



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

STATE OF ILLINOIS STATEWIDE SINGLE AUDIT REPORT

**SINGLE AUDIT
 For the Year Ended June 30, 2022**

Release Date: December 21, 2023

FINDINGS THIS AUDIT: 34				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	New	Repeat	Total	2021	22-7, 22-13, 22-15, 22-20, 22-21, 22-22, 22-29	22-28	
Category 1:	16	15	31	2020	22-18, 22-27		
Category 2:	2	1	3	2019	22-31		
Category 3:	0	0	0	2018	22-19		
TOTAL	18	16	34	2015	22-25		
FINDINGS LAST AUDIT: 40				2014	22-6		
				2011	22-8		
				2001	22-5		

SYNOPSIS

- The State expended approximately \$51.2 billion from federal awards in FY22.
- A total of 22 programs or program clusters were classified and audited as major programs at 18 State agencies. These programs constituted approximately 86.8% of all federal spending, or about \$44.4 billion. In addition, 45 State agencies expended federal financial assistance in FY22. Twelve State agencies accounted for about 98.1% of federal dollars spent.

Statewide Finding – Financial Reporting

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

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with laws and regulations.

**STATE OF ILLINOIS
STATEWIDE SINGLE AUDIT
For the Year Ended June 30, 2022**

FINANCIAL ACTIVITIES	Amount	Percent
EXPENDITURES BY PROGRAM		
Major Programs:		
Medicaid Cluster.....	\$ 18,817,832,850	36.7%
Supplemental Nutrition Assistance Program (SNAP Cluster).....	5,801,570,781	11.3%
Unemployment Insurance.....	5,541,083,183	10.8%
Coronavirus State and Local Fiscal Recovery Funds.....	4,895,262,395	9.6%
Federal Family Education Loans - Guaranty Agencies.....	2,171,012,437	4.2%
Education Stabilization Fund.....	1,873,523,369	3.7%
Pandemic EBT Food Benefits.....	1,003,174,798	2.0%
CCDF Cluster.....	941,280,574	1.9%
Temporary Assistance for Needy Families.....	606,030,110	1.2%
Emergency Rental Assistance Program.....	562,546,939	1.1%
Children's Health Insurance Program.....	544,509,368	1.0%
Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	481,995,864	0.9%
Epidemiology and Laboratory Capacity for Infectious Diseases.....	248,405,971	0.5%
Homeowner Assistance Fund.....	209,795,189	0.4%
Coronavirus Relief Fund.....	190,168,889	0.4%
Airport Improvement Program.....	96,389,802	0.2%
Adoption Assistance.....	95,153,644	0.2%
Crime Victim Assistance.....	86,803,479	0.2%
Block Grants for Prevention and Treatment of Substance Abuse.....	81,408,580	0.2%
Clean Water State Revolving Fund Cluster.....	71,861,000	0.1%
Drinking Water State Revolving Fund Cluster.....	60,204,360	0.1%
Aging Cluster.....	59,868,648	0.1%
Total Major Programs.....	<u>\$ 44,439,882,230</u>	<u>86.8%</u>
Non-Major Programs.....	6,782,219,225	13.2%
TOTAL EXPENDITURES.....	<u>\$ 51,222,101,455</u>	<u>100.0%</u>
FEDERAL AGENCIES PROVIDING FUNDING		
	Total	Major Program Expenditures
U.S. Department of Health and Human Services.....	\$ 22,713,470,167	\$ 21,394,489,745
U.S. Department of Agriculture.....	8,215,885,906	6,804,745,579
U.S. Treasury Department.....	5,857,773,412	5,857,773,412
U.S. Department of Education.....	5,735,389,073	4,044,535,806
U.S. Department of Labor.....	5,728,931,273	5,541,083,183
U.S. Department of Transportation.....	1,817,220,275	96,389,802
U.S. Department of Homeland Security.....	579,944,837	481,995,864
U.S. Environmental Protection Agency.....	160,847,004	132,065,360
U.S. Department of Justice.....	117,421,302	86,803,479
All Other Federal Agencies.....	295,218,206	-
TOTAL EXPENDITURES.....	<u>\$ 51,222,101,455</u>	<u>\$ 44,439,882,230</u>
STATISTICAL INFORMATION		
Total Number of Programs in the Schedule of Expenditures of Federal Awards.....	315	
Number of Federal Programs or Program Clusters Audited (including finding follow-up).....	30	
Total Number of State Agencies Spending Federal Funds.....	45	
Number of State Agencies for Single Audit Requirements (including finding follow-up).....	19	

Auditor's Disclaimer of Opinion on a Major Program

- The Illinois Student Assistance Commission:
 - Was unable to implement all required elements of the Dear Colleague Letter GEN-21-03 for loans serviced under the Federal Family Education Loans – Guaranty Agencies (FFEL) program due to system limitations.

Auditor's Adverse Opinion on Major Program

- The Department of Revenue:
 - Passed through most of the advance drawn funds to its subrecipient while reporting no activity had occurred for the COVID-19 – Homeowner Assistance Fund (HAF) program in the special report prepared during fiscal year 2022.
- The Department of Human Services:
 - Did not perform a risk assessment or subrecipient monitoring procedures for the subrecipient of the HAF program for the year ended June 30, 2022.

