCB establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC.

Views of ICCB Officials:

The Board believes that this error is immaterial to the SEFA as a whole. The Board will work to ensure correct identification of sub-recipients and sub-recipient expenditures and reporting of prior year refunds for the purposes of accurate SEFA reporting.

(Continued)

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: U.S. Department of Education (USDE)

Program Name: Federal Family Education Loan Program – Guaranty Agencies

CFDA # and Program Expenditures: 84.032G ($3,814,447,000)

Award Numbers: None

Federal Award Year: July 1, 2017 to June 30, 2018

Questioned Costs: Cannot be determined

Finding 2018-050 – *Inadequate Process to Verify Unreported Loans*

Condition Found:

ISAC does not have an adequate process to verify unreported loans.

ISAC maintains loan level information in its guaranty loan subsidiary ledger (guaranty system) for all loans guaranteed by ISAC through the Federal Family Education Loan program. This information is reported to the National Student Loan Data System (NSLDS). The information in the guaranty system is updated by lenders through an electronic lender manifest (update file) submitted to ISAC on a monthly basis.

In addition to lender manifests, ISAC has additional processes in place to identify and adjust the guaranty system records for loans with no activity reported from lenders. The first process is the “presumed paid” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have been in repayment status for twelve years, and that have not been updated through any lender reporting in the past four years. These criteria are consistent with criteria established by the USDE for identifying loans that have been presumed paid. The status of these loans is then changed from repayment to presumed paid, and reported as such to the NSLDS.

The second process is called the “unreported loans” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have not been updated through the lender manifest reporting process during the previous 180 days. Any loans included on this listing are sent to the lenders with instructions to review the loan information and update as appropriate in the next lender manifest. However, ISAC has limited means to follow-up with the lenders to verify that the lenders have made the appropriate changes. The primary mechanism available to ISAC is compliance reviews of the lenders performed every biennium via the Common Review Initiative (CRI) process.

During our testwork over the accuracy of the loan information included in the guaranty system, we selected a sample of 100 student loans (with loan balances totaling $994,709) to confirm the accuracy of the loan information with the lender and noted the following exceptions:

- A loan confirmation (with a loan balance of $3,500) was returned as undeliverable. Upon further investigation, ISAC was unable to facilitate locating the respondent.

(Continued)

- Confirmations for 8 loans (with loan balances totaling $54,426) were returned identifying differences related to the status of the loan (e.g., loan holder, loan amount, etc.).

The outstanding principal balance on loans guaranteed by ISAC totaled $2,844,211,000 as of June 30, 2018.

Criteria or Requirement:

In accordance with 34 CFR Section 682.404(a), (b), and (c), a guaranty agency shall accurately complete and submit to the Secretary a Form 2000 report as the Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure loan information is properly verified and reported to the NSLDS.

Cause:

In discussing these conditions with ISAC officials, they stated ISAC recognizes the importance of obtaining accurate and timely data from its lenders and supports standard reporting formats and schedules to ease the reporting process for lenders. As there is not a federal requirement for lenders to respond to the unreported loans report, ISAC relies on standard business processes with the approval of the USDE to verify unreported loans.

Possible Asserted Effect:

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-049. (Finding Code 2018-050, 2017-049, 2016-058, 2015-055, 2014-047, 2013-040, 12-53, 11-60, 10-62, 09-58, 08-64)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

Views of ISAC Officials:

ISAC will continue to support the business processes that accept changes and updates to loan records:

- ISAC will continue to process monthly lender manifest submissions.

- ISAC will continue its “presumed paid” process which is a method to change the loan status to presumed paid for loans that have been in repayment status for twelve years and that have not been updated through any lender reporting in the past four years.
- ISAC will continue to create the semi-annual unreported loans report as the means for lenders to report changes and updates to loan records.
- ISAC will continue to initiate an unreported loans follow up process with e-message reminders to lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission. The reminders will be sent at regular intervals to remind lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission.
- ISAC will continue to participate in the Common Review Initiative (CRI) to conduct the compliance audits of participating lenders

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-051 – *Failure to Maintain Adequate Supporting Documentation for UI Program Administrative Grants*

Condition Found:

IDES could not provide appropriate supporting documentation for certain cash draws, adjustments, and financial and special reports for administrative grants of the Unemployment Insurance (UI) program.

Certain compliance requirements for the UI program are dependent on queries and other reports generated from data within the State's Enterprise Resource Planning (ERP) system. During our audit, we noted monthly financial closing procedures were not performed and IDES was unable to generate reports necessary to support its administrative grants throughout the audit period. Specifically, we noted the following:

- IDES management was unable to provide supporting documentation which agreed to or could be reconciled to administrative cash draw requests made during the year ended June 30, 2018.
- IDES management was unable to demonstrate the population of UI administrative grant adjustments was complete and accurate due to ERP data integrity issues.
- Financial and special reports prepared by IDES were based upon queries of ERP data which could not be reperformed or tested for completeness and accuracy.

In addition, IDES was unable to provide a Service Organization Control (SOC) report covering ERP application or the general information technology controls relevant to the ERP. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to conclude on the cash management, period of performance, and reporting (ETA 9130 – *Financial Status Report, UI Programs* and ETA 2208A – *UI Contingency Report)* compliance requirements applicable to the UI administrative grants.

IDES reported total UI administrative expenditures of approximately $186,200,000 in the SEFA as of and for the year ended June 30, 2018.

Criteria or Requirement:

According to 2 CFR 200.302, each State must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions, and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate supporting cash draws for administrative cash draw requests, adjustments, and financial and special reports for the federal programs.

Cause:

In discussing these conditions with IDES officials, they stated that gaps in data accuracy and ERP reporting capabilities are caused by resource limitations both at IDES and the Department of Innovation and Technology (DoIT).

Possible Asserted Effect:

Failure to maintain supporting documentation for administrative cash draws, adjustments, and certain financial and special reports prohibit the completion of an audit and prevents the USDOL from effectively monitoring the UI program.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-052. (Finding Code 2018-051, 2017-052)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure adequate supporting documentation is maintained for administrative cash draw requests, adjustments, and certain financial and special reporting applicable to its federal programs.

Views of IDES Officials:

The Department accepts this finding and will continue to pursue the development of accurate federal reports and the remediation of the asset data in the ERP system with DoIT.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-052 – *Failure to Implement UI Program Integrity and Overpayment Reduction Requirements*

Condition Found:

IDES did not implement Federal requirements to improve program integrity and reduce overpayments.

The State is required to establish written procedures for: (1) identifying overpayments, (2) classifying overpayments into categories based on the reason the overpayment occurred (i.e. employer error, non-response from employers, beneficiary fraud, etc.), and (3) establishing appropriate methods for following up on each category of overpayment. In establishing these procedures, the State is required to enter into three agreements prior to commencing recoveries. The first agreement permits the State to offset State UI from Federal UI overpayments (Cross Program Offset and Recovery Agreement). The second agreement permits the State to recover overpayments from benefits being administered by another State (Interstate Reciprocal Overpayment Recovery Agreement). The third agreement permits the State to utilize the Treasury Offset Program to recover overpayments that remain uncollected one year after the debt was determined to be due. Additionally, the State is (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) prohibited from providing relief from charges to employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

During our testwork, we noted that while IDES has developed the written procedures relative to overpayments and entered into the required agreements described in the previous paragraph, the written procedures did not address the requirement to impose a monetary penalty on fraud overpayments. Additionally, we noted the policies do not address the prohibition of providing employers relief resulting from an employer failing to provide timely or adequate information.

Criteria or Requirement:

42 U.S.C. 503(a)(11)(A) requires States to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayment. In addition, 26 U.S.C. 3303(f)(1)(A) prohibits States from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

(Continued)

26 U.S.C. 3304(a)(4)(D) and 42 U.S.C. 503(g)(1) require States to recover overpayments through offset against UC payments. In addition 42 U.S.C.503(m) requires States to utilize the Treasury Offset Program for overpayments that remain uncollected one year after the debt was determined to be due.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure program integrity and overpayment reduction requirements are implemented.

Cause:

In discussing these conditions with IDES officials, they stated the project to implement overpayment detection and auditing processes within IBIS has taken longer to complete than originally estimated. This project has the 15% fraud penalty as one of the deliverables. In addition, IDES continued to have difficulty in determining the best method for implementing the non-charging prohibition.

Possible Asserted Effect:

Failure to implement Federal requirements could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2017-053. (Finding Code 2018-052, 2017-053, 2016-061, 2015-056)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES develop and implement written procedures to improve UI program integrity and reduce overpayments that incorporate the required monetary penalty on fraud overpayments and prohibit providing relief to employers who fail to provide timely and adequate responses to information requests.

Views of IDES Officials:

The Department accepts this finding. The 15% penalty on fraud overpayments has been programmed and is currently in user acceptance testing. It will be implanted by September 2019 when all overpayment detection and auditing functions will be fully integrated in IBIS. The department has identified a process to implement the prohibition on non-charging due to employer fault per federal guidelines and will be implemented no later than December 31, 2019.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-053 – *Failure to Issue Eligibility Determinations within Prescribed Timeframes*

Condition Found:

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

UI eligibility determinations are made during the initial intake of the claim and are monitored throughout the benefit payment period. If the claimant does not meet certain eligibility criteria either during the initial intake of the claim or throughout the benefit payment period, or if an employer disagrees with the initial eligibility determination, an issue is identified in the system and the claim requires further action prior to benefits determination. The claim is then assigned to a claims adjudicator for resolution through system workflow. The system monitors the number of days the claim has been outstanding since the initial detection date, which is the date on which IDES detected an issue on the claim which could affect past, present, or future benefit rights.

During our review of the fiscal year 2019 State Quality Service Plan (Plan) submitted by IDES to the USDOL, we noted IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the 2018 performance period (April 1, 2017 to March 31, 2018), resolving only 79.7% of these determinations within 21 days of the detection date.

Criteria or Requirement:

According to 20 CFR Part 640.3, state laws are required to include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible. According to the Unemployment Insurance Program Letter No. 14-05, Attachment C, issued by the Employment and Training Administration Advisor System of the USDOL, 80% of non-monetary determinations must be made by state workforce agencies within 21 days of the detection date.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the nonfederal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure eligibility determinations are performed in accordance with required timeframes.

Cause:

In discussing these conditions with IDES officials, they there are a number of factors that have contributed to the Department's failure to issue timely determinations, the most of which are the volatility of staffing resources and a backlog of adjudications resulting from an inefficient process

Possible Asserted Effect:

Failure to issue eligibility determinations within prescribed timeframes could result in the untimely payment of unemployment benefits.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2017-054. (Finding Code 2018-053, 2017-054, 2016-062, 2015-058, 2014-049, 2013-048)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

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

Views of IDES Officials:

The Department accepts this finding. Continuous improvement in timeliness has been such that the Department has met the timeliness goal for every quarter since the 4th quarter of 2017. Focus on the timeliness performance goals is a priority with the Department and additional work continues on identified issues.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-054 – *Inadequate Process for Preparing UI Financial Reports*

Condition Found:

IDES does not have an adequate process in place to ensure all financial reports prepared for the Unemployment Insurance (UI) program are accurate.

On a quarterly basis, IDES is required to report information on overpayments of intrastate and interstate UI claims under the regular State UI program and under federal UI programs, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service Members (UCX) on the *ETA 227 – Overpayment Detection and Recovery Activity* (ETA 227) report. The information required to be reported includes the number and dollar amounts of claims with overpayments during the quarter identifying what caused the overpayment and how it was detected. An aging and reconciliation of outstanding overpayments is also required to be reported.

During our testwork of two quarterly ETA 227 reports, we noted the amounts reported by IDES on several required line items did not agree to the supporting documentation provided by IDES during our audit. The errors identified related to the number of fraud and non-fraud overpayment cases established (Section B), the dollar amount recovery of the overpayments (Section C), and the aging of the benefit overpayment accounts (Section E). As of the date of our testwork (January 28, 2019), IDES had not revised the report or reconciled any of the differences identified.

Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IDES personnel are accurate. Specifically, we noted IDES does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to ET Handbook 401, 5th Edition, IDES is required to submit quarterly overpayment detection and recovery activity reports (known as ETA 227 reports) by the first day of the second month after the quarter of reference.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the accuracy of information reported in required financial reports.

Cause:

In discussing these conditions with IDES officials, they stated the discrepancies are a result of a currently manual process to compile the reports with data from multiple systems that do not interact.

Possible Asserted Effect:

Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2017-055. (Finding Code 2018-054, 2017-055, 2016-065, 2015-060, 2014-051)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES review its procedures for preparing financial reports required for the UI program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

Views of IDES Officials:

The Department accepts the finding and is in the process of integrating the functionality of legacy benefit payment control systems into the Illinois Benefit Information System (IBIS). This integration will provide for a single data source for reporting financial activity related to benefit overpayments. The project however remains behind schedule and will not be functional until late summer 2019. The goal is to produce the ETA 227 report for the 1st quarter of 2020 which is scheduled to be submitted to ETA May 1, 2020.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-055 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IDES did not accurately report Federal expenditure information under the Unemployment Insurance (UI) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDES' financial records. Specifically, we noted the following differences for the year ended June 30, 2018:

Program	Amounts Reported per IDES' Records	Amounts Reported on the SEFA	Difference
Unemployment Insurance	$1,885,226,000	$1,885,089,000	$137,000

Although the difference identified above is not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information for audit purposes is complete and accurate.

 (Continued)

Cause:

In discussing these conditions with IDES officials, they stated the error was a result of the constraints of the State Comptroller Office (SCO) 563 form used to report this information.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2017-057. (Finding Code 2018-055, 2017-057, 2016-069, 2015-064, 2014-050, 2013-044)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Views of IDES Officials:

The Department agrees with the finding and will continue to work with the Comptroller to arrive at a resolution. Upon an agreement and resolution, IDES will establish new procedures to accurately report the expenditures meeting the requirements and needs of both the IOC and the SEFA.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-056 – *Inadequate Controls over Information Systems*

Condition Found:

IDES does not have adequate controls over the information systems that support the Unemployment Insurance (UI) Program to remove terminated users in a timely manner.

The information technology systems that support the UI Program include the following:

- The Illinois Benefits Information System (IBIS)
- The Benefit Charging System (BCS)
- The Overpayment Recovery System (ORS)
- The Benefits Audit and Reporting System (BARTS)

The IBIS is the centrally maintained information system designed to perform and document claimant eligibility determinations, to process claims for unemployment insurance benefits, and to assist IDES in complying with the requirements of the UI Act rules, policies, and procedures applicable to the UI benefits. IBIS also interfaces with GenTax, an application administered by the Illinois Department of Revenue (IDOR), which is used to calculate UI employer tax amount and store all of the employer wage data and remittance information for UI taxes, including the employer setup information. GenTax replaced the Wage Information System (WIS) and the Benefit Funding System (BFS), which were legacy systems used to administer UI tax in the State of Illinois. The BCS is the system that charges the employment tax rates to the employer accounts. The ORS is designed to detect and report over payments and the BARTS helps direct, determine and collect UI fraudulent claims.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually-assigned identifiers which control/limit access to the systems that support the UI Program.

Requests for new system access or termination of access must be approved by the cost center manager through the use of the TSS-001 Form. The user IDs are automatically deleted once employment has terminated as each pay period a job is run which checks employee status against the personnel database. When this job identifies employees who have terminated, the user ID for the individual is deleted. Any modification of access must also be approved by the cost center manager through the use of the TSS-006 Form. It is the cost center manager's responsibility to determine the proper on-line access for each employee.

During our testwork over the access, program change and development, and computer operations controls over the applications identified above, we noted the following:

- User access review procedures were not performed for one of the fifteen cost centers sampled in our testing
- Access rights were terminated more than 15 days after the payroll termination date for 4 out of 25 terminated mainframe users tested. Delays in terminating access ranged from 1 to 6 days.

Additionally, we noted IDES has not established adequate controls over compliance to ensure the data it receives from the GenTax system is complete and accurate to meet the compliance objectives of the UI program. During our consideration of application controls over the employer experience rating and the Federal Unemployment Tax Act (FUTA) match compliance requirements and ETA 581 financial reports, we noted the following exceptions in our testing of general IT controls:

- A proper segregation of duties has not been established for changes to the application. Specifically, we noted 24 GenTax users have the ability to modify production code and data, as well as the ability to migrate changes into production. As a result, these individuals may introduce unintentional changes into production that may not be detected.
- Access rights were terminated more than 15 days after the payroll termination date for 3 out of 25 terminated GenTax users tested. Delays in terminating access ranged from 17 to 19 days.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of IDES' federal programs, including applications not directly administered by IDES, are adequately secured, have proper change management controls in place, and that user access reviews are performed.