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

- The Department of Human Services:
 - Could not locate case file documentation supporting eligibility determinations and special test requirements for beneficiaries of the SNAP Cluster and/or Temporary Assistance for Needy Families (TANF) program.
 - Was unable to provide adequate documentation to substantiate the maintenance of effort (MOE) requirements were met for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program for award year 2020 that closed during State fiscal year 2022.
 - Did not follow its established program monitoring policies and procedures for subrecipients of the TANF, CCDF Cluster, and SAPT programs.
 - Did not obtain the required certifications at the time of application for certain providers of the CCDF Cluster receiving American Rescue Plan (ARP) Act stabilization funds.
- The Department of Healthcare and Family Services:
 - Did not perform periodic audits of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each Managed Care Organization (MCO) for the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs.
 - Did not report certain Medicaid Cluster program expenditures on quarterly federal financial (CMS-64) reports in a timely manner.
 - Improperly continued providing benefits under the CHIP program to individuals who were over the age of 19 prior to the start of the Public Health Emergency on March 13, 2020.
- The Department of Employment Security:
 - Did not implement Federal requirements to improve program integrity and reduce overpayments.
- The Department on Aging:
 - Did not adequately document review over single audit reports received from its subrecipients for the Aging Cluster program on a timely basis.
- The Department of Corrections:
 - Charged subrecipient expenditures to the Coronavirus Relief Fund (CRF) program which were incurred prior to the period of performance.

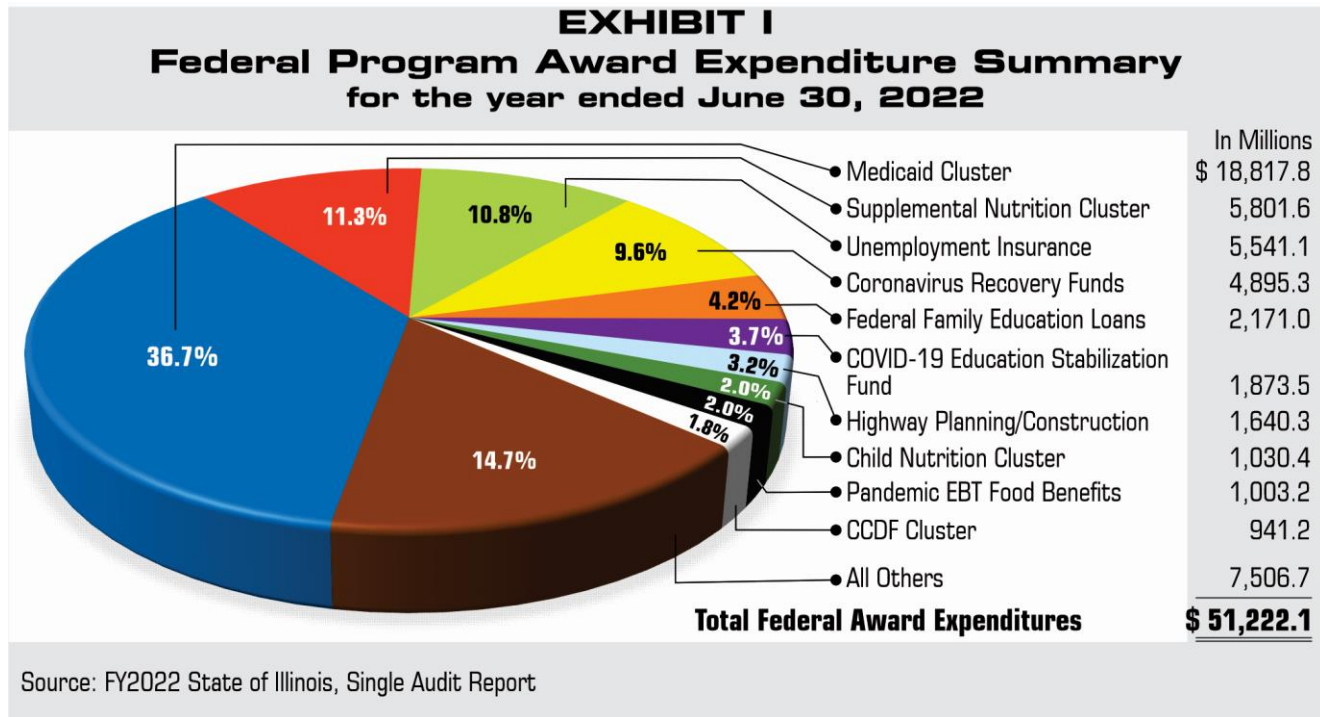
In addition, the Department of Human Services, the Department of Public Health, the Illinois Criminal Justice Information Authority, the Department of Transportation, and the Department on Aging failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of various programs.

INTRODUCTION

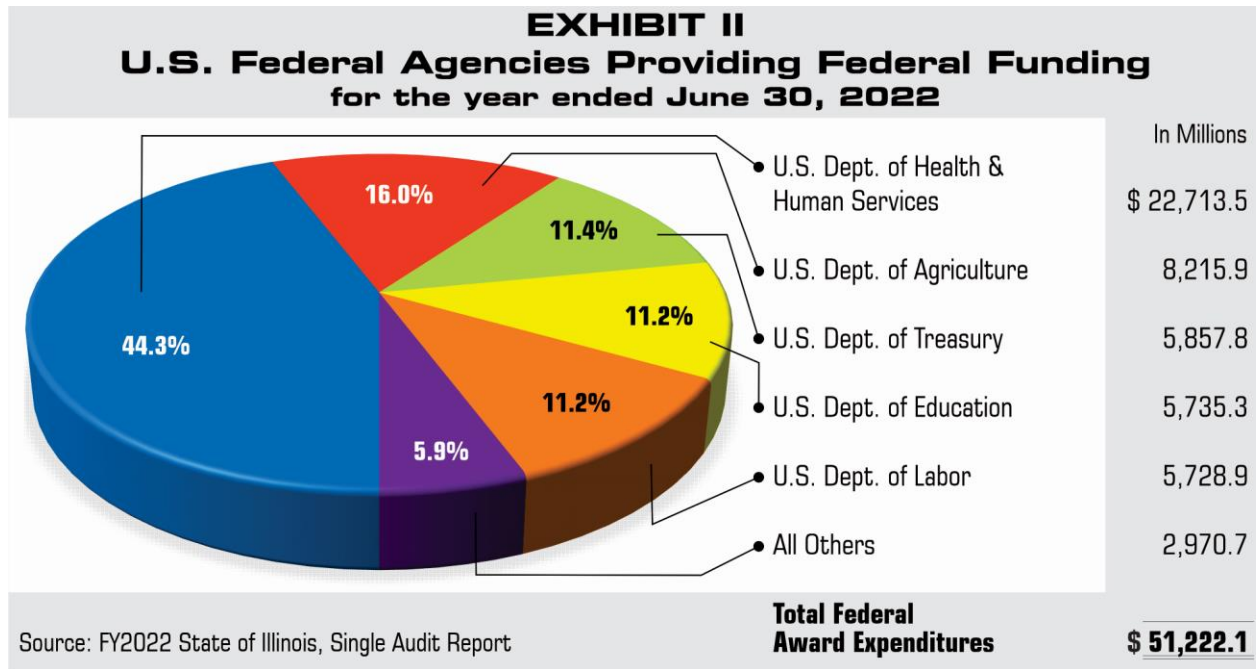
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY22 federal grant programs. The audit was conducted in accordance with the Uniform Guidance (Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*).

The Statewide Single Audit includes State agencies that are a part of the primary government and expend federal awards. In total, 45 State agencies expended federal financial assistance in FY22. A separate supplemental report has been compiled by the Governor’s Office of Management and Budget and provides summary information on federal spending by State agency. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities. The component units continue to have separate single audits when required.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$51.2 billion for the year ended June 30, 2022. Overall, the State participated in 315 different federal programs; however, 10 of these programs or program clusters accounted for approximately 85.3% of the total federal award expenditures. (See Exhibit I)



The funding for the 315 programs was provided by 25 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY22.

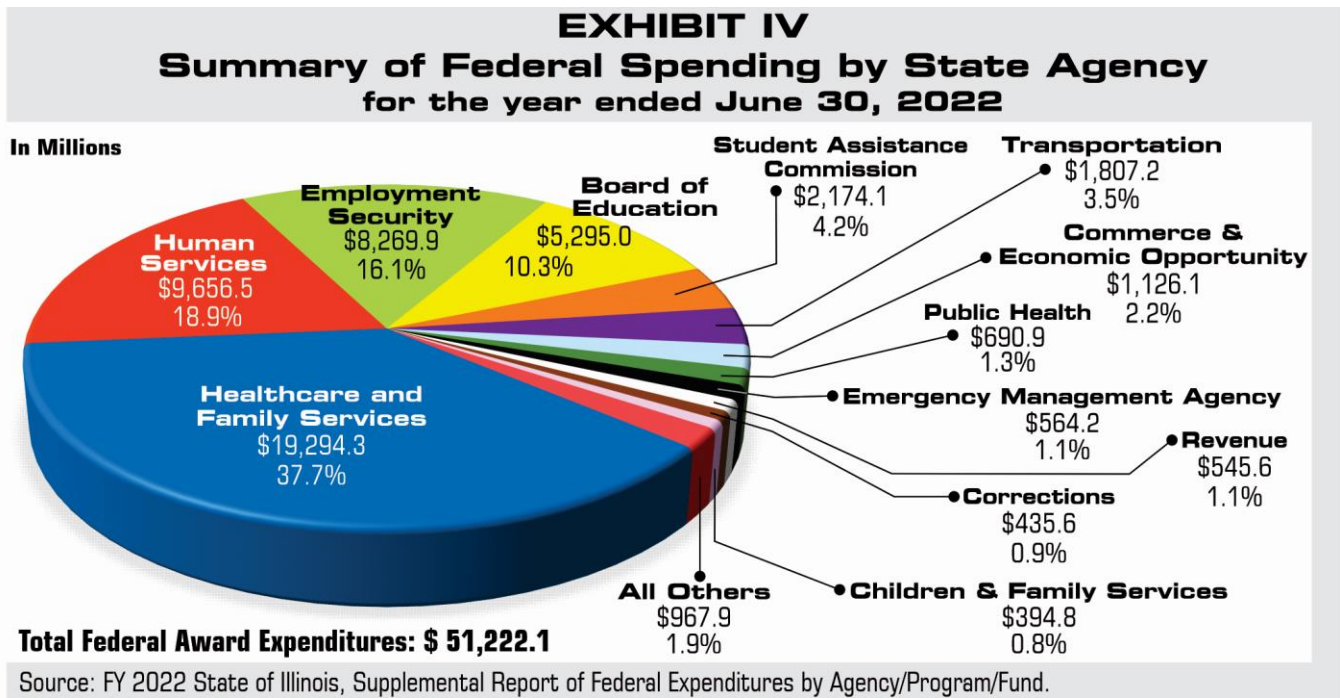


A total of 22 federal programs or program clusters were identified as major programs in FY22. A major program was defined in accordance with the Uniform Guidance as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief summary of the number of programs classified as “major” and “non-major” and related federal award expenditures.