Cause:

In discussing these conditions with IDES officials, they stated Cost Center Managers have not been held accountable for the timely review of semi-annual software security reviews nor for submitting timely termination requests for both mainframe and GenTax users. Regarding the lack of segregation of duties for GenTax developers, GenTax development staff at IDES were given the same security configurations as IDOR staff which provided development leads the ability to create production system changes and to approve/schedule these changes for migration to production.

(Continued)

Possible Asserted Effect:

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-056. (Finding Code 2018-056, 2017-056, 2016-068, 2015-063, 2014-052, 2013-049, 12-59, 11-66)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure access to its information systems is adequately secured and user access reviews are performed. In addition, we recommend IDES implement procedures to verify relevant general IT controls are properly designed, implemented, and operating effectively for information systems administered by other State agencies which are used to meet compliance objectives of IDES' federal programs.

Views of IDES Officials:

IDES accepts the finding and will further implement procedures to ensure the timely review of semi-annual RACF access reviews by reporting potential violations to the IDES Chief of Staff for corrective action (i.e. review and submission of the report). Also, IDES will use the notices of separation submitted via email from the Human Resource Manager as the basis for termination RACF and GenTax termination documents effective the business day following termination. With regard to the segregation of duties for GenTax developers, a restriction was implemented in the GenTax migration tool that enforces a 2nd party review and approval of all code changes prior to being implemented in production. This change was implemented on February 20, 2019.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-057– *Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports*

Condition Found:

The IDES local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports and the reports did not always indicate that a supervisory review had been performed.

The IDES Central Office generates several system (exception and monitoring) reports to facilitate proper payment of Unemployment Insurance (UI) benefits, which are distributed to and monitored by personnel at local IDES offices. In accordance with federal program emphasis, several of the common reports reviewed locally are designed to report claims with unresolved issues that are preventing payment as a tool to ensure payments to eligible individuals are made timely. These reports include the following:

- *Certification Batch Reconciliation Report (CCP002R)* – This report identifies the batches of paper eligibility certifications entered each day as completed or pending. Batches identified as pending are reviewed, processed, certified, and filed by the local office each day.

- *Appeals Requiring Local Action Report (APL011R)* – This report identifies all appealed claims with a central office action that is in conflict with the initial local office action. These claims are reviewed by the local office to ensure the resulting payment actions are appropriate.

- *TRA modified WBA/DC Report (CLI014R)* – This report identifies any changes to a TRA claimant's information and provides the local office with a detailed listing of all manual changes made to the weekly benefit amount (WBA) or dependent information. The case records are reviewed centrally at IDES for claimants identified on this report to ensure appropriate documentation exists to support the changes.

- *Determination End Date Report (CLI011R)* – This report identifies all new claims that were stopped because of an issue that should have been resolved at the time the claim was filed. These claims are reviewed by the local office prior to the first certification to prevent late payments.

 (Continued)

We selected a sample of reports to inspect for each of the key reports identified above. The sample included all applicable local and regional office locations. We reviewed a total of 83 reports and noted that resolution of exceptions and supervisory review was not documented and performed on a consistent basis. Specifically, we noted the following:

- Five exception and monitoring reports did not contain evidence of being worked by the local office staff in a timely manner.
- One exception and monitoring report requested could not be provided. As a result, we were unable to obtain adequate audit evidence to allow us to draw a conclusion as to whether the report was worked timely and properly reviewed.

Criteria or Requirement:

2 CFR 200.303 require non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adequate timely follow up and documentation of review of claim exception reports.

Cause:

In discussing these conditions with IDES officials, they stated the designated staff assigned to review the reports were absent for a period of time and the procedure was not followed wherein the backup staff are utilized to work the report.

Possible Asserted Effect:

Failure to adequately document resolution of claim and monitoring reports could result in the payment of UI benefits to ineligible claimants, which are unallowable costs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-057)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES improve efforts to complete and document the resolution of each claim on the exception and monitoring report (including supervisory review) in a timely manner, and retain the reports as considered necessary to evidence performance of control procedures and facilitate completion of the audit.

(Continued)

Views of IDES Officials:

The Department accepts this finding. The Department has already revisited the procedures with regional management teams and has made them aware of the finding. The Department is planning to review the number of staff designated to work the report(s) statewide and will consider reducing the number of designees and backup staff so that the activity is consolidated and more readily controlled. Also, the regional management teams will begin randomly sampling the exception reports to check for compliance. The proof of such sampling reviews will then be submitted to Central Office management to further ensure compliance.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-058 – *Inadequate Process for Preparing ETA 581 Financial Reports*

Condition Found:

IDES does not have an adequate process in place to ensure the ETA 581 financial reports prepared for the Unemployment Insurance (UI) program are complete and accurate.

On a quarterly basis, IDES is required to report information on volume of work and State agency performance in determining the taxable status of employers and the processing of wage items, on the collection of past due contributions and payments in lieu of contributions, on delinquent reports, on field audit activity, and on other information pertinent to the overall effectiveness of the tax program on the *ETA 581 – Contribution Operations* (ETA 581) report. IDES uses data from the Illinois Department of Revenue's (IDOR) GenTax system to prepare the quarterly ETA 581 reports.

During our testwork of two quarterly ETA 581 reports, we noted several differences between the submitted reports and supporting documentation provided for our testing of receivable amounts reported for employers. IDES determined the differences in the amounts reported in the initial submission of the reports to USDOL resulted from incomplete and inaccurate system generated reports from the GenTax application; however, subsequent attempts to correct these reports identified additional data errors that have not been resolved by IDES. As of the date of our testing (May 6, 2019), IDES has been unable to determine if the information reported in the ETA 581 reports is complete and accurate for any of the quarterly reports submitted during the year ended June 30, 2018.

In considering the reporting process for the ETA 581 reports, we noted adequate internal controls have not been established to ensure reports prepared by IDES personnel are complete and accurate. Specifically, we noted IDES does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities. Additionally, system generated reports are not sufficiently tested by IDES management to determine if all required and relevant data has been reported.

Criteria or Requirement:

According to ET Handbook 401, 5th Edition, IDES is required to submit quarterly contribution operations reports (known as ETA 581 reports) by the 20th day of the second month following the quarter to which it relates.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the completeness and accuracy of information reported in required financial reports.

Cause:

In discussing these conditions with IDES officials, they stated that the inaccurate conversion of certain legacy data has resulted in unreliable reported amounts.

Possible Asserted Effect:

Failure to establish adequate reporting controls may result in incomplete and inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-058)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES review its procedures for preparing the ETA 581 financial reports required for the UI program and any additional procedures considered necessary to ensure the reports are complete and accurate prior to submission to the USDOL.

Views of IDES Officials:

The Department accepts this finding. Additional data checking will be done during report creation to catch legacy problems as they come up.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: $1,441

Finding 2018-059 – *Improper Interest Rate used in the CMIA Interest Calculation*

Condition Found:

IDES used the incorrect annualized interest rate when preparing its federal interest liability calculation prescribed in the Treasury-State Agreement (TSA).

On an annual basis, the State of Illinois negotiates the TSA with the U.S. Department of the Treasury (the Treasury), which details, among other things, the funding techniques to be used for requesting Federal funds and, where applicable, the methods for calculating interest for each Federal program governed by subpart A of the Treasury regulations. The TSA specifies IDES draw funds for the State Benefit Account and the Unemployment Trust Fund using the Pre-Issuance method, which is not interest neutral.

During our testwork of the fiscal year 2017 Cash Management Improvement Act (CMIA) Annual Report, which details the federal and state interest liability calculations prepared by the State, we noted IDES incorrectly used the 2016 average 13-week T-bill rate of 0.19% instead of the 2017 rate of 0.57% when calculating its federal interest liability, resulting in underpayment of federal interest of $1,441.

While the understatement of the federal interest liability is not quantitatively material, we noted the supervisory review controls over the CMIA interest calculation prepared for the UI program do not operate at a level of precision to permit IDES to identify an error in the calculation that could be material to its federal program.

Criteria or Requirement:

According to 31 CFR part 205.6(a), a TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Treasury and the State for each Federal program governed by subpart A of the Treasury regulations. Section 6.3.2 of the 2017 TSA (effective July 1, 2016 to June 30, 2017) states that the Unemployment Insurance program is required to use the Pre-Issuance funding technique for the State Benefit Account and the Unemployment Trust Fund program expenditures. Section 6.2.4 of the 2017 TSA describes the Pre-Issuance funding technique as not being interest neutral and requiring the State to request funds such that they are deposited in a State account not more than three business days prior to the day the State makes a disbursement.

 (Continued)

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure that the interest liability calculation is performed in accordance with the TSA.

Cause:

In discussing these conditions with IDES officials, they stated that there was a redistribution of staff and therefore the staff responsible for the cash management was new to the process.

Possible Asserted Effect:

Failure to perform the interest liability calculation in accordance with U.S. Treasury Regulations could result in an interest liability to the Federal government and noncompliance with Federal regulations.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-059)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure the interest liability calculation is performed in accordance with U.S. Treasury Regulations.

Views of IDES Officials:

The Department agrees with this finding and will ensure an adequate management review is performed prior to submission of the CMIA.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-060 – *Inaccurate Calculation of Dependent Child Allowance Supplemental Benefits*

Condition Found:

IDES did not accurately calculate the supplemental benefit amount for the dependent child allowance paid to certain claimants (beneficiaries) of the Unemployment Insurance (UI) program.

Claimants of the UI program with one or more dependent children are eligible to receive a supplemental payment in addition to their weekly benefit payment known as the dependent child allowance supplemental benefit (supplemental benefit). Program regulations require IDES to calculate the supplemental benefit using a formula tied to the financial condition of the State's unemployment insurance system. The Dependent Child Allowance Rate (DCAR) used to calculate the supplemental benefit cannot be less than 17% or greater than 17.9% of the claimant's prior average weekly wage.

During our testwork of UI program beneficiary payments, we selected a sample of 65 beneficiary payments to review for compliance with eligibility requirements and to determine that the appropriate benefits were paid. For each benefit payment, we inspected supporting documentation to verify the claimants' eligibility under applicable laws and regulations. For 2 of the 65 benefit payments selected (in the amount of $1,583), we noted the supplemental benefit paid to each claimant was underpaid by $1-$2 each week. As a result of the errors identified, IDES performed an analysis to determine the total supplemental benefits underpaid to eligible claimants during the fiscal year and determined there were 25,383 claimants underpaid a total of $112,705 during the year ended June 30, 2018.

IDES has not established adequate controls to ensure supplemental benefits are accurately calculated in accordance with program regulations. Specifically, we noted IDES has not implemented review procedures relative to the calculation of this type of supplemental benefits to identify inaccurate payment amounts.

Dependent child allowance supplemental benefit payments totaled $203,337,000 during the year ended June 30, 2018. UI benefit payments totaled $1,738,845,951 during the year ended June 30, 2018.

Criteria or Requirement:

According to the Unemployment Insurance Act (820 ILCS 405/401), "with respect to each benefit year beginning after calendar year 2012, the dependent child allowance rate shall be the sum of the allowance adjustment applicable pursuant to Section 1400.1 to the calendar year in which the benefit year begins, plus the dependent child allowance rate with respect to each benefit year beginning in the immediately preceding calendar year, except as otherwise provided in this subsection…The dependent child allowance rate with respect to each benefit year beginning…after calendar year 2012 shall not be less than 17.0% or greater than 17.9%."

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include maintaining adequate controls to ensure the dependent child allowance is calculated in accordance with program requirements.

Cause:

In discussing these conditions with IDES officials, they stated that IBIS programming improperly excluded claims established in the prior calendar year that had not received a payment in that year from having its dependent allowance recalculated as part of the annual redetermination process each January.

Possible Asserted Effect:

Failure to appropriately calculate the dependent child allowance supplemental benefit results in noncompliance with program regulations.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-060)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES review its current process for calculating the dependent child allowance supplemental benefit and consider changes necessary to ensure the supplemental benefit is calculated in accordance with program requirements.

Views of IDES Officials:

The Department agrees with the finding. IDES was able to reprogram IBIS to correctly adjust dependent allowance where appropriate based upon the legal parameters for the benefit year of the claim at the time of the annual recalculation each January. IDES implemented these changes prior to January 2019.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-061 – *Inaccurate Reporting of UI BAM Case File Data to USDOL*

Condition Found:

IDES did not accurately report Benefit Accuracy Measurement (BAM) case file data to USDOL for the Unemployment Insurance (UI) program.

On a weekly basis, the State's Benefits Accuracy Measurement program is required to select a statistical sample of approved benefit payments and denied claims to determine if IDES is accurately administering the UI program in accordance with the applicable Federal and State laws. For each sampled case, the BAM investigator review the case record, contact the claimant, employers, and third parties to complete standard questionnaires and to independently verify the accuracy of the eligibility determination. Once the reviews are completed, IDES is required to report data related to each review performed, including among other things, whether or not the BAM investigations performed were subjected to a supervisory review.

During our testwork of 50 BAM case files selected for testing, we noted that one case file was reported to the USDOL as having been reviewed by a supervisor (code 0); however, the case was not subjected to a supervisor review (code 1). In addition, we noted IDES has not established review controls to verify the accuracy of the BAM case file data reported to the USDOL.

Criteria or Requirement:

According to 20 CFR section 602.11(d), State Workforce Agencies (SWA's) are required to operate and maintain a quality control system. In addition, 20 CFR section 602.11(a) requires States provide such methods of administration as will reasonably ensure prompt and full payment of unemployment benefits to eligible claimants, and collection and handling of income for the State unemployment fund, with the greatest accuracy feasible. In addition, according to ET Handbook No. 395, 5th Edition, IDES is required to submit BAM case file data to USDOL when case files are completed.

Further, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing and maintaining adequate controls to ensure the BAM case file data is accurately reported to the USDOL.

 (Continued)

Cause:

In discussing these conditions with IDES officials, they stated that one case was inappropriately closed by a new employee in error.

Possible Asserted Effect:

Failure to accurately report BAM case file data to the USDOL prevents the USDOL from effectively monitoring the UI program and results in noncompliance with program regulations.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-061)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES review its procedures for submitting BAM case files to ensure they are accurately reported prior to submission to the USDOL.

Views of IDES Officials:

The Department agrees with the finding. Continued training has rectified the mistake.

(Continued)

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-062 – *Failure to Prepare and Review Unemployment Trust Fund Reconciliations Timely*

Condition Found:

IDES does not have an adequate process to prepare and review Unemployment Trust Fund (UTF) benefit payment reconciliations for the Unemployment Insurance (UI) program on a timely basis.

Funding for UI benefits comes from the State Unemployment Taxes paid to the State by employers. The tax rate charged to each employer throughout the State varies based on the employer's experience rating. Employers pay their unemployment taxes quarterly to a lockbox. The payments are then deposited into the UTF. These funds are considered Federal money and are on the Pre-Issuance basis per the Treasury State Agreement and require an interest calculation.

On a daily basis, IDES transfers funds from the UTF to its disbursement account at a financial institution based upon the benefit payments by program that were processed for that day in the Illinois Benefit Information System (IBIS). Daily payments are made from its disbursement account to cover the benefit payments. Daily draws are posted to IBIS by a staff accountant based upon the cash requested by IDES' cash management unit. All posted draws are reconciled to IDES' disbursement account on a monthly basis. The reconciliations are prepared by a staff accountant and are required to be reviewed by a supervisor by the 45th day after month end. Separate reconciliations are prepared for (1) Alternative Trade Adjustment Assistance (ATAA) and Reemployment Trade Adjustment Assistance (RTAA) and (2) for all other UI program funding.

During our testwork over the monthly benefit payment reconciliation process, we noted IDES did not prepare and review the reconciliations on a timely basis. Specifically, we noted the September 30, 2017 and June 30, 2018 reconciliations both for ATAA and RTAA and for the remaining UI program funding did not have evidence of supervisory review. In addition, the June 30, 2018 reconciliation for all other UI program funding was not prepared until October 10, 2018.

Criteria or Requirement:

2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the

Federal award. Effective internal controls should include maintaining adequate controls to ensure the UTF benefit payment reconciliations are prepared and reviewed timely and supervisory reviews are documented.

Cause:

In discussing these conditions with IDES officials, they stated staff limitations caused the untimely UTF benefit payment reconciliations.

Possible Asserted Effect:

Failure to prepare and review UTF benefit payment reconciliations timely may result in inaccurate financial reporting and drawing federal funds from the UTF in excess of benefits paid.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-062)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure UTF benefit payment reconciliations are prepared and reviewed timely. Additionally, management review controls should be formally documented.

Views of IDES Officials:

The Department accepts this finding and is in the process of hiring additional personnel. In addition, management will be more diligent on approving reconciliations once completed.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225/17.225ARRA ($1,885,089,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-063 – *Inadequate Controls over Retirement Costs for the Unemployment Insurance Program*

Condition Found:

IDES does not have adequate controls in place over retirement costs charged to the Unemployment Insurance (UI) program.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees. Funding for State employees compensated from accounting funds other than the State's General Revenue Fund (GRF) are paid to SERS each pay period from appropriations administered by each State agency. Retirement contributions for employees compensated from GRF are paid to SERS for all State agencies on a quarterly basis by the Illinois Office of the Comptroller (IOC).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. In January 2018, SERS notified State agencies that the State fiscal year 2018 employer contribution rate had been recalculated and recertified as 47.342%. The revised rate (which decreased by 6.671%) was prospectively applied to payrolls beginning January 16, 2018. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

During our testing, we noted that from July 1, 2017 through November 30, 2017, an employer retirement contribution rate of 0% had been manually entered into its ERP system instead of the 54.013% employer retirement contribution rate discussed above. As a result of the error in the rate entered, IDES did not calculate or request reimbursement for employer retirement contributions from July 1, 2017 through November 30, 2017. IDES' internal controls did not detect the error in the retirement rate until November 2017, despite the fact that the Illinois Office of the Comptroller had made monthly contributions to SERS on behalf of IDES during the affected time period. The State manually updated the retirement rate within its ERP system to the 54.013% effective rate beginning December 1, 2017.

As a result of the change in the employer retirement contribution rate calculated by SERS and communicated to each State agency by Public Act 100-0023 as described above, IDES received communication from SERS on April 18, 2018 that a refund in the amount of $2,845,121 would be made to the agency for the excess contributions made for the period from July 1, 2017 through January 15, 2018. A warrant dated October 24, 2018 was received from the IOC and was deposited by IDES on October 31, 2018. IDES had not claimed or reported the fringe benefit expenditures to USDOL during State fiscal year 2018.

Criteria or Requirement:

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based on established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits.

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure pension contributions are properly calculated and charged to federal programs in a timely manner.

Cause:

In discussing these conditions with IDES officials, they stated the understatement of IDES retirement expense during the beginning months of State fiscal year 2018 was caused by the failure of the State to input a retirement rate into the necessary ERP table at the beginning of the state fiscal year.

The failure to detect the understatement of IDES retirement expense during the beginning months of State fiscal year 2018 was caused by inexperience on the part of the IDES accounting staff member who reconciled the accounts and by the failure of IDES accounting management to review the reconciliations in a timely manner.

Possible Asserted Effect:

Failure to properly calculate and charge pension contributions to federal programs in a timely manner results in noncompliance with federal regulations and may result in unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-063)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDES implement procedures to ensure retirement contributions are properly calculated and charged to federal programs in a timely manner. Additionally, IDES should evaluate its internal controls and identify the additional procedures necessary to ensure retirement contribution rates are accurately entered into its information systems.

(Continued)

Views of IDES Officials:

IDES agrees with the finding. In response to this issue, IDES management has already implemented several remedial efforts.

As a strictly technical matter, IDES does not have outright power to prevent this problem from recurring, since DoIT will not grant us the necessary system access to enter the retirement rate ourselves. Nonetheless, beginning for the end of state fiscal year 2018, IDES added a year-end closing procedure to log a remedy ticket with DoIT reminding them to populate the retirement rate in SAP. This was effective for the beginning of state fiscal year 2019.

IDES has strengthened its detection controls over errors in retirement expense by providing reconciliation training to the accounting staff and by accelerating its managerial review of reconciliations to provide timely approval of reconciling items.

(Continued)

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Workforce Innovation and Opportunity Act Cluster

CFDA # and Program Expenditures: 17.258/17.259/17.278 ($135,910,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-064 – *Inadequate Process for Preparing WIOA Financial Reports*

Condition Found:

DCEO does not have an adequate process in place to ensure all financial reports prepared for the Workforce Innovation and Opportunity Act Cluster (WIOA) program are accurate.

On a quarterly basis, DCEO is required to report financial information for each grant award received on the ETA 9130, Financial Report (ETA 9130). A separate ETA 9130 report is required to be submitted for various categories of the workforce for each individual grant award. The financial information is required to be reported cumulatively from grant inception through the end of each reporting period and is due 45 days after the end of the reporting quarter.

During our testwork of 25 out of 79 ETA 9130 reports submitted for the quarters ended September 30, 2017 and June 30, 2018 for all open WIOA program awards, we noted the funding allotment used by DCEO for grant AA-30732-1755-A-17 was inaccurate and resulted in reporting errors for 8 out of 19 reports submitted for the quarter ended June 30, 2018. As a result of the funding allotment error, the amounts initially calculated and reported by DCEO for several required line items were inaccurate. Specifically, we noted the following errors:

Workforce Statewide Youth – Program Year 2017 and PMS Account Number AA307327Z0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.a – Cash Receipts	$800,992	$809,736	$8,744
Line 10.b – Cash Disbursements	$800,992	$809,736	$8,744
Line 10.e – Federal Share of Expenditures	$1,894,719	$1,915,403	$20,684
Line 10.f – Total administrative expenditures	$436,641	$441,407	$4,766
Line 10.g – Federal Share of unliquidated obligations	$1,151,239	$1,163,806	$12,567
Line 10.h – Total Federal obligations	$3,045,959	$3,079,209	$33,250
Line 10.i – Unobligated balance of Federal funds	$2,611,878	$2,578,628	($33,250)

(Continued)

Statewide Adult – Program Year 2017 and PMS Account Number AA307328K0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.f – Total administrative expenditures	$409,563	$414,033	$4,470

Statewide Adult – Fiscal Year 2017 and PMS Account Number AA30732AC0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.a – Cash Receipts	$296,738	$304,938	$8,200
Line 10.b – Cash Disbursements	$296,738	$304,938	$8,200
Line 10.e – Federal Share of Expenditures	$1,101,427	$1,120,828	$19,401
Line 10.g – Federal Share of unliquidated obligations	$1,079,845	$1,091,632	$11,787
Line 10.h – Total Federal obligations	$2,181,272	$2,212,460	$31,188
Line 10.i – Unobligated balance of Federal funds	$2,449,902	$2,418,714	($31,188)

Statewide Dislocated Worker – Program Year 2017 and PMS Account Number AA307328Q0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.f – Total administrative expenditures	$658,381	$649,143	($9,238)

Statewide Dislocated Worker – Program Year 2017 and PMS Account Number AA30732AE0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.a – Cash Receipts	$468,642	$451,699	($16,943)
Line 10.b – Cash Disbursements	$468,642	$451,699	($16,943)
Line 10.d – Total Federal Funds Authorized	$7,182,938	$6,972,415	($210,523)
Line 10.e – Federal Share of Expenditures	$1,508,793	$1,468,709	($40,084)
Line 10.g – Federal Share of unliquidated obligations	$1,735,874	$1,711,519	($24,355)
Line 10.h – Total Federal obligations	$3,244,667	$3,180,228	($64,439)
Line 10.i – Unobligated balance of Federal funds	$3,938,271	$3,792,187	($146,084)

Local Youth – Program Year 2017 and PMS Account Number AA307327Z0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.a – Cash Receipts	$23,722,840	$23,590,858	($131,982)
Line 10.b – Cash Disbursements	$23,722,840	$23,590,858	($131,982)
Line 10.e – Federal Share of Expenditures	$27,570,656	$27,561,367	($9,289)
Line 10.f – Total administrative expenditures	$1,669,685	$1,660,396	($9,289)
Line 10.h – Total Federal obligations	$35,044,883	$35,035,594	($9,289)
Line 10.i – Unobligated balance of Federal funds	$4,559,976	$4,569,265	$9,289

Local Adult – Fiscal Year 2017 and PMS Account Number AA30732AC0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.a – Cash Receipts	$17,521,149	$17,508,642	($12,507)
Line 10.b – Cash Disbursements	$17,521,149	$17,508,642	($12,507)
Line 10.d – Total Federal Funds Authorized	$32,418,215	$32,605,005	$186,790
Line 10.e – Federal Share of Expenditures	$18,722,474	$18,721,594	($880)
Line 10.f – Total administrative expenditures	$1,093,087	$1,092,207	($880)
Line 10.h – Total Federal obligations	$25,015,579	$25,014,699	($880)
Line 10.i – Unobligated balance of Federal funds	$7,402,636	$7,590,306	$187,670

Local Dislocated Worker – Fiscal Year 2017 and PMS Account Number AA30732AE0			
Report Line Items	**Reported Amount**	**Recalculated Amount**	**Difference**
Line 10.a – Cash Receipts	$20,314,143	$20,458,632	$144,489
Line 10.b – Cash Disbursements	$20,314,143	$20,458,632	$144,489
Line 10.d – Total Federal Funds Authorized	$38,787,860	$39,288,129	$500,269
Line 10.e – Federal Share of Expenditures	$26,950,431	$26,960,601	$10,170
Line 10.f – Total Administrative Expenditures	$1,214,162	$1,224,332	$10,170
Line 10.h – Total Federal Obligations	$32,031,825	$32,041,995	$10,170
Line 10.i – Unobligated Balance of Federal Funds	$6,576,035	$7,246,135	$490,100

We note that while errors in the amounts reported for the various required line items were identified as outlined above, the allotment discrepancies did not change the total spending for award AA-30732-17-55-A-17, rather it only changed the allocation of spending among the various categories to be reported. As of the date of our testwork (February 7, 2019), DCEO had not revised the reports or reconciled any of the differences identified.

Additionally, in considering the reporting process for all required financial reports, we noted adequate internal controls have not been established to ensure reports prepared by DCEO personnel are accurate. Specifically, we noted the supervisory review performed relative to these reports is not at a level of precision to detect the errors identified in the audit. Additionally, DCEO does not perform analytical or other procedures during the report preparation process or supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to the ETA Training and Employment Guidance Letter (TEGL) No. 02-16, DCEO is required to submit quarterly financial reports (known as ETA 9130 reports) within 45 days after the end of the reporting quarter.

In addition, 2 CFR 200.303, requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the accuracy of information reported in required financial reports.

Cause:

In discussing these conditions with DCEO officials, they stated the cause of this finding was inadequate policies and procedures for the preparation and review of the report.

Possible Asserted Effect:

Failure to establish adequate reporting controls and prepared accurate reports prevents the USDOL from effectively monitoring the WIOA program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-064)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCEO review its procedures for preparing financial reports required for the WIOA program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

(Continued)

Views of DCEO Officials:

The Department accepts the recommendation. The Department will develop policies and procedures for the preparation and review of financial reports required for the WIOA program to adequately prevent future reporting inaccuracies.

(Continued)

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: Workforce Innovation and Opportunity Act Cluster

CFDA # and Program Expenditures: 17.258/17.259/17.278 ($135,910,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: $127,810

Finding 2018-065 – *Untimely Return of Refunded Retirement Costs to WIOA Cluster*

Condition Found:

DCEO did not return refunded retirement costs to the Workforce Innovation and Opportunity Act (WIOA) Cluster program on a timely basis.

On an annual basis, the State Employees Retirement System (SERS) calculates the retirement rates to be used by all State agencies to determine the retirement contribution to be paid for State employees. Funding for State employees compensated from accounting funds other than the State's General Revenue Fund (GRF) are paid to SERS each pay period from appropriations administered by each State agency. Retirement contributions for employees compensated from GRF are paid to SERS for all State agencies on a quarterly basis by the Illinois Office of the Comptroller (IOC).

In January 2017, SERS actuaries calculated and certified the 2018 State fiscal year employer retirement contribution rate of 54.013% which State agencies began using effective July 1, 2017. Public Act 100-0023 changed the State's funding policy and required SERS to recalculate and recertify the State fiscal year 2018 employer contribution rate. In January 2018, SERS notified State agencies that the State fiscal year 2018 employer contribution rate had been recalculated and recertified as 47.342%. The revised rate (which decreased by 6.671%) was prospectively applied to payrolls beginning January 16, 2018. Refunds were calculated and paid to State agencies in fiscal year 2019 for employees paid from accounting funds other than GRF during the pay periods between July 1, 2017 and January 15, 2018.

DCEO received communication from SERS on April 18, 2018 that a refund in the amount of $617,999 would be made to the agency for the excess contributions made for the period from July 1, 2017 through January 15, 2018. A warrant dated August 8, 2018 was received from the IOC on August 10, 2018 and was deposited by DCEO on August 27, 2018.

DCEO determined its major program was overcharged for retirement contributions as follows:

Catalog of Federal Domestic Assistance Number	Award Number(s)	Retirement Contribution Overcharged	Total Payroll and Fringe Benefit Expenditures	Total Program Expenditures
17.258	AA-30732-17-55-A-17	$63,562	$1,230,200	$38,425,000
17.259	AA-30732-17-55-A-17	26,738	1,326,000	40,989,000
17.278	AA-30732-17-55-A-17	37,510	3,667,100	56,496,000
Total		$127,810	$6,223,300	$135,910,000

Adjustments were not reported to the US Department of Labor or refunded to the WIOA Cluster program by DCEO during the year ended June 30, 2018.

Criteria or Requirement:

According to 2 CFR 200.431(c) and (d), charges to Federal Awards for fringe benefits, whether treated as direct or indirect costs, will be based on established written policies and be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. Also, 2 CFR 200.431 (g)(6)(v) states the Federal Government must receivable an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

In addition, 2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure pension contribution refunds are properly calculated and returned to federal programs in a timely manner.

Cause:

In discussing these conditions with DCEO officials, they stated the pension contribution refund was not promptly returned to the WIOA program because the SERS did not issue the reimbursement to the Department until August 2018. Since the Department's accounting system is cash basis, the Department could not record the refund until the warrant was received.

Possible Asserted Effect:

Failure to calculate and return pension contribution refunds in a timely manner results in noncompliance with federal regulations and may result in unallowable costs being charged to federal programs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-065)

 (Continued)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend DCEO implement procedures to ensure refunds of retirement contributions are properly calculated and returned to federal programs in a timely manner.

Views of DCEO Officials:

The Department accepts the recommendation.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.205/20.219 ($1,225,627,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2018-066 – *Failure to Follow Established Control Procedures for Obtaining Certified Payrolls for the Highway Planning Program*

Condition Found:

IDOT did not obtain certified payrolls in accordance with its established internal control procedures for the Highway Planning and Construction Cluster (Highway Planning) program.

Non-federal entities are required to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations applicable to contracts governing federally financed and assisted construction. These regulations require, in part, that all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid prevailing wage rates established for the locality of the project. Each subcontractor subject to the Wage Rate Requirement (formally known as the Davis-Bacon Act) must submit payrolls on a weekly basis and include a signed certification that they have complied with the prevailing wage rates. The resident engineer on the construction site is required to keep a log of contractors and monitor payroll submission. These logs are reviewed by the resident engineer, which indicates the certified payrolls for that period have been received in accordance with IDOT's established controls.

IDOT's procedures require weekly certified payrolls to be provided by contractors within four weeks of the payroll payment date. IDOT's policy requires funding to be suspended if contractors do not submit late certified payrolls within 7 days of notification from IDOT.

During our testwork of 50 Highway Planning contractor payments for regular construction projects (totaling approximately $73,665,000) and 15 Highway Planning contractor payments for advanced construction projects (totaling approximately $7,917,000), we noted the following:

- The certified payrolls for 3 Highway Planning contractor payments on regular construction projects (totaling approximately $1,823,000) and 1 Highway Planning contractor payment on advanced construction projects (totaling approximately $417,000) were not received in a timely manner. Delays in receiving the certified payrolls ranged from 19 to 48 days.
- The certified payrolls for 9 Highway Planning contractor payments on regular construction projects (totaling approximately $19,257,000) and 5 Highway Planning contractor payments on advanced construction projects (totaling approximately $2,769,000) were not date stamped. As a result, we were

unable to determine whether they were received in compliance with federal requirements and IDOT's procedures.

IDOT did not determine it necessary to suspend funding since the certified payroll had been received subsequent to notification by IDOT. Payments made for construction contracts under the Highway Planning program were approximately $1,064,469,000 during the year ended June 30, 2018.