EXHIBIT III
Classification of Federal Programs
“Major vs. Non-Major”
and Related Federal Award Expenditures
for the year ended June 30, 2022

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs (or clusters)	22	\$44,439.9	86.8%
Non-Major Programs (or clusters)	293	6,782.2	13.2%
Total	<u>315</u>	<u>\$51,222.1</u>	<u>100.0%</u>

Twelve State agencies accounted for approximately 98.1% of all federal dollars spent during FY22 as depicted in Exhibit IV.



**INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The auditors’ report contained a disclaimer of opinion, an adverse opinion, and qualifications on compliance as summarized below. The complete text of the Auditors’ Report may be found on pages 17-23 of the audit.

Disclaimer of Opinion

The auditors were unable to express an opinion on compliance for the following major program:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Student Assistance Commission	Federal Family Education Loans – Guaranty Agencies	Reporting and Special Tests and Provisions	2022-002	29-31

Adverse Opinion

The auditors expressed an adverse opinion on compliance for the following major program:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Revenue	COVID-19 – Homeowner Assistance Fund	Cash Management	2022-003	32-33
IL Department of Human Services	COVID-19 – Homeowner Assistance Fund	Subrecipient Monitoring	2022-004	34-35

Qualifications

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

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Human Services	SNAP Cluster	Special Tests and Provisions	2022-005	36-38
IL Department of Human Services	Temporary Assistance for Needy Families	Eligibility and Special Tests and Provisions	2022-005	36-38
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Matching, Level of Effort, and Earmarking	2022-006	39-40
IL Department of Human Services	Temporary Assistance for Needy Families	Reporting	2022-007	41-43
IL Department of Human Services	CCDF Cluster	Reporting	2022-007	41-43
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Reporting	2022-007	41-43
IL Department of Human Services	Temporary Assistance for Needy Families	Subrecipient Monitoring	2022-008	44-46
IL Department of Human Services	CCDF Cluster	Subrecipient Monitoring	2022-008	44-46
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring	2022-008	44-46

IL Department of Human Services	CCDF Cluster	Special Tests and Provisions	2022-009	47-48
IL Department of Healthcare and Family Services	Children’s Health Insurance Program	Special Tests and Provisions	2022-013	56-57
IL Department of Healthcare and Family Services	Medicaid Cluster	Special Tests and Provisions	2022-013	56-57
IL Department of Healthcare and Family Services	Medicaid Cluster	Reporting	2022-014	58-60
IL Department of Healthcare and Family Services	Children’s Health Insurance Program	Eligibility	2022-016	63-64
IL Department of Public Health	COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Reporting	2022-020	71-72
IL Criminal Justice Information Authority	Crime Victim Assistance	Reporting	2022-022	75-76
IL Department of Employment Security	Unemployment Insurance	Special Tests and Provisions	2022-025	81-82
IL Department of Transportation	COVID-19 – Airport Improvement Program	Reporting	2022-029	91-92
IL Department on Aging	Aging Cluster	Reporting	2022-030	93-94
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	2022-031	95-96
IL Department of Corrections	COVID-19 – Coronavirus Relief Fund	Allowable Costs/Cost Principles and Period of Performance	2022-033	99-101

Internal Control Over Financial Reporting

We noted a matter involving internal control over financial reporting for the Schedule of Expenditures of Federal Awards (Schedule) that was considered to be a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s Schedule will not be prevented, or detected and corrected on a timely basis. The auditors recommended the Governor’s Office of Management and Budget (GOMB) work together with the State agencies to establish a corrective action plan to address the quality of accounting information provided to the Illinois Office of Comptroller (IOC) which is used by GOMB to prepare the Schedule.

Internal Control Over Compliance

We noted certain matters involving internal control over compliance that were considered to be significant deficiencies. A control deficiency in an entity’s internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Overall, 3 of the 34 findings reported in the single audit were classified as compliance significant deficiencies.

Material weaknesses were also disclosed in our report. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. Overall, 31 of the 34 findings reported in the single audit were classified as material weaknesses.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**EXHIBIT V
Summary Schedule of Findings By Agency**

State Agency	Number of Findings	Number of Repeat Findings	Page References to Findings
Governor’s Office of Management and Budget	1	0	27-28
Illinois Student Assistance Commission	1	0	29-31
Revenue	1	0	32-33
Human Services	9	4	34-55
Healthcare and Family Services	6	3	56-68
Children and Family Services	1	1	69-70
Public Health	2	2	71-74
Illinois Criminal Justice Information Authority	3	1	75-80
Employment Security	4	3	81-90
Transportation	1	1	91-92
Aging	3	1	93-98
Corrections	1	0	99-101
Commerce and Economic Opportunity	<u>1</u>	<u>0</u>	102-103
Totals	<u>34</u>	<u>16</u>	