Criteria or Requirement:

According to 29 CFR Section 5.5(a)(3)(ii)(A) and 5.5(a)(3)(ii)(B), the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Resident Engineer. Each payroll submitted shall be accompanied by a "Statement of Compliance" signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure certified payrolls are received in a timely manner.

Cause:

In discussing these conditions with IDOT officials, they stated the condition noted is attributed to the volume of certified payrolls the Department is required to obtain and the reliance on contractors and subcontractors to submit the certified payrolls timely.

Possible Asserted Effect:

Failure to obtain certified payrolls in accordance with federal requirements and IDOT's established control procedures could result in contractors not paying the prevailing wage rate to employees.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-059. (Finding Code 2018-066, 2017-059, 2016-071, 2015-069, 2014-056, 2013-054, 12-66, 11-77)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT review its current process and consider any changes necessary to ensure weekly payroll certifications are received and approved in accordance with federal requirements and IDOT's procedures.

(Continued)

Views of IDOT Officials:

IDOT agrees with the finding. Further consultation with district construction and compliance staff is necessary to attain compliance with procedures. This happened via each district's spring Project Implementation meeting and through field visits by the Project Review Engineers in the Bureau of Construction. The last meeting was held on March 21, 2019. Also, the development of the web-based contract administration system, commonly referred to as Construction and Materials Management System (CMMS), is ongoing. It will be developed and released in 4 Epics/Phases. Epic 1 is essentially the replacement of Illinois Construction Records System (ICORS) and is now being piloted in all the districts and we hope to have full implementation of Epic 1 over the next few months. The remaining Epics will be rolled out over the next 18-24 months at which point we hope to have full implementation of the system which will serve as the replacement for ICORS, MISTIC, and Bureau of Contract Management systems. While we have received approval from the FHWA to receive scanned copies of certified payrolls, the collection of payrolls was not included in the development of CMMS and the development of a collection tool will not happen until CMMS is fully implemented.

(Continued)

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program

CFDA # and Program Expenditures: 20.106 ($48,037,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Finding 2018-067 – *Inaccurate Airport Improvement Financial Status Reports*

Condition Found:

IDOT did not prepare an accurate financial report for the Airport Improvement Program (Airport Improvement).

IDOT is required to prepare an annual federal financial status report (SF-425) for the Airport Improvement program. During our testwork over the SF-425 report for the federal fiscal year September 30, 2017, we noted the following errors:

Report Line Items	Reported Amount	Amount per IDOT's Records	Difference
Line 10.i – Total recipient share required	$21,455,836	$21,648,531	$192,695
Line 10.j – Recipient share of expenditures	$15,255,460	$15,426,331	$170,871
Line 10.k – Remaining recipient share to be provided	$6,200,376	$6,222,199	$21,823

We further noted the supervisory review procedures performed for this report were not at an appropriate level of precision to identify the errors identified in our testing. Additionally, IDOT does not perform analytical procedures to identify potential errors or unusual fluctuations in reported amounts.

Criteria or Requirement:

According to the SF-425 report Box 13 for certification, recipients of Airport Improvement Program grants must submit true, complete, and accurate information on the SF-425 reports.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure information reported in required financial reports is accurate.

(Continued)

Cause:

In discussing these conditions with IDOT officials, they stated the excel spreadsheet provided to support the annual federal financial status report (SF-425) was a working document that did not reconcile to the September 30, 2017 filing as noted within the differences above.

Possible Asserted Effect:

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the Airport Improvement Program.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2017-060. (Finding Code 2018-067, 2017-060)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT review the process and procedures in place to prepare financial status reports required for the Airport Improvement Program and implement the additional procedures necessary to ensure the reports are complete, accurate, and agree or reconcile to its financial records.

Views of IDOT Officials:

IDOT agrees with the finding. IDOT has procedures to utilize and retain support for the full spreadsheet with formulas which correctly reflect each grant and the total state/local recipient share eligible for the expended amount of federal costs. The recipient share is what will be recorded on financial records relating to the SF-425 submitted yearly to the USDOT/FAA. IDOT will ensure that supporting documentation, which ties directly to the SF-425, is retained.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.106 ($48,037,000)
20.205/20.219 ($1,225,627,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-068 – *Failure to Obtain and Review Subrecipient Single Audit Reports*

Condition Found:

IDOT did not obtain or review single audit reports for subrecipients for the Airport Improvement Program (Airport Improvement) and the Highway Planning and Construction Cluster (Highway Planning).

IDOT requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IDOT finance staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDOT records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e., unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames. A desk review checklist is used to document the review of the subrecipients' single audit reports.

We noted IDOT passed through approximately $22,597,000 and $109,729,000 to subrecipients of the Airport Improvement program and the Highway Planning program during the year ended June 30, 2018. During our testwork, we determined single audit reports had not been obtained or reviewed for any Airport Improvement program or Highway Planning program subrecipients during the year ended June 30, 2018.

Subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
Airport Improvement Program	$22,597,000	$48,037,000	47.0%
Highway Planning and Construction Cluster	$109,729,000	$1,225,627,000	8.9%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Further, 2 CFR 200.331(d)(3) and 2 CFR 200.521 state that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipient's single audits, (2) subrecipients expending $750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of Uniform Guidance, including that the audits are completed within nine months after the end of the subrecipient's fiscal year end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after acceptance of the subrecipient's audit reports by the Federal Audit Clearinghouse.

Cause:

In discussing these conditions with IDOT officials, they stated that due to lack of staff and frequent turnover amongst the current staff, obtaining and reviewing single audit reports were not performed as required.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to obtain single audit reports and issue management decisions within six months of acceptance of the report by the Federal Audit Clearinghouse results in noncompliance.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-061. (Finding Code 2018-068, 2017-061)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT follow its established procedures to verify all subrecipients expending federal awards have single audits as required. Additionally, reviews of single audit reports should be formally documented using a single audit review checklist which includes procedures to determine whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the SEFA reconcile to IDOT records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years.

(Continued)

Management decisions should be issued by IDOT within six months after the subrecipient audit report has been accepted by the Federal Audit Clearinghouse.

Views of IDOT Officials:

IDOT agrees with the finding. A new process has been implemented state-wide to ensure compliance with 2 CFR 200. The new process is in effect for all year ends from December 31, 2017 and on. An outside consultant has been hired by the State of Illinois, through the Governor's Office of Management & Budget (GOMB) to review single audit reports to ensure compliance with single audit requirements and to ensure Type A programs are being audited at least every three years. With this new process, IDOT's Bureau of Investigations and Compliance (BIC) is responsible for reconciling the federal funds reported in the SEFA to IDOT's records and issuing the Management Decision Letter within 180 days of the submission of a complete audit report package. BIC requires the assistance from the applicable program areas to perform the above-mentioned duties in the required time-frame. BIC is attempting to acquire adequate staffing to fulfill its responsibilities in a timely manner. It is estimated that the adequate staffing will be obtained within 12-18 months.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program

CFDA # and Program Expenditures: 20.106 ($48,037,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-069 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IDOT did not accurately report Federal expenditure information under the Airport Improvement Program (Airport Improvement).

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to information provided by IDOT for our audit procedures. Specifically, the expenditure pattern provided during our audit procedures for the Airport Improvement program had to be revised multiple times to properly reflect program activity and to agree to the information reported to the IOC. We noted the following difference relative to amounts passed through to subrecipients for the year ended June 30, 2018 for the Airport Improvement program:

Program	Amounts Reported to the IOC	Amounts Initially Provided for Audit	Difference
Airport Improvement	$22,597,000	$10,581,000	$12,016,000

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements and must include the total amount provided to subrecipients for each Federal program.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

Cause:

In discussing these conditions with IDOT officials, they stated that the error identified resulted from a misunderstanding by Department staff on how to complete the expenditure pattern provided during the audit.

Possible Asserted Effect:

Failure to provide accurate federal expenditure information to the auditors prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-062. (Finding Code 2018-069, 2017-062, 2016-072)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT establish procedures to accurately report federal expenditures (including subrecipient expenditures) provided for audit and to ensure they are consistent with those used to prepare the SEFA to the IOC.

Views of IDOT Officials:

IDOT agrees with the finding. IDOT has procedures to accurately report federal expenditures, including subrecipient expenditures, used to prepare the SEFA for submission to the IOC. All audit request should be directed to the Financial Services Section Chief. The Section Chief will request and gather information from the appropriate parties and submit to external auditors after review by the Fiscal Operations Unit or another designated individual. The centralized gathering and distribution of requested data will allow for better review.

(Continued)

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction Cluster

CFDA # and Program Expenditures: 20.106 ($48,037,000)
20.205/20.219 ($1,225,627,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-070 – *Inadequate Controls over Information Systems*

Condition Found:

IDOT does not have adequate user access and program change management controls over the IDOT Integrated Transportation Project Management system.

The information technology applications that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

The ECM and ELM systems are used during the initial letting stages of the construction contract. The ECM houses the estimates made for the projects and the ELM system stores the bids from the contractors. The ICORS system is used by the resident engineers to record the progress of each job for billing purposes, which is interfaced with the BCM system. The data from the BCM system is interfaced with the FOA system to generate the payment to the contractor, and is also interfaced with the FPC system to generate the federal billing.

During our testwork of IDOT's controls over user access and program change management controls over the applications identified above, we noted the following:

- A shared RACF ID and password is used by two IDOT employees and access to the account is not logged.
- IDOT does not have formal policies and procedures in place related to terminations of employees. Further, one employee (out of 308 tested) retained user access after their termination date for the applications identified above.

Additionally, during our testwork over changes made to IDOT's information systems, we noted IDOT was not able to generate a list of changes made to its information systems from each respective information system or application. IDOT's current procedures include tracking changes made to its information systems in a database; however, the information input into the database is manually input. Accordingly, we were unable to determine whether the list of changes provided by IDOT from the database during our audit was complete.

Criteria or Requirement:

2 CFR 200.303 require nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs have proper user access and change management controls in place.

Cause:

In discussing these conditions with IDOT officials, they stated the primary cause for the issues identified are the result of an incorrect understanding of the Department of Innovation and Technology (DoIT) RACF Administrator policy, an inconsistent handling of employee terminations and separations, and a technical and functional deficiency of the State of Illinois, DoIT hosted mainframes, as the mainframes do not have the capability to produce a system generated list.

Possible Asserted Effect:

Failure to ensure the information systems that are used to administer the federal programs have proper user access and change management controls in place could result in noncompliance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-063. (Finding Code 2018-070, 2017-063, 2016-073, 2015-071, 2014-063, 2013-067, 2012-82)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOT implement procedures to ensure access to its information systems is adequately secured and changes identified in system access reviews are made on a timely basis. We also recommend IDOT implement procedures to ensure all information systems can generate a list of program changes from the information systems and applications or implement other procedures to establish the completeness and accuracy of the listing of program changes.

(Continued)

Views of IDOT Officials:

IDOT agrees with the finding.

RACF ID and Password
As of 3/2019, the two IDOT employees are now using their own unique RACF IDs. There are no RACF IDs now being shared.

Terminations
IDOT has begun work on a new operating procedure for handling system access permissions upon employee separation. The new operating procedure will involve automation by flagging specific employee (separation) transactions occurring within the agency's human resources system (HRI) and logging those transactions in a tracking database. At the time the (separation) transaction is recorded in HRI, all the impacted employees' permissions will be captured (snapshot) and included in the tracking database. A companion set of agency policies will be prepared outlining various employee and business area roles and responsibilities on reviewing, resolving and documenting appropriate changes to system access permissions based on the entries in the tracking database.

Estimated Completion Date: 12/31/2019

Change Management
All the systems identified by the auditors are legacy systems that run on the mainframe or on local Access databases (ICORS). IDOT believes all of these information technology systems need to be replaced to further strengthen controls. IDOT has been diligently working to upgrade its systems critical to its processes and has therefore identified these systems listed in this finding for replacement. All of these projects are currently under development or a request to replace the system is being sought for an outside vendor with the exception of the Fiscal Operations and Administration (FOA) system, which will be replaced by the implementation of the new Statewide ERP System.

It is also important to note that the specific IDOT systems referenced are hosted on the State of Illinois mainframe platform. Mainframe environments, unlike distributed systems architectures, do not natively provide system logging or reporting capabilities that would produce the type of change tracking information requested.

As an interim solution, IDOT has a Sharepoint site that is used to track all requests for changes, as well as track the changes that were made. The following legacy systems that run on the mainframe or on local Access databases (ICORS) are in the process of being replaced with the systems that are noted.

- The Electronic Contract Management System (ECM)- IDOT is preparing to competitively solicit and procure a Vendor, Contract, and Letting Management system.
- The Electronic Letting Management System (ELM)- IDOT is preparing to competitively solicit and procure a Vendor, Contract, and Letting Management system.
- The Illinois Construction Records Management System (ICORS)- Construction Materials Management System (CMMS) in development to replace this system.
- The Bureau of Contract Management System (BCM)- Construction Materials Management System (CMMS) in development to replace this system.
- The Federal Payment Control System (FPC)- Federal Project Management System in development to replace this system.

- Job Costs Accounting (AJC) - Federal Project Management System in development to replace this system.
- Fiscal Operations and Administration (FOA) – will be replaced by the implementation of the new Statewide ERP System

Estimated Completion Date: The replacement of every system in this list is a multi-year effort. An optimistic estimate of when all systems will be replaced is June 30, 2022.

State Agency: Illinois Environmental Protection Agency (IEPA)

Federal Agency: U.S. Environmental Protection Agency (USEPA)

Program Name: Capitalization Grants for Clean Water State Revolving Funds
Capitalization Grants for Drinking Water State Revolving Funds

CFDA # and Program Expenditures: 66.458 ($52,912,000)
66.468 ($11,467,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-071 – *Inaccurate SF-425 Federal Financial Reports*

Condition Found:

IEPA did not prepare accurate financial reports for the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) and Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) programs.

IEPA is required to prepare financial status (SF-425) reports on an annual basis for the CWSRF and DWSRF programs. During our testwork over eight annual SF-425 reports submitted during State fiscal year 2018, we noted the following errors in the preparation of the reports as below:

Grant Award	Report Line Item	Amount Reported	Actual Amount	Variance Over/(Under)stated
CS17000116	10d. Total Federal funds authorized	$60,349,159	$60,428,000	$(78,841)
CS17000116	10h. Unobligated balance of Federal funds	–	78,841	(78,841)
CS17000115	10d. Total Federal funds authorized	63,021,113	63,087,000	(65,887)
CS17000115	10h. Unobligated balance of Federal funds	–	65,887	(65,887)
CS17000114	10d. Total Federal funds authorized	63,506,000	63,411,000	95,000
CS17000114	10e. Federal share of expenditures	63,506,000	63,411,000	95,000
CS17000114	10g. Total Federal share	63,506,000	63,411,000	95,000

 (Continued)

Grant Award	Report Line Item	Amount Reported	Actual Amount	Variance Over/(Under)stated
FS98577716	10d. Total Federal funds authorized	33,318,559	34,690,000	(1,371,441)
FS98577716	10h. Unobligated balance of Federal funds	–	1,371,441	(1,371,441)
FS98577715	10d. Total Federal funds authorized	36,351,641	36,668,000	(316,359)
FS98577715	10h. Unobligated balance of Federal funds	–	316,359	(316,359)

Additionally, in considering the reporting process for these financial reports, we noted adequate internal controls have not been established to ensure reports prepared by IEPA are complete and accurate. Specifically, we noted IEPA does not perform analytical or other procedures during the reporting preparation process or adequate supervisory reviews to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Criteria or Requirement:

According to 40 CFR 35.3165 and 2 CFR 200.327, IEPA is required to submit annual financial status reports (known as SF-425 reports) within 90 days after the reporting period.

Additionally, 2 CFR section 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate prior to submission.

Cause:

In discussing these conditions with IEPA officials, they stated the errors identified were the result of human error during the manual compilation process.

Possible Asserted Effect:

Failure to accurately prepare financial reports prevents the USEPA from effectively monitoring the CWSRF and DWSRF programs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-066. (Finding Code 2018-071, 2017-066)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend IEPA review the process and procedures in place to prepare financial reports required for the CWSRF and DWSRF programs and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records prior to submission to the USEPA.

Views of IEPA Officials:

Agree. The Agency has a process in place to ensure amounts are for the correct amount using supporting documentation and require an additional reviewer.

State Agency: Illinois Environmental Protection Agency (IEPA)

Federal Agency: U.S. Environmental Protection Agency (USEPA)

Program Name: Capitalization Grants for Clean Water State Revolving Funds
Capitalization Grants for Drinking Water State Revolving Funds

CFDA # and Program Expenditures: 66.458 ($52,912,000)
66.468 ($11,467,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-072 – *Untimely Review of Subrecipient Single Audit Reports*

Condition Found:

IEPA did not obtain and adequately review single audit reports received from its subrecipients for the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) and Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) programs on a timely basis.

IEPA requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IEPA staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IEPA records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, IEPA staff are responsible for evaluating the type of audit opinion issued (i.e. unmodified, modified, or adverse) and issuing management decisions on findings reported within required time frames.

During our review of a sample of 12 CWSRF and 5 DWSRF subrecipient single audit desk review files, we noted the following exceptions:

- One CWSRF subrecipient report was not reviewed in a timely manner (within six months of acceptance by the Federal Audit Clearinghouse). The delay in reviewing this report was 14 days after the required timeframe. Federal disbursements to the selected subrecipient totaled $1,498,909.
- One DWSRF subrecipient report was not reviewed in a timely manner (within six months of acceptance by the Federal Audit Clearinghouse). The delay in reviewing this report was 23 days after the required timeframe. Federal disbursements to the selected subrecipient totaled $445,228.

 (Continued)

IEPA's subrecipient expenditures under the federal programs for the year ended June 30, 2018 were as follows:

Program	Total Fiscal Year 2018 Subrecipient Expenditures	Total Fiscal Year 2018 Program Expenditures	Percentage
CWSRF	52,695,000	52,912,000	99.6%
DWSRF	10,076,000	11,467,000	87.9%

Criteria or Requirement:

According to 2 CFR 200.331(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Further, 2 CFR 200.331(d)(3) and 2 CFR 200.521(d) state that a pass-through entity is required to issue a management decision on audit findings within six months of acceptance of the subrecipient's audit report by the Federal Audit Clearinghouse and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure single audit reports are reviewed in a timely manner and management decision letters are issued with required timeframes.

Cause:

In discussing these conditions with IEPA officials, they stated they believed the files were obtained and reviewed in a timely manner, but the delays were due to an entity changing their yearend accounting period and misplaced files.

Possible Asserted Effect:

Failure to obtain and review subrecipient single audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2017-064. (Finding Code 2018-072, 2017-064)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend IEPA establish procedures to ensure subrecipient single audit reports are reviewed within established deadlines and management decisions are issued for all findings affecting its federal programs in accordance with required timeframes.

Views of IEPA Officials:

Agree. The Agency has procedures in place to properly notify, track and monitor the recipients of federal funds and review subrecipient single audit reports in a timely manner.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services
National Family Caregiver Support, Title III, Part E

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)
93.043 ($831,000)
93.052 ($5,707,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $4,678,964

Finding 2018-073 – *Failure to Correct Improperly Drawn Cash and Reported Cash Advances for the Aging Cluster*

Condition Found:

IDOA did not correct improperly drawn and reported cash advances made under the Aging Cluster program.

As reported in prior audit finding 2017-067, we noted IDOA personnel had performed cash draws against Aging Cluster grant awards for anticipated expenditures that were not ultimately incurred. As a result, twelve Aging Cluster awards had cash draws in excess of expenditures (overdrawn) totaling $4,678,964 as of June 30, 2017. We also reported non-Aging Cluster Title III Part D and E grants were overdrawn by $273,253 and $864,217, respectively, as of June 30, 2017.

In addition, we had noted the cumulative expenditure amounts used by IDOA management to calculate the overdrawn amounts reported above included expenditures for carryover awards which may not have been obligated with the period of performance as discussed in prior audit finding 2017-068. Accordingly, the amount of the overdraws discussed in the previous paragraph may be understated by any expenditures for carryover awards that were not obligated during the applicable Federal fiscal year.

During our 2018 audit procedures, we noted IDOA personnel had not returned overdrawn funds to the federal agency or corrected its financial reports for known errors identified in the prior year finding for Federal fiscal year awards 2012 through 2017. As the errors were not identified until late in fiscal year 2018 and have not been corrected as of the date our testing (January 29, 2019), the reports submitted by IDOA during State fiscal year 2018 for federal fiscal year 2012 through 2017 awards are inaccurate.

Criteria or Requirement:

According to 45 CFR 75.305(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The

Treasury Regulations require programs with less than $72,625,000 in expenditures to follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State Agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

2 CFR 200.403 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented and be within the period of performance. The terms and conditions of the Notice of Award for each federal fiscal year award require the State to complete a SF-425 report and supplemental form on a semi-annual basis.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing and maintaining adequate controls over cash management procedures to ensure cash draws properly reflect paid expenditures in accordance with IDOA procedures. In the event advance funding is requested by IDOA, timely reconciliations between cash advances and actual paid expenditures should be performed and subject to supervisory reviews at a sufficient level of provision to identify noncompliance with cash management and reporting requirements.

Cause:

In discussing these conditions with IDOA officials, they stated staffing shortages and the late identification of these errors in the prior year have delayed correction of the reports.

Possible Asserted Effect:

Failure to refund overdrawn cash and accurately report cash advances to USDHHS in a timely manner results in noncompliance with Treasury regulations and unallowable costs being claimed to federal programs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-067. (Finding Code 2018-073, 2017-067)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA implement control procedures to ensure cash draws are performed in accordance with U.S. Treasury regulations and cash advances are reported and returned to USDHHS in a timely manner. We also recommend IDOA implement procedures to ensure financial reports submitted are complete and accurate.

(Continued)

Views of IDOA Officials:

IDOA has implemented control procedures to ensure cash draws are performed in accordance with US Treasury regulations and cash advances are reconciled and handled in a timely manner. IDOA has implemented procedures to ensure that financial reports submitted are complete and accurate. IDOA will work with USDHHS to revise prior reports and return any monies necessary.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: $990,795

Finding 2018-074 – *Failure to Obligate Funds in Accordance with Period of Performance Requirements*

Condition Found:

IDOA expended funds under the Aging Cluster program which were not obligated within required timeframes.

IDOA passed through $41,243,000 in Aging Cluster funds to 13 Area Agencies on Aging (AAA) to deliver services to the State's aged population during State fiscal year 2018. AAAs submit annual plans to IDOA which include information about the services to be provided and the budgeted costs for the service period which coincides with the Federal fiscal year. The annual budgets prepared by the AAAs also include an estimate of the unspent prior year award which the AAA expects to spend in the following Federal fiscal year known as a carryover award. Funding and actual expenditures are monitored throughout the year and revisions are made to the AAA budgets, including providing additional carryover awards, as considered necessary.

Period of performance requirements for the Aging Cluster require IDOA to obligate funds during the Federal fiscal year for which they are awarded. During our testing, we noted the carryover awards issued by IDOA for the Federal fiscal year 2017 grant were not executed until October 2017. Accordingly, carryover awards pertaining to Federal fiscal year 2017 totaling $990,795 were not obligated within the Federal fiscal year for which they were awarded.

Criteria or Requirement:

In accordance with the OMB Compliance Supplement, dated April 2017, the State is required to obligate funding by the end of the fiscal year in which they were awarded. 2 CFR 200.403 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under Federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be within the period of performance.

 (Continued)

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing and maintaining adequate controls to ensure program funding is obligated within required timeframes or properly reported as unobligated funding to the awarding agency.

Cause:

In discussing these conditions with IDOA officials, they stated the 2017 Illinois budget impasse delayed the processing of these grants.

Possible Asserted Effect:

Failure to obligate funds within required timeframes results in unallowable costs being charged to Federal programs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-068. (Finding Code 2018-074, 2017-068)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA implement procedures to ensure grant funding is obligated within required timeframes.

Views of IDOA Officials:

IDOA partially disagrees with this finding, all funds are obligated in the original year in which IDOA is awarded the funds for the Administration for Community Living (ACL). IDOA now has multi-year grant agreements to handle this situation. Additionally, ACL has released new guidance for State Units on Aging regarding the obligation of funds. ACL now provides State Units on Aging two fiscal years to obligate Older Americans Act funds.

Auditors' Comment:

The use of multi-year grant agreements and the issuance of new guidance referenced in IDOA's response above are not relevant to the condition discussed in this finding as they were not in effect during federal fiscal year 2017. As noted above, IDOA was required to obligate funds related to its Federal fiscal year 2017 award during the Federal fiscal year in which they were awarded to IDOA.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Finding 2018-075 – *Inaccurate Certification of Maintenance of Effort (MOE) Expenditures*

Condition Found:

IDOA did not accurately certify its maintenance of effort (MOE) expenditures under the Aging Cluster program to USDHHS and meet MOE requirements.

IDOA is required to spend for both services and administration under the Title III program within the Aging Cluster program at least the average amount of State funds it spent under the State plan for these activities for the past three previous fiscal years. IDOA is required to report the amount spent related to these activities to USDHHS and to certify if the amount is less than, equal to, or more than the required level of MOE. IDOA is also required to report the MOE expenditures on its semi-annual SF-425 report.

During our testing of the MOE requirement, we noted IDOA reported and certified it had paid MOE expenditures of $5,311,932 in Federal fiscal year 2017 which IDOA stated was an amount more than the required amount of $5,306,821, which is calculated as the average of the previous three year's expenditures. However, as reported in prior year audit finding 2017-069, IDOA had not determined the three year average based upon the actual State funded expenditures for each year in the prior three year period as IDOA passed through State funded Aging Cluster program funds of approximately $20 million in Federal fiscal year 2015. As a result, IDOA did not properly determine whether it has met, not met, or exceeded its MOE requirements during Federal fiscal year 2016. Accordingly, we are unable to determine the required amount of MOE expenditures, and therefore, are unable to determine if IDOA met the compliance requirement for federal fiscal year 2017 (which ended in State fiscal year 2018).

Additionally, the cumulative recipient share of expenditures reported on the semi-annual Federal Financial Reports (SF-425) submitted in Federal fiscal years 2016 and 2017 were reduced significantly from the amounts previously reported. The table below presents the amounts reported in each applicable semi-annual report used to determine whether the MOE was met, exceeded, or not met:

Program Title	Federal Fiscal Year	Amount Reported 3/31/2016	Amount Reported 9/30/2016	Amount Reported 3/31/17	Amount Reported 9/30/2017	Amount Reported 3/31/18
Title III – Support Services	2014	$19,330,043	$3,399,918	N/A	N/A	N/A
Title III – CM	2014	7,403,860	2,280,239	N/A	N/A	N/A

Program Title	Federal Fiscal Year	Amount Reported 3/31/2016	Amount Reported 9/30/2016	Amount Reported 3/31/17	Amount Reported 9/30/2017	Amount Reported 3/31/18
Title III – HD	2014	22,227,567	1,649,132	N/A	N/A	N/A
Title III – Support Services	2015	18,428,329	2,978,403	$2,663,187	$3,426,852	N/A
Title III – CM	2015	7,353,490	2,626,832	2,092,014	2,287,513	N/A
Title III – HD	2015	21,668,414	1,600,307	1,715,209	1,632,245	N/A
Title III – Support Services	2016	6,312,462	2,177,068	2,774,914	2,243,766	$2,308,736
Title III – CM	2016	4,136,127	2,958,505	1,963,003	2,259,262	2,259,539
Title III – HD	2016	9,313,005	1,616,190	1,760,699	2,928,874	2,943,489
Title III – Support Services	2017	N/A	N/A	1,743,495	1,965,902	3,033,045
Title III – CM	2017	N/A	N/A	1,435,344	1,748,836	2,524,770
Title III – HD	2017	N/A	N/A	1,907,467	2,346,149	1,953,981

As reported in finding 2018-072, the reports submitted by IDOA during State fiscal year 2018 for federal fiscal year 2012 through 2017 awards have not been updated for known errors. Accordingly, we are unable to determine the amount of the recipient share of expenditures for purposes of testing the MOE requirement.

In addition, we noted IDOA has not established adequate control procedures to ensure the MOE requirement is properly determined and reported to USDHHS.

Criteria:

According to 45 CFR 1321.49, the State is required to spend under the State plan for both services and administration at least the average amount of State funds spent under the plan for the three previous fiscal years. Program Instruction Area on Aging Program Instruction (AoA-PI-14-04) requires the State to submit an annual certification of the amount of MOE expenditures for the federal fiscal year and a statement whether the MOE requirement was met, not met, or exceeded. The terms and conditions of the most recent grant awards for each open federal fiscal year (dated September 7, 2017, September 1, 2016, August 20, 2015, and August 26, 2014) require the State to complete a SF-425 report and supplemental form on a semi-annual basis.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure MOE expenditure requirements are met and accurately reported in the federal financial reports and supervisory reviews a performed and documented.

Cause:

In discussing these conditions with IDOA officials, they stated they disagree with this finding.

Possible Asserted Effect:

Failure to accurately certify and report the level of maintenance of effort expenditures prevents the USDHHS from effectively monitoring and evaluating the performance of the Title III Program, and could result in USDHHS improperly allocating future funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-069. (Finding Code 2018-075, 2017-069, 2016-043)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA review the process and procedures in place to prepare required financial reports and the certification of the maintenance of effort required for the Aging Cluster program and implement procedures necessary to ensure that actual expenditures incurred during the period are reported and certified.

Views of IDOA Officials:

The Department requested clarification from the Administration for Community Living (ACL) regarding MOE and what the basis for calculations can or should be. The Department received a response from the Director of the Office of Grants Management that clarified the process and further explained ACL's expectations, it was shared with the auditors on 4/9/19. The letter from ACL is attached and establishes that States may include expenditures incurred under the approved cost allocation plan for the State Agency. At a minimum the State must certify that it has met the State required matching share for State Administration (25%) and the State share of services (5%).

The letter also states that they do not require excess state match to become a part of MOE. Additionally, the finding states that the fiscal year 2016 MOE was not properly calculated therefore the fiscal year 2017 and any MOE in the future cannot be calculated which is not correct. MOE calculations will not be accepted by ACL if the average used is not based on the average 3 years previously reported in the MOE certification. Because the Department has for many years certified MOE in an amount higher than required 25% for administration and 5% for services Illinois has been and still is following Federal regulations. The auditors can determine the proper minimum MOE requirement by calculating the percentages against administrative spending and grant spending for the grant years. MOE is not specifically stated on the 425 forms as the finding suggests, however match is required, as long as the Department is showing match that is equal to or in excess of the minimum requirement MOE has been met.

The Department has been and will continue to strengthen procedures to mitigate risk for MOE requirements. Though we disagree with the finding the Department does agree with the auditors that implementing clear and concise procedures is always the correct path forward. Additional steps have already been added to MOE procedure per the clarification provided by ACL.

(Continued)

Auditors' Comment:

As discussed in the finding above, IDOA is required to report the amount spent for both services and administration under the Title II program to USDHHS and to certify if the amount is less than, equal to, or more than the required level of MOE. The memo referenced by IDOA in the response above is inconsistent with the guidance provided to auditors in the Part IV of the OMB Compliance Supplement, dated April 2017, (the Compliance Supplement) for the Aging Cluster program. According to the Compliance Supplement for the Aging Cluster, the State "must spend for both services and administration at least the average amount of State funds it spent under the State plan for these activities for the 3 previous fiscal years." The Compliance Supplement also references the reporting section of the Aging Cluster program (Compliance Supplement page 4-93.044-11) for the reporting requirements regarding the maintenance of effort. The reporting section identifies the Standard Form (SF) 425 report as applicable.

As noted in the condition above, the amounts used by IDOA to determine compliance with the MOE requirement do not appear to be accurate and the SF-425 reports (including State funded expenditures) have not been corrected for known errors as reported in the referenced prior year findings. As a result, we are not able to determine the correct MOE amount which we have reported as noncompliance in our report.

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-076 – *Failure to Perform Required Risk Assessment and Adequately Monitor Subrecipients of Aging Cluster Program*

Condition Found:

IDOA did not perform a risk assessment of subrecipients of the Aging Cluster program as required by the Uniform Guidance. Additionally, IDOA did not perform fiscal and programmatic on-site reviews in accordance with its established monitoring procedures.

IDOA passed through approximately $41,243,000 of federal funding under the Aging Cluster program to 13 area agencies on Aging (subrecipients) during the year ended June 30, 2018. Beginning for all new federal awards (as well as any amendments to existing awards as identified by the federal agency) with effective dates on or after December 26, 2014, IDOA was required to perform a risk assessment to establish appropriate monitoring procedures based upon the risks inherent at each subrecipient. The Uniform Guidance requires the risk assessment procedures to include, among other things, the results of recent audits/reviews and the amount of federal funding passed through to the subrecipients. During our audit procedures, we noted IDOA had not amended its existing approach to monitoring its subrecipients. Specifically, we noted IDOA's monitoring procedures for all subrecipients consists of performing single audit report desk reviews, reviewing periodic financial reports submitted by subrecipients, performing periodic fiscal on-site reviews, and performing programmatic on-site reviews in conjunction with the review and approval of the subrecipient's 3-year Area Plan on Aging.