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

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

Year	Number of Findings	Number of Repeated Findings	Percentage of Repeated Findings
2022	34	16****	45%
2021	40	15***	38%
2020*	29	19**	66%
2019	69	51	74%
2018	80	59	74%
2017	72	53	74%
2016	73	49	67%
2015	75	51	68%
2014	69	47	68%
2013	74	59	80%
2012	91	63	69%
2011	101	71	70%

*Beginning in Fiscal Year 2020, we have implemented a change in our presentation of the results of prior year finding follow up. The Code of Federal Regulations (2 CFR 200.511) requires a summary schedule of prior audit findings to report the status of all audit findings included in the prior audit’s schedule of findings and questioned costs. The current year summary schedule of prior audit findings is included in the separately bound *Supplemental Report of Federal Expenditures*, prepared by the Governor’s Office of Management and Budget. In addition, beginning with the 2019 Compliance Supplement, federal agencies were mandated by the federal Office of Management and Budget to limit the number of compliance requirements subject to the compliance audit to six. These changes resulted in an overall decrease in the number of findings reported in the scope of our compliance audit for Fiscal Year 2020 and impact the comparability of Fiscal Year 2020 to preceding years in Exhibit VI.

**Two of the findings presented in the 2019 report were combined and presented as a single repeated finding in the 2020 report.

***One of the repeat audit findings included in the June 30, 2021 report was reported in the June 30, 2020 Schedule of Prior Findings. The finding related to a compliance requirement that was not direct and material during the June 30, 2020 audit.

****Two of the findings presented in the 2021 report were combined and presented as a single repeated finding in the 2022 report. In addition, one of the repeat audit findings included in this June 30, 2022 report was reported in the June 30, 2021 Schedule of Prior Findings. This finding related to a compliance requirement that was not direct and material during the June 30, 2020 and June 30, 2021 audits.

INADEQUATE PROCESS FOR COMPILING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Current process does not allow for timely reporting

We noted 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.

Highly-decentralized financial reporting process

The State of Illinois has a highly-decentralized financial reporting process. The system requires State agencies to prepare financial reporting packages designed by the Illinois Office of Comptroller (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.

Late adjustments to the SEFA

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the Annual Comprehensive Financial Report (ACFR) preparation process and there are minimum qualifications recommended for all new generally accepted accounting principles (GAAP) Coordinators who oversee the preparation of financial reporting forms and the Governor's Office of Management and Budget (GOMB) compiles the SEFA data and performs certain supervisory review procedures over the SEFA and evaluates errors identified, the current process still lacks sufficient internal controls to permit timely and accurate reporting. As a result, late adjustments relative to the SEFA continue to occur.

First draft of the SEFA not provided until December 2022; had several open items

During fiscal year 2022, the State's process for compilation of the SEFA continued to be performed on a timeline that does not permit the State to meet the March 31st single audit filing deadline. The first official draft of the SEFA was provided in December 2022 with several open items. A number of revised drafts were provided to update missing information and to correct for errors in information originally submitted by State agencies to the IOC. Specifically, we identified the following errors:

\$500 million revision to SEFA posted in July 2023

- On July 31, 2023, GOMB provided a revised draft SEFA which included approximately \$500 million of Medicaid expenditures which had not previously been reported and were required to be subjected to audit procedures.

\$228 million revision to SEFA posted in November 2023

- On November 21, 2023, GOMB provide a revised draft SEFA which removed approximately \$228 million of expenditures originally reported under the Coronavirus Relief Fund (CRF) program. The expenditures were incorrectly reported under the CRF program as they were already reported under separate federal programs.

SEFA not finalized until November 2023

The final SEFA and related notes were not finalized by the State until November 2023. (Finding No. 2022-001, pages 27-28)

GOMB accepted our recommendation.

GOMB accepted our recommendation

Inability to implement Dear Colleague Letter

Significant impact on ISAC operations

ISAC notified USDE of its request to terminate its operations as a guaranty agency of the FFEL program

Loan portfolio transitioned to third party loan servicer

INABILITY TO IMPLEMENT DEAR COLLEAGUE LETTER

The Illinois Student Assistance Commission (ISAC) was unable to implement all required elements of the Dear Colleague Letter GEN-21-03 for loans serviced under the Federal Family Education Loans – Guaranty Agencies (FFEL) program due to system limitations.

On May 12, 2021, the U.S. Department of Education (USDE) issued Dear Colleague Letter (DCL) GEN-21-03, with an update on May 24, 2021, titled “Expansion of Collections Pause to Defaulted FFEL Program Loans Managed by Guaranty Agencies.” The purpose of DCL GEN-21-03 was to help borrowers burdened by debt during the COVID-19 emergency, and it had a significant impact on guaranty agency operations, including the following:

- Interest was required to be retroactively reduced to zero percent back to March 13, 2020 through May 1, 2022.
- Guaranty agencies were not allowed to charge and retain collection cost for loan rehabilitation, and for those rehabilitations which occurred during the period, the guarantor was required to make adjustments on the account before it was transferred to the new holder for interest and collection costs charged.
- Guaranty agencies were allowed to charge 2.8% collection cost to borrowers for consolidation loans, which represented a change from 18.5%, and any previous charges were required to be refunded to the Direct Loan consolidating servicer to adjust the borrower accounts.
- Guaranty agencies were required to make adjustments to interest and involuntary payments to loans which defaulted on/after March 13, 2020; these loans were required to be transferred to USDE under Special Mandatory Assignment.
- Guaranty agencies may transfer funds from the Federal Fund to the Operating Fund without prior permission from USDE to reimburse themselves for lost revenue and to make refunds to borrowers. Guaranty agencies who received additional funds from USDE were required to report that activity on their Annual Report.

As a direct result of the requirements established upon issuance of the DCL GEN-21-03, on July 29, 2021, ISAC notified USDE of its request to terminate its operations as a guaranty agency of the FFEL program. On September 22, 2021, USDE approved ISAC’s request for termination as a guaranty agency of FFEL, and also informed ISAC of its decision to designate an unrelated third party to act as the guarantor for the State of Illinois. Effective May 1, 2022, the FFEL loan portfolio was transitioned to the third party loan servicer.

Although the loan portfolio was transitioned to a third party to act as guaranty agency, ISAC was responsible to service the outstanding FFEL loan portfolio and maintain compliance with USDE requirements through the May 1, 2022 transition date. Through discussions with ISAC officials, given the limitations of its legacy guaranty system, ISAC was unable to set interest rates for outstanding loans to 0% as required by the DCL.

Auditors unable to test compliance with direct and material requirements

Further, given the loan portfolio was transferred to the third party servicer on May 1, 2022, we were unable to test ISAC's compliance with requirements that are direct and material to the FFEL program. (Finding No. 2022-002, pages 29-31)

Disclaimer of opinion

As a result of ISAC's inability to implement the DCL due to system limitations, the State did not comply in all material respects with specific compliance requirements. Due to this inability, the auditors were unable to render an opinion on the Federal Family Education Loans – Guaranty Agencies program.

We recommended ISAC work with USDE to finalize closeout of the FFEL program.

Corrective action taken

ISAC accepted our recommendation and pointed to corrective action already taken in transitioning the portfolio to a third party servicer.

FAILURE TO MONITOR SUBRECIPIENT CASH DRAWS AND FAILURE TO ESTABLISH SUBRECIPIENT MONITORING PROCEDURES

Funds advanced beyond current needs

We noted the Illinois Department of Revenue (IDOR) passed through most of the advance drawn funds to its subrecipient while reporting no activity had occurred for the COVID-19 – Homeowner Assistance Fund (HAF) program in the special report prepared during fiscal year 2022. We noted the State receive \$211,309,688 of COVID-19 – HAF program funding from the U.S. Treasury in January 2022. At the time of the January 2022 cash receipt, we noted IDOR had passed through \$32,886,765 to the Illinois Housing Development Authority (IHDA), a component unit of the State who works directly with program beneficiaries. During our review of subrecipient payments (totaling \$209,795,189) made to IHDA during the year ended June 30, 2022, we noted IHDA had only reported expenditures of \$6,901,019 during the year ended June 30, 2022. Accordingly, IDOR had provided HAF program advances totaling \$202,894,170 during the year ended June 30, 2022. IDOR did not have procedures in place to monitor whether IHDA had incurred or would be incurring program expenditures to minimize federal cash on hand. (Finding No. 2022-003, pages 32-33)

Risk assessment and subrecipient monitoring not performed

In addition, we noted DHS did not perform a risk assessment or subrecipient monitoring procedures for IHDA as subrecipient of the COVID-19 – HAF program for the year ended June 30, 2022. The State designated DHS as the State agency responsible for monitoring of IHDA as subrecipient of the COVID-19 – HAF program, and as a pass-through entity, DHS was responsible for:

- Identifying the award and applicable requirements,
- Evaluating IHDA’s risk of noncompliance for purposes of determining the appropriate monitoring procedures related to the subaward,
- Monitoring the activities of IHDA as necessary to ensure the subaward is used for authorized purposes, IHDA complies with the terms and conditions of the subaward, and IHDA achieves performance goals, and
- Issuing a management decision for audit findings pertaining to the federal award provided to IHDA, if applicable.

During our testing, we noted DHS did not perform any subrecipient monitoring procedures over IHDA with respect to the HAF program during the year ended June 30, 2022. Amounts passed through to IHDA totaled \$209,795,189 for the year ended June 30, 2022. (Finding No. 2022-004, pages 34-35)

As a result of the failures described above, the State did not comply in all material respects with specific compliance requirements. Due to these matters, the auditors rendered an adverse opinion on the COVID-19 – HAF program.

Adverse opinion on COVID-19 – HAF program

We recommended IDOR implement procedures to monitor subrecipients to ensure funds are requested only for expenditures which have been incurred or will be incurred within a reasonable time period to minimize federal cash on hand. We also recommended DHS implement subrecipient monitoring procedures in accordance with federal regulations.

IDOR and DHS accepted our recommendations.

Recommendations accepted

DEPARTMENT OF HUMAN SERVICES (DHS)

We noted DHS, as the administering State agency, did not materially comply with specific compliance requirements described on p. 19-20 of the Single Audit Report.