Additionally, during our review of on-site monitoring reviews performed by IDOA for the Aging Cluster program during the year ended June 30, 2018, we noted the following deficiencies in the monitoring procedures performed by IDOA for four subrecipients sampled (with expenditures of $19,214,583):

- Programmatic on-site reviews were not performed for one of the subrecipients sampled during the year ended June 30, 2018. On-site reviews were last performed for this subrecipient in fiscal year 2014. Amounts passed through to this subrecipient during the year ended June 30, 2018 was $10,297,467.
- Corrective action plans (CAPs) were not obtained for two subrecipients in our testing over programmatic on-site reviews. As of the date of our testwork (February 4, 2019), IDOA has not followed up with the subrecipient to obtain the CAPs. Amounts passed through to these two subrecipients during the year ended June 30, 2018 were $8,159,829.

 (Continued)

- A corrective action plan (CAP) was not obtained for one subrecipient in our testing over fiscal on-site reviews. As of the date of our testwork (February 4, 2019), IDOA has not followed up with the subrecipient to obtain the CAP. Amounts passed through to this subrecipients during the year ended June 30, 2018 was $757,287.
- For one subrecipient fiscal on-site review, the review file did not contain evidence that the CAP was reviewed and approved and the file was closed out. Amounts passed through to this subrecipient during the year ended June 30, 2018 was $6,820,351.

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statues, regulations and the terms and conditions of the subaward; and that the subaward performance goals are achieved. Additionally, according to 2 CFR section 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing the risk assessment procedures required by the Uniform Guidance and ensuring on-site monitoring procedures are performed and documented for Aging Cluster subrecipients.

Cause:

In discussing these conditions with IDOA officials, they stated staffing shortages led to under documentation of risk assessments that led to nonconformity of uniform policy implementation. Additionally, there was a misunderstanding of when Programmatic and Fiscal reviews needed to be completed.

Possible Asserted Effect:

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-070. (Finding Code 2018-076, 2017-070, 2016-044)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Recommendation:

We recommend IDOA: (1) implement the risk assessment procedures required by the Uniform Guidance; (2) review its current policies and procedures for monitoring Aging Cluster program subrecipients and implement changes necessary to implement any changes required by the Uniform Guidance; and (3) implement procedures to ensure on-site reviews are appropriately performed and completed as planned.

Views of IDOA Officials:

IDOA partially disagrees with this finding as the agency felt that it had updated policies and procedures for 2018 but completed those reviews during the Federal fiscal year instead of the state fiscal year as the auditors expected. The Department's policies outline that the review cycle will be based on the federal fiscal year since Older Americans Act funds the Area Plans are based on the federal fiscal year. All area agencies on aging received programmatic on-site reviews during fiscal year 2018. These on-site reviews were completed by September 30, 2018. IDOA has implemented the risk assessment procedures required by the Uniform Guidance. IDOA is in the process of updating the current policies and procedures for monitoring Aging Cluster program subrecipients and making the necessary changes required by the Uniform Guidance as well as implementing procedures to ensure on-site reviews are appropriately performed and completed as planned.

Auditors' Comment:

In accordance with the Uniform Guidance, our audit of compliance is performed based upon the State's fiscal year. Accordingly, we have not tested IDOA's compliance activities subsequent to June 30, 2018 and IDOA did not provide evidence that the corrective actions noted in their response were taken during the audit period (year ended June 30, 2018).

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-077 – *Inadequate Review of Subrecipient Single Audit Reports*

Condition Found:

IDOA did not adequately review single audit reports received from its subrecipients for the Aging Cluster program on a timely basis.

IDOA requires subrecipients who expend more than $750,000 in federal awards during the subrecipient's fiscal year to submit a single audit report. IDOA Division of Finance and Administration staff are responsible for reviewing these reports and determining whether: (1) the audit reports meet the single audit requirements; (2) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDOA records; and (3) Type A programs (as defined by the Uniform Guidance) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e. unmodified, modified, or adverse) and issuing management decisions on any finding applicable to IDOA programs reported within required timeframes. A desk review checklist is used to document the review of the subrecipients' single audit reports.

During our testing of a sample of single audit desk review files for 5 subrecipients (with expenditures of $27,062,385), we noted the following:

- For one subrecipient single audit desk review file, IDOA did not review the audit report timely. The delay in reviewing this audit report was 326 days. Additionally, a corrective action plan (CAP) was not obtained and the review file did not contain evidence that the file was reviewed and closed out. Amounts passed through to this subrecipient during the year ended June 30, 2018 was $10,297,467.
- IDOA did not obtain and review the single audit report for one subrecipient. Amounts passed through to this subrecipient during the year ended June 30, 2018 was $757,287.

IDOA's subrecipient expenditures under the Aging Cluster program for the year ended June 30, 2018 were $41,243,000.

Criteria or Requirement:

According to 2 CFR section 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the subaward, and that the subaward performance goals are achieved. Additionally, according to 2 CFR 200.331(d)(3) and 2 CFR 200.521 state that a pass through entity is required to issue a management decision on federal awards audit findings within six months of the acceptance of the report by the Federal Audit Clearinghouse and ensure the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure Single Audit reports are reviewed in a timely manner and management decisions are issued within required timeframes.

Cause:

In discussing these conditions with IDOA officials, they stated despite many efforts to train and educate, staff performing the procedures were not able to fully comprehend the requirements.

Possible Asserted Effect:

Failure to complete and document reviews of subrecipient single audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-071. (Finding Code 2018-077, 2017-071)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA establish procedures to ensure subrecipient single audit reports are obtained and reviews are completed and documented in a timely manner. Additionally, IDOA should ensure procedures will permit issuance of management decisions within required timeframes.

Views of IDOA Officials:

IDOA concurs with this finding and has established procedures to ensure subrecipient single audit reports are obtained and reviews are completed and documented in a timely manner. IDOA will ensure the procedures permit for the issuance of the management decision letter within the required timeframes.

(Continued)

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-078 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IDOA did not accurately report Federal expenditures, including amounts passed through to subrecipients, under the Aging Cluster.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditures of federal awards (SEFA) did not agree to IDOA's financial records. Specifically, we noted the following differences between amounts provided for audit and the SEFA expenditures initially reported to the IOC for the Aging Cluster for the year ended June 30, 2018:

SEFA Caption	Federal Expenditures per IDOA's Records	Amounts Initially Reported on the SEFA	Difference
Expenditures	$ 42,487,000	$41,948,000	$(539,000)
Amounts passed through to subrecipients	41,243,000	40,045,000	(1,198,000)

Upon further testing, we noted the differences in the expenditure amounts and amounts passed through to subrecipients reported to the IOC were due to adjustments recorded in the current year to correct prior year errors. However, these adjustments did not represent valid federal expenditures for the Aging Cluster and should not have been reported as such. Accordingly, we proposed an entry to adjust Aging Cluster expenditures which was reflected in the final SEFA.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 and include the total amount provided to subrecipients for each Federal program.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal

(Continued)

expenditures and amounts passed through to subrecipients are accurately reported on the SEFA is complete and accurate.

Cause:

In discussing these conditions with IDOA officials, they stated the State's reporting procedures for reporting grant expenditures does not provide a way to identify prior year errors. As a result, IDOA reported these items in the cash basis expenditure line item which is used to prepare the SEFA.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2017-072. (Finding Code 2018-078, 2017-072, 2016-047)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA establish procedures to accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA.

Views of IDOA Officials:

Due to the limited options available for adjustments during the GAAP process, the Department is unclear how to make changes to the SEFA to satisfy this audit finding. IDOA worked with a CPA firm for assistance in GAAP preparation as well as the SEFA preparation. Though the Department made every effort to reconcile and walk the numbers for the auditors, the end result was still an audit finding. IDOA partially disagrees with this finding due to all the efforts taken to improve upon this process.

Auditors' Comment:

As discussed in the finding above, a recipient of federal awards is required to prepare a SEFA in accordance with the requirements of the Uniform Guidance and establish internal control over compliance. IDOA did not accurately report amounts on the forms used by the State to prepare the SEFA. As a result, the SEFA was misstated for the errors noted in the finding above which were corrected by the State after being identified in the audit process.

(Continued)

State Agency: Illinois Department of Aging (IDOA)

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($42,487,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-079 – *Failure to Draw Funds Only for Immediate Cash Needs*

Condition Found:

IDOA did not minimize time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 44 payments (totaling $4,723,412) to subrecipients of the Aging Cluster, we noted warrants were not issued for three expenditure vouchers (totaling $165,723) within three business days of receiving federal funds to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 4 to 7 business days.

Total subrecipient expenditures for the Aging Cluster administered by IDOA were $41,243,000 during the year end June 30, 2018.

Criteria or Requirement:

According to 45 CFR 75.305(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than $71,625,000 in expenditures to follow Subpart B rules applicable to Federal Assistance Programs not included in a Treasury-State Agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds.

In addition, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

 (Continued)

Cause:

In discussing these conditions with IDOA officials, they stated 3 business days is not always achievable given the State's process for paying its expenditures requires coordination with other State agencies.

Possible Asserted Effect:

Failure to draw and disburse federal funds in accordance with program regulations results in noncompliance with federal Treasury regulations and may result in additional oversight of cash management procedures by federal agencies.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2018-079)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IDOA implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

Views of IDOA Officials:

Though the Department has tightened their timelines to be as precise as possible they recognize that sometimes even the perfect plan cannot always be perfect. IDOA will work with the Office of the Comptroller and the State Treasurer's Office to ensure cash drawn is disbursed in accordance with program regulations.

(Continued)

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: U.S. Department of Homeland Security (USDHS)

Program Name: Homeland Security Grant Program

CFDA # and Program Expenditures: 97.067 ($54,871,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Finding 2018-080 – *Inaccurate Reporting of Federal Expenditures*

Condition Found:

IEMA did not accurately report Federal expenditures, including amounts passed through to subrecipients, under the Homeland Security Grant Program (Homeland Security) program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the Schedule of Expenditures of Federal Awards (SEFA) did not agree to the financial records IEMA originally provided for audit. Specifically, we noted the following differences related to the Homeland Security program for the year ended June 30, 2018:

Program	Amount Initially Provided for Audit	Amount Initially Reported to the IOC	Difference
Federal expenditures	$45,197,000	$54,871,000	$(9,674,000)
Passed through to subrecipients	41,065,000	50,169,000	(9,104,000)

Upon further investigation, we noted the differences identified in the tables above primarily relate to adjustments which were not reflected in the populations of current year cash basis expenditures and amounts passed through to subrecipients originally provided for audit. Although the differences identified in the tables above are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process, as discussed in finding 2018-001. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502.

 (Continued)

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures and amounts passed through to subrecipients are accurately reported on the SEFA and information provided for audit purposes is complete and accurate.

Cause:

In discussing these conditions with IEMA officials, they stated the agency was in transition to the new State Accounting System, SAP, and lapse period vouchers processed in the old system were inadvertently omitted by personnel preparing the SEFA report resulting in differences in the amounts reported to the Illinois Office of Comptroller and the amounts provided to auditors.

Possible Asserted Effect:

Failure to accurately report federal expenditures, including amounts passed through to subrecipients, prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was not reported in prior year audit. (Finding Code 2018-080)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend IEMA accurately report federal expenditures, including amounts passed through to subrecipients, used to prepare the SEFA to the IOC. Additionally, we recommend IEMA verify the information provided for audit purposes is complete, accurate, and consistent with the information reported to the IOC.

Views of IEMA Officials:

The Agency accepts the recommendation. The Agency will review its process to ensure federal grant expenditure reviews are performed and documented for amounts passed through to subrecipients in accordance with established policies and procedures. The Agency will also review procedures to determine the accuracy and completeness of the federal expenditures and subrecipient amounts reported on Forms SCO-563/67/68 that are used to prepare the SEFA and making sure the amounts provided to IOC agree to what is provided to the auditors.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

Table of Award Numbers

Year Ended June 30, 2018

Name of Federal Program or Cluster (CFDA #):

Supplemental Nutrition Assistance Program Cluster (10.551/10.561):

Award Number (Federal Fiscal Year/Award Year)			
2016IQ390342 (2016)	2017IS802642 (2017)	2017IS806942 (2017)	2017IQ390342 (2017)
2017IQ750342 (2017)	2017IS251442 (2017)	2017IS251942 (2017)	2017IS252042 (2017)
2017IS803642 (2017)	2017IQ390342 (2017)	2018IS806942 (2018)	2018IQ750342 (2018)
2018IS251442 (2018)	2018IS251942 (2018)	2018IS252042 (2018)	2018IS803642 (2018)

Child Nutrition Cluster (10.553/10.555/10.556/10.559):

Award Number (Federal Fiscal Year/Award Year)	
201717N109942 (2017)	201818N109942 (2018)

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557):

Award Number (Federal Fiscal Year/Award Year)			
2017IW100342 (2017)	2017IW100642 (2017)	2018IW100342 (2018)	2018IW100642 (2018)

Child and Adult Care Food Program (10.558):

Award Number (Federal Fiscal Year/Award Year)			
201717N109942 (2017)	201717N202042 (2017)	201716N202042 (2017)	201717N105042 (2017)
201818N109942 (2018)	201818N202042 (2018)	201817N202042 (2018)	201818N105042 (2018)

Unemployment Insurance Program (17.225/17.225ARRA):

Award Number (Federal Fiscal Year/Award Year)			
UI279743KO	UI298396S0	UI278603K1	UI31291EZ0
UI279743K1	UI26393SZ0	UI279742VO	UI31291BC0
UI298397W0	UI26393SZ0	UI279742U0	UI31607EZ0
UI279746S0	UI26393SZ0	UI298397W1	UI31340BT0
UI279742E0	UI302157W0	UI29839BC0	UI31340BS0

Workforce Innovation and Opportunity Act Cluster (17.258, 17.259, 17.278):

Award Number (Federal Fiscal Year/Award Year)			
AA-25351-14-55-A-17	AA-26777-15-55-A-17	AA-28314-16-55-A-17	AA-30732-17-55-A-17

STATE OF ILLINOIS
Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2018

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.219):