Specifically, we noted the following:

- DHS could not locate case file documentation supporting eligibility determinations and special test requirements for beneficiaries of the SNAP Cluster and/or Temporary Assistance for Needy Families (TANF) program. **Similar findings on this issue have been reported since 2001.** (Finding No. 2022-005, pages 36-38)
- DHS was unable to provide adequate documentation to substantiate the maintenance of effort (MOE) requirements were met for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program for award year 2020 which closed during State fiscal year 2022. **Similar findings on this**

Could not locate case file documentation

Unable to provide documentation to substantiate MOE requirements were met

issue have been reported since 2014. (Finding No. 2022-006, pages 39-40)

Did not follow program monitoring policies and procedures

- DHS did not follow its established program monitoring policies and procedures for subrecipients of the TANF Cluster, CCDF Cluster, and SAPT programs. In addition, DHS did not provide timely notification (within 60 days) of the results of the programmatic on-site reviews, and DHS did not complete their quality review on a timely basis (within 60 days). Lastly, for 1 of 28 SAPT subrecipient expenditures sampled, DHS could not provide supporting documentation that reconcile to the sampled amount. **Similar findings on this issue have been reported since 2011.** (Finding No. 2022-008, pages 44-46)

Timely notification of on-site review results not provided

Expenditure amount could not be reconciled

- DHS did not obtain the required certifications at the time of application for certain providers of the CCF Cluster receiving American Rescue Plan (ARP) Act stabilization funds. During our test work over 40 child care providers receiving ARP Act stabilization funds (totaling \$545,843,265), we noted DHS could not provide the require certifications for ARP Act stabilization funds for 39 providers who were noted as “license exempt” providers by DHS. (Finding No. 2022-009, pages 47-48)

Required certifications not obtained

The material noncompliance noted resulted in modified opinions on compliance for the SNAP Cluster, TANF, SAPT, and CCDF Cluster programs. DHS accepted our recommendations.

Qualified opinion on SNAP Cluster, TANF, SAPT, and CCDF Cluster programs

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES (DHFS)

Recommendations accepted

We noted DHFS, as the administering State agency, did not materially comply with specific compliance requirements described on page 20 of the Single Audit Report.

Specifically, we noted the following:

Periodic audits of MCO data not performed

- DHFS did not perform periodic audits of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each Managed Care Organization (MCO) for the Children’s Health Insurance Program (CHIP) and Medicaid Cluster programs. Additionally, we noted DHFS had not established internal control procedures to ensure the encounter data audits are performed and posted as require. (Finding No. 2022-013, pages 56-57)

Expenditures not timely reported on CMS-64 reports

- DHFS did not report certain Medicaid Cluster program expenditures on quarterly federal financial (CMS-64) reports in a timely manner. DHFS is the State Medicaid agency and is responsible for determining whether payments made to providers were for permissible services on behalf of eligible beneficiaries. The Illinois Department of Human Services (DHS) is responsible for determining the eligibility of certain Medicaid Cluster beneficiaries and for administering certain

Medicaid waiver programs, including certain Home and Community Base Services provided by the State. In January 2023, DHFS and DHS discovered expenditures under the Home and Community Based Services waiver program operated by DHS had not been claimed since January 1, 2021. As a result, DHFS had not reported expenditures totaling \$508,822,205 paid by the State during the year ended June 30, 2022 on any of the quarterly reports filed for this period. On July 28, 2023, the State provide a revise Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2022 which include a correction to add the previously unreported \$508,822,205 of Medicaid Cluster Home and Community Base Services expenditures. The addition of these expenditures delayed the completion of the State’s single audit. (Finding No. 14, pages 58-60)

Improper continuation of benefits to ineligible individuals under CHIP program

- DHFS improperly continued providing benefits under the Children’s Health Insurance Program (CHIP) program to individuals who were over the age of 19 prior to the start of the Public Health Emergency (PHE) on March 13, 2020. The CHIP program provides benefits to children under the age of 19 at an enhanced federal participation (FFP) rate. CHIP benefits should be discontinued when a beneficiary turns 19; however, if they meet all other eligibility criteria, these beneficiaries are allowed to transition to benefits under the Medicaid Cluster program. During our testing of payments (totaling \$351,494) made on behalf of 60 CHIP beneficiaries, we identified three beneficiaries (with sampled medical payments of \$3,246) who were over the age of 19 on or before March 13, 2020 (the beginning of the PHE). The total medical payments made on behalf of these three beneficiaries during the year ended June 30, 2022, were \$264,418. DHFS performed a review of medical payments made during the year ended June 30, 2022 and identified a total of 1,330 CHIP beneficiaries who attained the age of 19 prior to the beginning of the PHE for whom medical payments totaling \$3,218,270 were made during the year ended June 30, 2022. We also noted DHFS had not established adequate controls to identify and remove individuals over the age of 19 (who did not meet the eligibility requirements for the CHIP program) prior to the PHE to determine if they were eligible for the Medicaid Cluster program. (Finding No. 2022-016, pages 63-64)

Questioned costs totaling \$3,218,270

The material noncompliance noted resulted in modified opinions on compliance for the CHIP and Medicaid Cluster programs. DHFS accepted our recommendations.

Qualified opinion on CHIP and Medicaid Cluster programs

DEPARTMENT OF EMPLOYMENT SECURITY (IDES)

Recommendations accepted

We noted IDES, as the administering State agency, did not materially comply with specific compliance requirements described on page 20 of the Single Audit Report. Specifically, we noted IDES did not implement Federal requirements to improve program integrity and reduce overpayments. The State is required to establish written

Did not implement federal requirements to improve program integrity and reduce overpayments

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, including an agreement to permit the State to offset State unemployment insurance (UI) from Federal UI overpayments, an agreement to permit the State to recover overpayments from benefits being administered by another State, and an agreement to permit the State to utilize the Treasury Offset Program to recover overpayments that remain uncollected. During our testing, we noted that while IDES has developed the written procedures relative to overpayments and has 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. **Similar findings on this issue have been reported since 2015.** (Finding No. 2022-025, pages 81-82)

Similar findings on this issue have been reported since 2015

We recommended 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.

Qualified opinion on Unemployment Insurance program

The material noncompliance noted resulted in a modified opinion on compliance for the Unemployment Insurance program. IDES accepted our recommendations.

Recommendations accepted

DEPARTMENT ON AGING (IDOA)

Review of single audit reports received from subrecipients not documented timely

We noted IDOA, as the administering State agency, did not materially comply with specific compliance requirements described on page 20 of the Single Audit Report. Specifically, we noted IDOA did not adequately document review over single audit reports received from its subrecipients for the Aging Cluster program on a timely basis. During our testing of a sample of single audit desk review files for four subrecipients (with expenditures of \$36,828,349 in the fiscal year), we noted IDOA did not document the reconciliation of the subrecipient SEFAs to IDOA records within the State's Grant Accountability and Transparency Act (GATA) Audit Report Review Management System (ARRMS) and did not issue management decision letters to each subrecipient as of the date of our testing (June 2023). (Finding No. 2022-031, pages 95-96)

Expenditures not reconciled

We recommended IDOA establish procedures to ensure subrecipient single audit reviews are completed and documented in a timely manner. Additionally, we recommended IDOA ensure procedures will permit the issuance of management decisions within required timeframes.

Qualified opinion on Aging Cluster program

The material noncompliance noted resulted in a modified opinion on compliance for the Aging Cluster program. IDOA accepted our recommendations.

Recommendations accepted

DEPARTMENT OF CORRECTIONS (IDOC)

Expenditures reported for incorrect period

We noted IDOC, as the administering State agency, did not materially comply with specific compliance requirements described on page 20 of the Single Audit Report. Specifically, we noted IDOC charged subrecipient expenditures to the Coronavirus Relief Fund (CRF) program which were incurred prior to the period of performance. During our testing of 19 expenditures (totaling \$3,869,083) charged to the CRF program during the year ended June 30, 2022, we noted two expenditures for payments to subrecipients (totaling \$219,695) for which the underlying expenditures submitted to the IDOC for reimbursement pertained to expenditures incurred by the subrecipient prior to March 1, 2020. As these expenditures were incurred prior to the beginning of the period of performance for the CRF program, they are not allowable costs. Additionally, we noted seven CRF expenditures (totaling \$2,007,224) from the 19 tested that were not paid by the State until after June 30, 2022, but were included in the 2022 Schedule of Expenditures of Federal Awards (SEFA). As the State prepares its SEFA using the cash basis of accounting, these expenditures were erroneously reported on the 2022 SEFA. Further, in review of the expenditures claimed under the CRF program by DOC, we noted 69 expenditures (totaling \$18,080,783) that were not paid by the State until after June 30, 2022. The State’s 2022 SEFA was not corrected for this error. (Finding No. 2022-033, pages 99-101)

Impact on cash-basis SEFA

We recommended IDOC implement procedures to properly review detail expenditures at the appropriate level of precision to ensure federal expenditures: (1) are within the period of performance and (2) are reported on the State’s SEFA in accordance with the cash basis of accounting.

Qualified opinion on COVID-19 – CRF program

The material noncompliance noted resulted in a modified opinion on compliance for the COVID-19 – CRF program. IDOC accepted our recommendations.

Recommendations accepted

FAILURE TO REPORT SUBAWARD INFORMATION REQUIRED BY FFATA

Complete and accurate subaward information not reported

The Illinois Department of Transportation (IDOT), the Illinois Department of Public Health (IDPH), the Illinois Criminal Justice Information Authority (ICJIA), the Illinois Department of Human Services (DHS), and the Illinois Department on Aging (IDOA) (collectively, the agencies) failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of multiple programs.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or

equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

Key data elements

1. Subawardee Name
2. Subawardee DUNS number
3. Amount of subaward
4. Subaward obligation or action date
5. Date of report submission
6. Subaward number
7. Subaward project description
8. Subawardee names and compensation of highly compensated officers

Multiple findings of material noncompliance

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal requirements. (Finding No. 2022-007, pages 41-43; Finding No. 2022-020, pages 71-72; Finding No. 2022-022, pages 75-76; Finding No. 2022-029, pages 91-92; Finding No. 2022-030, pages 93-94)

Qualified opinions on multiple programs

The material noncompliance described above resulted in modified opinions on the TANF, CCDF Cluster, SAPT, COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases, Crime Victim Assistance, COVID-19 – Airport Improvement Program, and Aging Cluster programs.

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

Recommendations accepted

The agencies accepted our recommendations.

OTHER FINDINGS

The remaining findings pertain to other compliance and internal control matters. We will follow up on the status of corrective action on all findings in our next Statewide Single Audit for the year ended June 30, 2023.

AUDITORS' OPINION

The auditors stated the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2022, is presented fairly in all material respects.

This single audit was conducted by the firm of KPMG LLP.

SIGNED ORIGINAL ON FILE

Jane Clark
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:CMD