Project Number

0001117	0074327	0215103	0343109	0651108	0919111	3000100	4003416	4009282	6000325	9003923	00D1973	A0EP762
0001119	0075156	0216105	0344058	0653030	0919114	3000101	4003419	4009298	6000326	9003931	00D1974	A2ZK435
0003100	0077056	0223002	0344059	0653032	0927113	3000102	4003420	4009302	6000327	9003938	00D1976	AEZ5403
0004913	0078110	0226102	0344061	0653033	0938003	3000108	4003423	4009303	6000328	9003940	00D1977	AKRA156
0005056	0079105	0244105	0344062	0656014	0941027	3000110	4003426	4009304	6000335	9003952	00D1982	ANNX626
0005128	0079153	0244106	0344063	0658027	0941115	3000111	4003428	4009308	6000336	9003979	00D1985	AS19155
0006034	0079154	0247109	0344064	0658028	0962120	3000112	4003429	4009309	6000339	9003980	00D1986	B0VX431
0007081	0079155	0255005	0345056	0658029	0998001	3000113	4003430	4009313	6000344	9003990	00D1987	B1GJ266
0010081	0080400	0255401	0345057	0661009	0999003	3000114	4003433	4009315	6000345	9003997	00D1993	B3DL154
0011093	0080404	0255402	0345059	0661105	1018002	3000115	4003436	4009317	6000349	9009910	00D1997	B5XS146
0011098	0080405	0255403	0345060	0662071	1019005	3000116	4003437	4009318	6000351	9128005	00D2090	B8RT752
0011118	0080406	0255404	0345061	0663106	1027004	3000117	4003441	4009319	6000355	9142006	00D2141	BINA798
0011123	0080407	0255405	0345062	0664003	1030002	3000118	4003442	4009322	6000356	9166019	00D2153	BR78203
0011124	0080408	0268112	0345063	0664004	1067105	3000119	4003444	4009323	6000358	9525468	00D2157	BU8B297
0011125	0080409	0270006	0345064	0665016	1122108	3000120	4003445	4009325	6000359	9629002	00D2160	BXVI265
0011128	0080410	0270403	0346017	0666023	1149101	3000121	4003446	4009330	6000360	9669003	00D2161	BYBP708
0011130	0080411	0270404	0346019	0666107	1149102	3000122	4003448	4009335	6000363	9760001	00D2163	C2IU841
0011153	0080412	0270405	0347025	0668006	1220105	3000123	4003450	4009337	6000364	000S558	00D2164	C2QN008
0013137	0081064	0272112	0347028	0668007	1225116	3000125	4003452	4009338	6000365	000S658	00D3067	C4JU073
0015050	0081077	0290200	0347030	0668008	1235105	3000130	4003455	4009342	6000366	000S692	00D3068	C5XQ354
0015054	0081078	0290201	0347031	0669001	1246103	3000138	4003459	4009348	6000369	000S703	00D3074	CICQ370
0017131	0083056	0290203	0347032	0669034	1248103	3000141	4003463	4009350	6000370	000S704	00D3079	CJBC416
0017132	0085056	0295003	0347033	0669037	1253105	3000142	4003466	4009356	6000373	000S828	00D3080	CNXI804
0017133	0088020	0297006	0348032	0669038	1272001	3000143	4003475	4009358	6000374	000S838	00D3085	CRSH001
0019133	0088021	0297007	0348050	0673028	1279114	3155786	4003478	4009359	6000376	000S860	00D3087	CUQI262
0019134	0089124	0297025	0348051	0678006	1282002	3163002	4003479	4009360	6000377	000S878	00D3089	CXUR056
0020042	0089125	0297550	0348053	0678108	1297003	3200000	4003481	4009361	6000383	000S890	00D3090	D02J277
0020043	0089126	0301076	0348055	0679112	1313002	3200001	4003482	4009364	6000384	000S895	00D3091	D31K490
0020044	0089150	0301078	0348056	0681046	1320004	3200003	4003483	4009365	6000385	000S907	00D3093	D532653
0020063	0089153	0303056	0348057	0681047	1321022	3260002	4003485	4009366	6000386	000S908	00D3094	DET3352
0020065	0089158	0303059	0348058	0681048	1323001	3260003	4003486	4052001	6000387	000S913	00D3095	E07H592
0020073	0089164	0303060	0348144	0682011	1324105	3460009	4003487	4053001	6000394	000S926	00D3096	E222739
0020078	0089166	0303061	0349016	0682012	1332016	3463007	4003488	4053004	6000397	000S940	00D4113	E3YF775
0020079	0089170	0304046	0349017	0685031	1343105	3508002	4003493	4056001	6000399	000S941	00D4121	E553414
0020080	0089175	0304047	0349018	0685034	1346103	3509001	4003496	4066002	6000405	000S942	00D4123	E59Q751
0020081	0089177	0304049	0349019	0685035	1360109	3512013	4003500	4072001	6000408	000S946	00D4124	E6CW071
0021070	0089179	0304050	0349020	0685036	1362116	3513002	4003502	4074001	6000409	000S947	00D4125	EIUW830
0021071	0089181	0304051	0349111	0686013	1364003	3514010	4003503	4076001	6000410	000S951	00D4126	EKK4363
0021183	0089182	0305047	0350039	0686111	1372111	3519001	4003507	4086004	6000418	000S955	00D4127	EPFK302
0023059	0089184	0305049	0350040	0687008	1372112	3519002	4003508	4103005	6000422	000S958	00D4128	F1BK510
0024050	0089187	0305999	0350041	0692012	1374004	3531001	4003512	4301001	6000424	000S959	00D4129	F2Q2743
0025077	0089191	0307035	0350042	0693072	1375002	3533002	4003513	5000994	6000425	000S961	00D4130	FFUA046
0025080	0090400	0307039	0350043	0693073	1376011	3537006	4003515	5002022	6000426	000S962	00D4132	FLAP009
0025082	0090401	0307040	0350044	0694114	1380107	3545007	4003521	5008030	6000427	000S983	00D5106	FLAP011
0025083	0090402	0307042	0351027	0698036	1386005	3545008	4003524	5008031	6000431	000S984	00D5109	FLAP014
0025085	0090403	0308045	0351028	0698037	1386102	3561001	4003525	5008033	6000432	000S987	00D5110	FN6V073
0025086	0090404	0308046	0351029	0698050	1387106	3565006	4003527	5008036	6000435	000S988	00D5111	FWND995
0025087	0091073	0308047	0352016	0704143	1387109	3565007	4003528	5010013	6000438	000S990	00D5114	G4U1940
0025088	0091074	0308048	0352017	0706136	1388103	3576002	4003529	5011264	6000440	000S993	00D5115	GKF1618
0025089	0094401	0310139	0353019	0709029	1416001	3578010	4003531	5011266	6000443	000S996	00D6070	GUPA306
0026003	0094402	0310145	0353020	0709030	1419006	3578011	4003536	5011305	6000448	000S997	00D6084	GUQS929
0027046	0094403	0311046	0353024	0709031	1419014	3583001	4003538	5011307	6000458	000S999	00D6091	GZR5001
0029118	0094405	0311048	0355124	0709032	1423104	3589001	4003543	5011327	6000459	000V002	00D6103	H058253
0029205	0094406	0311049	0358008	0712020	1434106	3603004	4003548	5011331	6000460	000V004	00D6110	H0XE119
0029295	0094407	0311050	0358109	0714021	1477104	3729001	4003550	5011336	6000461	000V010	00D6114	H3X8612
0029296	0094408	0311051	0358110	0717034	1481002	3730004	4003551	5011340	6000463	000V011	00D6115	HAJZ351
0029299	0094409	0312043	0360014	0719110	1519005	3730005	4003552	5011341	6000464	000V012	00D6118	HCSN359
0031035	0094410	0313009	0360015	0726015	1523102	3732001	4003555	5011345	6000465	000V016	00D6119	HLMQ103
0031036	0095054	0313022	0361004	0726065	1527036	3778002	4003559	5011354	6000468	000V017	00D6120	HQUQ450
0033007	0095058	0313023	0362003	0726066	1527037	3887008	4003560	5011358	6000472	000V028	00D6121	HRH4089
0033056	0095136	0314009	0365012	0726067	1527041	3887009	4003563	5011370	6000475	000V029	00D6122	HRQC432
0033101	0097035	0315064	0365015	0726068	1527090	3887010	4003567	5011383	6000476	000V030	00D6123	HRW4033
0034030	0097040	0315067	0365016	0726069	1538100	3887011	4003569	5011385	6000481	000V031	00D6125	HVCN463
0035045	0097041	0316041	0370102	0730022	1541002	3902003	4003572	5011386	6000482	000V034	00D7046	HVGS307
0037048	0097042	0316042	0371108	0730023	1548003	4000047	4003575	5011388	6000483	000V036	00D7053	I0BI048
0037062	0099050	0316043	0371109	0732148	1560001	4003002	4003577	5011390	6000484	000V037	00D7059	IEBV901
0037064	0099051	0317097	0372011	0732150	1566004	4003005	4003578	5011391	6000492	000V039	00D7060	IFDF756
0037130	0099054	0317098	0372012	0732153	1570001	4003006	4003579	5011394	6000494	000V041	00D7062	IGHB869
0039039	0099055	0318016	0372013	0733112	1574001	4003009	4003580	5011402	6000501	000V042	00D7063	IJHT478
0039040	0099056	0320039	0372014	0734043	1581006	4003013	4003581	5011403	6000504	000V043	00D7064	IL04007
0039401	0099057	0320040	0372115	0734044	1581103	4003016	4003582	5011406	6000510	000V047	00D7066	IL08015
0042107	0099061	0320041	0373028	0734045	1583003	4003017	4003583	5011409	6000513	000V048	00D7067	IL08031
0042108	0099062	0321015	0373029	0734046	1583005	4003018	4003585	5011411	6000523	000V049	00D7069	IL09031
0043021	0101044	0321016	0373030	0734047	1587005	4003020	4003587	5011413	6000529	000V050	00D7070	IL09032
0043031	0101052	0322096	0375102	0735112	1587007	4003024	4003588	5011418	6188003	000V051	00D7073	IL09045
0043032	0101053	0322098	0375103	0735113	1587008	4003025	4003590	5011419	6675001	000V053	00D7074	IL10001
0043033	0101054	0322099	0379007	0737012	1594007	4003030	4003593	5011420	6791004	000V054	00D7081	IL10005
0045053	0101055	0322110	0389105	0740202	1596008	4003032	4003596	5011421	7706004	000V057	00D8110	IL11005
0049165	0101056	0322111	0391042	0741099	1596009	4003036	4003597	5011424	7706005	000V058	00D8115	IL12001
0051097	0102111	0322113	0392009	0741100	1598100	4003042	4003598	5011426	7810001	000V059	00D8137	IL12002
0051099	0103070	0322300	0397004	0742136	1598102	4003043	4003606	5011430	7825006	000V060	00D8141	IL12006
0051120	0103074	0323033	0399012	0742137	1600122	4003044	4003607	5011432	7825007	000V061	00D8151	IL12102
0052110	0103075	0323034	0400104	0745200	1600123	4003048	4003609	5011433	7825008	000V062	00D8166	IPE7353
0053100	0103076	0323035	0404001	0745305	1602013	4003056	4003610	5011453	7878003	000V063	00D8187	IWEI308
0055008	0103078	0324022	0407004	0745311	1607001	4003064	4003611	5011456	7880112	000V064	00D8188	IZNK681

(Continued)

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.219):

Project Number												
0055009	0103141	0324023	0407005	0749027	1620100	4003068	4003612	5011477	7968002	000V065	00D8191	J4L4697
0055401	0104021	0325058	0407108	0752100	1620103	4003069	4003613	5011480	7972006	000V066	00D8195	J631774
0055403	0105061	0325062	0411102	0758014	1623001	4003070	4003616	5011482	8003051	000V067	00D8197	JGE4887
0055406	0105062	0326047	0428108	0760017	1623002	4003080	4003621	5011483	8003095	000V068	00D8198	JMYR660
0055407	0105066	0326083	0428109	0761014	1631003	4003081	4003622	5011484	8003309	000V069	00D8204	JNJK393
0055408	0109064	0326085	0438001	0762008	1632003	4003084	4003628	5011486	8003347	000V070	00D8206	JQP3346
0055409	0111060	0326088	0451102	0762009	1632004	4003086	4003630	5011489	8003348	000V071	00D8208	JQQR061
0055410	0111063	0326090	0451103	0776030	1652001	4003092	4003633	5012021	8003407	000V072	00D8209	JU5C829
0055411	0111066	0326093	0452126	0776031	1652002	4003093	4003644	5013019	8003408	000V073	00D8211	JYHN107
0055450	0111067	0326094	0457102	0776032	1652050	4003097	4003646	5014010	8003474	000V074	00D8212	KN5S348
0055452	0112033	0326096	0461120	0777018	1671001	4003100	4003647	5015005	8003504	000V075	00D8217	KQWV292
0055453	0115071	0326098	0462108	0777116	1707106	4003106	4003650	5016043	8003520	000V076	00D9101	KRFH648
0055454	0115073	0326099	0462109	0777119	1707107	4003107	4003652	5017044	8003560	000V077	00D9116	L186100
0055455	0116059	0326100	0474105	0778011	1774104	4003110	4003653	5017051	8003627	000V078	00D9125	L9NC879
0055456	0116060	0326102	0474106	0779011	1806001	4003121	4003654	5017053	8003640	000V079	00D9127	LXE4408
0055457	0116061	0327058	0493104	0781032	1806103	4003134	4003657	5018019	8003681	000V081	00D9128	M0HL160
0055458	0116063	0327060	0502017	0781035	1834104	4003136	4003658	5021028	8003748	000V082	00V0010	MD79536
0055459	0117066	0327061	0502111	0782013	1835001	4003144	4003659	5024032	8003802	000V083	00ZI472	MJMA782
0055460	0119073	0327062	0505026	0782014	1857121	4003148	4003668	5025048	8003816	000V084	01D1005	MKB4332
0055461	0119076	0327064	0505028	0782119	1857125	4003150	4003671	5025057	8003832	000V085	01D1006	MPLB837
0055475	0119077	0327065	0506012	0782121	1880110	4003154	4003672	5025059	8003847	000V086	01D1009	MTRX421
0055476	0121053	0327066	0506014	0783106	1887109	4003156	4003676	5025061	8003848	000V087	01D1010	MU65437
0057005	0121062	0328035	0510037	0784104	1911108	4003177	4003677	5032030	8003922	000V088	01D1012	MY6D358
0057100	0121063	0330065	0512111	0785034	1911206	4003180	4003680	5036029	8003965	000V089	01D1015	MZTC794
0057303	0121066	0330069	0514011	0785035	1918117	4003186	4003683	5039013	8003971	000V091	01D1024	N0SE123
0057306	0123027	0330070	0514013	0786009	1919106	4003187	4003684	5041019	8003995	000V092	01D1026	N6T2810
0057307	0123030	0330073	0522009	0786012	1937001	4003188	4003688	5043001	8003998	000V093	01D1030	N9AS205
0057309	0123031	0330074	0522010	0786014	1937002	4003189	4003693	5044012	8012014	000V095	01D1039	ND3K710
0057310	0126008	0330075	0522120	0788005	1964003	4003192	4003698	5045010	8136002	000V096	01D1040	NERT180
0057311	0129021	0330076	0523105	0788006	1984001	4003193	4003701	5046009	8379001	000V097	01D1044	NU8T693
0057312	0132134	0330077	0524004	0789050	1987002	4003201	4003710	5049024	8885001	000V098	01D1045	P8K6172
0057313	0135042	0330078	0524005	0793022	2014159	4003203	4003716	5051013	9003004	000V099	01D1046	PDL9007
0057314	0139066	0330079	0525119	0793023	2081100	4003204	4003723	5056018	9003010	000V100	01D1047	PE1V411
0057316	0140004	0330080	0525120	0793024	2224106	4003205	4003724	5058032	9003027	000V101	01D1049	PT89144
0057317	0141076	0330176	0526105	0796018	2247105	4003209	4003725	5060009	9003060	000V102	01D1052	PTA7343
0057320	0143037	0331055	0531001	0799003	2267001	4003214	4003730	5064017	9003064	000V103	01D1053	Q2D2695
0057321	0143039	0331059	0531111	0800012	2401103	4003216	4003731	5065009	9003076	000V104	01D1059	Q375582
0057325	0143062	0331066	0541012	0800013	2402102	4003217	4003734	5068027	9003098	000V105	01D1063	QBQZ237
0057326	0143064	0331068	0541013	0803150	2428001	4003218	4003735	5068029	9003099	000V106	01D1064	QHCU973
0057400	0149001	0331070	0541014	0804169	2462105	4003219	4003743	5068030	9003108	000V107	01D1067	R1PC818
0057401	0149043	0331071	0541015	0804196	2462106	4003226	4003747	5068031	9003111	000V108	01D1068	R30T180
0057402	0149100	0331073	0541016	0805076	2462107	4003228	4003753	5069006	9003137	000V109	02IL009	R4FF212
0057403	0155012	0331074	0548105	0805077	2463001	4003229	4003756	5071012	9003141	000V110	02J9244	R5FC843
0057404	0155101	0331075	0551084	0805078	2484108	4003233	4003757	5074095	9003165	000V111	02U1839	SFEN566
0057405	0155201	0331076	0553159	0806110	2503019	4003237	4003758	5077007	9003179	000V112	06KM859	SGQN080
0057406	0159050	0332111	0553160	0806111	2503020	4003240	4003764	5086006	9003200	000V113	08IL026	SH8B742
0058004	0159051	0332117	0556246	0808040	2557216	4003245	4003777	5090002	9003202	000V114	0H4A878	SKW1917
0063061	0162007	0332119	0557260	0808042	2585102	4003246	4003780	5092005	9003230	000V115	0HWR156	T1UI050
0063062	0162008	0332121	0557300	0809004	2600105	4003254	4003782	5093136	9003247	000V116	0J51301	T5AS406
0063063	0162012	0332122	0558008	0809005	2688005	4003256	4003786	5093157	9003263	000V117	0JZ0838	T8DG792
0063064	0165033	0332124	0559009	0809105	2692005	4003257	4003791	5093159	9003267	000V118	0UFS035	TC02831
0063113	0165039	0332125	0559107	0813112	2701104	4003259	4003798	5093171	9003270	000V119	0VME796	TJQZ898
0064010	0165040	0332126	0561103	0813113	2705082	4003260	4003801	5093172	9003273	000V120	10G2754	TMHZ358
0064402	0165045	0332127	0561105	0815110	2705084	4003263	4003803	5093173	9003275	000V121	15YZ817	TMSR013
0064403	0167054	0332128	0561107	0817011	2705086	4003265	4003804	5093176	9003276	000V122	18ST001	TQLL004
0064404	0167067	0332129	0572155	0821047	2711020	4003266	4003809	5094005	9003435	000V123	19UP194	TVKD470
0064405	0167071	0334026	0573311	0821048	2711021	4003268	4003812	5099071	9003464	000V124	1DIG328	TWEL432
0065056	0167072	0334027	0573312	0821049	2714011	4003269	4003814	5099112	9003482	000V125	1GTP730	U16W957
0065058	0167074	0335014	0573319	0821050	2720102	4003273	4003817	5099115	9003492	000V126	1P5V081	U987171
0066008	0167084	0335019	0573500	0821051	2742007	4003285	4003819	5099116	9003494	000V127	1XGN916	U9FQ045
0066009	0170020	0335020	0574212	0821052	2744003	4003289	4003824	5099118	9003496	000V129	220K545	UIBE107
0067085	0171038	0335021	0574300	0823013	2753005	4003291	4003828	5106007	9003504	000V131	22JD900	UIVH048
0067086	0172002	0335115	0575185	0824021	2783008	4003293	4003835	5146064	9003506	00D1653	24LX961	UJNT553
0067149	0172004	0336031	0575198	0824022	2796002	4003295	4003836	5146086	9003510	00D1664	279I066	ULF1316
0067152	0173184	0336051	0575313	0826116	2796102	4003296	4003838	5146091	9003512	00D1743	2L46977	UN18903
0067156	0173189	0336052	0576194	0828024	2820004	4003303	4003840	5146092	9003517	00D1763	2W2M423	UR3X855
0067161	0173190	0336053	0577309	0831107	2840001	4003304	4003842	5146096	9003523	00D1780	2WWQ001	UUA9645
0067162	0174120	0336100	0579120	0836032	2857009	4003307	4003844	5181049	9003533	00D1782	31H8352	VC71125
0067163	0175029	0337011	0579121	0836033	2857012	4003315	4003845	5181050	9003543	00D1783	354T405	VGQR277
0067166	0177046	0338044	0582122	0836034	2857013	4003332	4003848	5181053	9003555	00D1817	37K9673	VQW9866
0068114	0177047	0338046	0591026	0840069	2857101	4003333	4003849	5227057	9003560	00D1818	3HS2621	VRXX495
0068115	0178550	0338048	0591028	0840070	2870001	4003334	4003850	5227058	9003599	00D1833	3SKQ836	VU34681
0070027	0181046	0338049	0591029	0840071	2881102	4003335	4003851	5756004	9003600	00D1840	3ZL7104	VVVP913
0070028	0181060	0338052	0591030	0840072	2882100	4003336	4003852	5789006	9003607	00D1846	41SB138	VW71440
0070029	0181061	0338054	0592053	0840073	2887003	4003337	4003853	5855004	9003614	00D1861	45YI898	VZ8W756
0070030	0182103	0338056	0595033	0841015	2905001	4003338	4003860	6000100	9003627	00D1862	4BCY445	W5YW206
0070047	0183320	0338057	0595034	0841016	2906006	4003340	4003866	6000108	9003658	00D1863	4GIV272	W87C875
0070400	0183322	0338058	0595035	0846026	2913003	4003344	4003867	6000111	9003661	00D1864	4UWX977	WG04419
0070401	0183323	0338059	0596107	0846027	2916004	4003345	4003874	6000114	9003677	00D1872	561K671	WR9Z018
0070407	0183324	0338075	0597105	0849014	2943017	4003346	4003875	6000130	9003687	00D1882	56YG953	WUJH517
0071063	0183326	0339029	0599026	0849015	2943019	4003350	4003877	6000154	9003688	00D1887	5AXF594	WWSG455
0071125	0185036	0339031	0603003	0853012	2943022	4003363	4003878	6000173	9003692	00D1888	5JAW527	WX9B939
0072006	0185037	0339032	0604026	0855008	2992001	4003364	4003880	6000193	9003697	00D1895	5U6N186	WXJJ747
0072402	0185038	0339033	0607081	0858101	3000045	4003370	4003883	6000194	9003698	00D1896	5VL5240	WYXE996
0072403	0185039	0339034	0607082	0858300	3000047	4003372	4003890	6000213	9003711	00D1902	6GT8219	WZPE199
0072404	0187043	0339035	0607083	0861021	3000050	4003373	4003892	6000215	9003720	00D1906	6HMA906	X17C615
0072405	0187044	0339036	0607084	0861023	3000052	4003375	4003895	6000238	9003722	00D1910	6NQM604	X6CH065
0072406	0188122	0339075	0612018	0866106	3000054	4003376	4003896	6000239	9003728	00D1911	6Q0U495	X7ZP424

Name of Federal Program or Cluster (CFDA #)

Highway Planning and Construction Cluster (20.205/20.219):

Project Number													
0074010	0191069	0339112	0612019	0869044	3000055	4003377	4003903	6000258	9003745	00D1914	6WP6603	XC1X620
0074305	0193031	0341024	0614035	0869106	3000073	4003378	4003922	6000264	9003750	00D1917	70E2038	XD6X932
0074306	0193039	0341025	0614108	0870012	3000074	4003379	4003972	6000266	9003751	00D1921	74T6949	XELQ416
0074308	0193060	0341035	0615006	0870015	3000075	4003382	4008008	6000267	9003770	00D1926	78FE386	XJCF796
0074309	0193069	0341038	0619021	0870017	3000076	4003383	4009035	6000272	9003790	00D1927	795U331	XPV5974
0074310	0196103	0341055	0619023	0870018	3000080	4003384	4009058	6000275	9003802	00D1930	7BV4258	XPVS932
0074311	0197125	0341059	0623035	0873035	3000081	4003386	4009077	6000276	9003807	00D1931	7E2I644	XWCA111
0074312	0197126	0341060	0626007	0877014	3000085	4003389	4009078	6000280	9003817	00D1937	7HLI686	XXPG375
0074314	0197127	0341061	0626008	0877015	3000086	4003390	4009082	6000288	9003835	00D1940	7KH9868	XY6D553
0074315	0197128	0341062	0626009	0881020	3000087	4003391	4009108	6000298	9003840	00D1941	7KWW295	Y65L694
0074316	0197129	0343019	0626010	0884106	3000088	4003392	4009117	6000299	9003843	00D1942	7XVY242	Y9AP709
0074317	0197134	0343021	0627015	0885052	3000089	4003397	4009129	6000300	9003852	00D1943	80JT167	YK7Q499
0074318	0197137	0343023	0627016	0885053	3000090	4003403	4009131	6000301	9003854	00D1947	83Y7390	YXFW601
0074319	0197141	0343024	0631017	0887111	3000091	4003404	4009146	6000305	9003855	00D1949	8D29326	YYL9804
0074320	0199022	0343026	0631018	0899006	3000092	4003406	4009170	6000307	9003859	00D1950	8R51080	Z1X9720
0074321	0201033	0343027	0638111	0900103	3000093	4003408	4009212	6000308	9003862	00D1953	8TL9832	Z44C597
0074322	0201034	0343028	0639020	0901032	3000094	4003410	4009222	6000311	9003868	00D1956	96DS208	ZQVB017
0074323	0203028	0343029	0641129	0904005	3000096	4003411	4009230	6000316	9003870	00D1958	96N6732	ZWGC490
0074324	0212107	0343039	0645151	0907106	3000097	4003412	4009245	6000317	9003894	00D1959	9TJY262	ZWXQ814
0074325	0212108	0343040	0646078	0917110	3000098	4003413	4009252	6000321	9003895	00D1961	9V1A115	
0074326	0212111	0343041	0646079	0919110	3000099	4003414	4009263	6000323	9003922	00D1964	9XFV776	

Name of Federal Program or Cluster (CFDA #)

Airport Improvement Program (20.106):

Award Number (Federal Fiscal Year/Award Year)			
3-17-0000-007	3-17-0068-71	3-17-0096-64	3-17-SBGP-130 D
3-17-0000-008	3-17-0068-75	3-17-0146-032	3-17-SBGP-131 D
3-17-0006-063	3-17-0068-76	3-17-0146-033	3-17-SBGP-133 A
3-17-0006-065	3-17-0068-77	3-17-SBGP-101	3-17-SBGP-133 N
3-17-0006-066	3-17-0080-062	3-17-SBGP-105 A	3-17-SBGP-135 D
3-17-0006-067	3-17-0080-063	3-17-SBGP-105 N	3-17-SBGP-136 D
3-17-0006-60	3-17-0080-58	3-17-SBGP-106	3-17-SBGP-137 D
3-17-0006-64	3-17-0080-59	3-17-SBGP-108	3-17-SBGP-138 D
3-17-0016-030	3-17-0080-60	3-17-SBGP-109	3-17-SBGP-139 N
3-17-0016-031	3-17-0080-61	3-17-SBGP-111 A	3-17-SBGP-142 D
3-17-0022-127	3-17-0085-036	3-17-SBGP-111 N	3-17-SBGP-143 D
3-17-0025-085	3-17-0085-037	3-17-SBGP-112 D	3-17-SBGP-64
3-17-0065-030	3-17-0085-038	3-17-SBGP-113 D	3-17-SBGP-74
3-17-0065-031	3-17-0088-074	3-17-SBGP-115 D	3-17-SBGP-80
3-17-0065-032	3-17-0088-077	3-17-SBGP-117 D	3-17-SBGP-87
3-17-0065-033	3-17-0088-078	3-17-SBGP-118 D	3-17-SBGP-88
3-17-0065-034	3-17-0088-079	3-17-SBGP-120 A	3-17-SBGP-91
3-17-0068-078	3-17-0096-066	3-17-SBGP-120 N	3-17-SBGP-94
3-17-0068-079	3-17-0096-068	3-17-SBGP-122 D	3-17-SBGP-95
3-17-0068-080	3-17-0096-069	3-17-SBGP-123 D	3-17-SBGP-97
3-17-0068-081	3-17-0096-070	3-17-SBGP-124 D	3-17-SBGP-98
3-17-0068-082	3-17-0096-071	3-17-SBGP-125 D	3-17-SBGP-99
3-17-0068-083	3-17-0096-48	3-17-SBGP-126 D	
3-17-0068-084	3-17-0096-62	3-17-SBGP-128 D	
3-17-0068-086	3-17-0096-63	3-17-SBGP-129 D	

Clean Water State Revolving Fund Cluster (66.458):

Award Number (Federal Fiscal Year/Award Year)			
CS17000115 (2015)	CS17000116 (2016)	CS17000117 (2017)	

Drinking Water State Revolving Fund Cluster (66.468):

Award Number (Federal Fiscal Year/Award Year)			
FS98577715 (2015)	FS98577716 (2016)	FS98577717 (2017)	

Title I Grants to Local Education Agencies (84.010):

Award Number (Federal Fiscal Year/Award Year)			
S010A150013 (2015)	S010A160013 (2016)	S010A170013 (2017)	

Special Education (IDEA) Cluster (84.027/84.173):

Award Number (Federal Fiscal Year/Award Year)			
H027A150072 (2015)	H173A150101 (2015)	H027A160072 (2016)	H173A160101 (2016)
H027A170072 (2017)	H173A170101 (2017)		

Federal Family Education Loan Program (84.032):

Award Number (Federal Fiscal Year/Award Year)			
None			

Career and Technical Education (84.048):

Award Number (Federal Fiscal Year/Award Year)			
V048A150013 (2015)	V048A160013 (2016)	V048A170013 (2017)	

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126):

Award Number (Federal Fiscal Year/Award Year)			
H126A160018 (2016)	H126A170018 (2017)	H126A180018 (2018)	

Twenty-First Century Community Learning Centers (84.287):

Award Number (Federal Fiscal Year/Award Year)			
S287C150013 (2015)	S287C160013 (2016)	S287C170013 (2017)	

Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (84.367):

Award Number (Federal Fiscal Year/Award Year)			
S367A150012 (2015)	S367A160012 (2016)	S367A170012 (2017)	

School Improvement Grants (84.377):

Award Number (Federal Fiscal Year/Award Year)			
S377A130014 (2013)	S377A140014 (2014)	S377A150014 (2015)	

(Continued)

STATE OF ILLINOIS
Schedule of Findings and Questioned Costs
Table of Award Numbers
Year Ended June 30, 2018

Name of Federal Program or Cluster (CFDA #)

Aging Cluster (93.044/93.045/93.053)

Award Number (Federal Fiscal Year/Award Year)			
12AAILT3SS (2012)	13AAILNSIP (2013)	15AAILT3FC (2015)	17AAILT3CM (2017)
12AAILT3CM (2012)	14AAILT3SS (2014)	15AAILNSIP (2015)	17AAILT3HD (2017)
12AAILT3HD (2012)	14AAILT3CM (2014)	16AAILT3SS (2016)	17AAILT3PH (2017)
12AAILT3PH (2012)	14AAILT3HD (2014)	16AAILT3CM (2016)	18AAILT3SS (2018)
12AAILT3FC (2012)	14AAILT3PH (2014)	16AAILT3HD (2016)	18AAILT3CM (2018)
12AAILNSIP (2012)	14AAILT3FC (2014)	16AAILT3PH (2016)	18AAILT3HD (2018)
13AAILT3SS (2013)	14AAILNSIP (2014)	16AAILT3FC (2016)	18AAILT3PH (2018)
13AAILT3CM (2013)	15AAILT3SS (2015)	16AAILNSIP (2016)	18AAILT3FC (2018)
13AAILT3HD (2013)	15AAILT3CM (2015)	17AAILT3SS (2017)	18AAILNSIP (2018)
13AAILT3PH (2013)	15AAILT3HD (2015)	17AAILT3CM (2017)	
13AAILT3FC (2013)	15AAILT3PH (2015)	17AAILT3HD (2017)	

Immunization Cooperative Agreements (93.268):

Award Number (Federal Fiscal Year/Award Year)
6-NH23IP000722-05-03

Temporary Assistance for Needy Families Cluster (93.558):

Award Number (Federal Fiscal Year/Award Year)	
1702ILTANF (2017)	1802ILTANF (2018)

Child Support Enforcement (93.563):

Award Number (Federal Fiscal Year/Award Year)		
05-1704ILCSES (2017)	05-1804ILCSES (2018)	05-1804ILCEST (2018)

Child Care Development Fund Cluster (93.575/93.596):

Award Number (Federal Fiscal Year/Award Year)	
G1701ILCCDF (2017)	G1801ILCCDF (2018)

Stephanie Tubbs Jones Child Welfare Services Program (93.645):

Award Number (Federal Fiscal Year/Award Year)	
G-1701ILCWSS (2017)	G-1801ILCWSS (2018)

Foster Care - Title IV-E (93.658/93.658ARRA):

Award Number (Federal Fiscal Year/Award Year)	
1701ILFOST (2017)	1801ILFOST (2018)

Adoption Assistance (93.659):

Award Number (Federal Fiscal Year/Award Year)	
1701ILADPT (2017)	1801ILADPT (2018)

Social Services Block Grant (93.667):

Award Number (Federal Fiscal Year/Award Year)	
G1701ILSOSR (2017)	G1801ILSOSR (2018)

Children's Health Insurance Program (93.767):

Award Number (Federal Fiscal Year/Award Year)			
05-1605IL5021 (2016)	05-1705IL5021 (2017)	05-1705IL5301 (2017)	05-1805IL5021 (2018)

Medicaid Cluster (93.775/93.777/93.778/93.778ARRA):

Award Number (Federal Fiscal Year/Award Year)			
05-1705IL5MAP (2017)	05-1705IL5ADM (2017)	05-1705ILIMPL (2017)	05-1705ILINCT (2017)
05-1805IL5ADM (2018)	05-1805ILIMPL (2018)	05-1805ILINCT (2018)	05-1805ILINCT (2018)

HIV Care Formula Grants (93.917):

Award Number	
6-X07HA00013-27-02	6-X07HA00013-28-01

Block Grants for Prevention and Treatment of Substance Abuse (93.959):

Award Number (Federal Fiscal Year/Award Year)		
3B08TI010018-16 (2016)	2B08TI010018-17 (2017)	2B08TI010018-18 (2018)

Social Security - Disability Insurance (96.001):

Award Number (Federal Fiscal Year/Award Year)			
1404ILDI00 (2014)	1504ILDI00 (2015)	1604ILDI00 (2016)	1704ILDI00 (2017)
1804ILDI00 (2018)			

Homeland Security Grant Program (97.067)

Award Number (Federal Fiscal Year/Award Year)		
EMW2015SS0069 (2015)	EMW2016SS0014 (2016)	EMW2017SS0051 (2017)