



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY

Limited Scope Compliance Examination
 For the Fifteen Months Ended September 30, 2017

Release Date: August 29, 2018

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	0	3	No Repeat Findings* (See Introduction Below)			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	3	0	0				
FINDINGS LAST AUDIT: 26*							

INTRODUCTION

The Authority, the Office of the Governor, and the Department of Healthcare and Family Services entered into an interagency agreement on September 23, 2016, which, in practicality, ended the Authority’s existence as an independent, standalone entity and reorganized the functions of the Authority into the Department. In response to this change and the fact the Authority had completely shut down and decommissioned the Illinois Health Information Exchange by June 30, 2016, we performed a limited scope compliance examination of transactions until the close-out period ended on September 30, 2017. We did not follow-up on any prior period findings, as this report was released with the Authority’s compliance examination for the two years ended June 30, 2016.

SYNOPSIS

- (18-01) The Authority entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois’ Constitution.
- (18-02) The Authority had excess assets within the Authority’s Health Information Exchange Fund.
- (18-03) The Authority did not exercise adequate internal control over the Authority’s financial activities.

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

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

**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
LIMITED SCOPE COMPLIANCE EXAMINATION
For the Fifteen Months Ended September 30, 2017**

EXPENDITURE STATISTICS	2018	2017	2016
Total Expenditures.....	\$ 6,263	\$ 2,215,419	\$ 1,752,219
OPERATIONS TOTAL.....	\$ 6,263	\$ 2,215,419	\$ 1,752,219
% of Total Expenditures.....	100.0%	100.0%	100.0%
Personal Services.....	3,542	141,482	515,484
Other Payroll Costs (FICA, Retirement).....	2,721	97,534	387,594
All Other Operating Expenditures.....	-	1,976,403	849,141
Total Receipts.....	\$ 248,480	\$ 2,032,592	\$ 458,216
Average Number of Employees.....	0	1	1

EXECUTIVE DIRECTOR/DIRECTOR
During Examination Period: Frank Kisner (07/01/16 - 09/23/16), Felicia F. Norwood (09/23/16 - 06/15/18), Teresa Hursey (06/16/18 - 07/10/18), Patricia R. Bellock (07/11/18 - Present)
Currently: Patricia R. Bellock

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NONCOMPLIANCE WITH THE CONSTITUTION

The Authority entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.

Agreement called for transitioning management duties

During testing, we noted the Authority, Office of the Governor, and the Department of Healthcare and Family Services (Department) entered into an interagency agreement on September 23, 2016, for the "transitioning of management of duties from the Authority to [the Department]." This interagency agreement included the following terms:

Authority staff reported to the Department's Chief of Staff

- Section 2.03 noted all of the Authority's remaining staff "shall ultimately report to, and be under the management control of, the [Department's] Chief Operating Officer/Chief of Staff."

Department designated as the Authority's "Fiscal Agent"

- Section 3.02 required the Authority to designate the Department as its fiscal agent for the purposes of distributing moneys from the Health Information Exchange Fund and may, at the Department's discretion, deposit future moneys received into the Health Information Exchange Fund.

Signature authority transferred to the Department's Director

- Section 3.03 required the Authority to designate the signature authority of its Executive Director "in its entirety" to the Department's Director.

Reorganization contravened a statute

In practicality, this interagency agreement ended the Authority's existence as an independent, standalone entity and reorganized the functions of the Authority into the Department. We noted this change would contravene the provisions of the Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10), which created the Authority as "an instrumentality and an administrative agency of the State."

Reorganizations that contravene a statute must be delivered by the Governor to the General Assembly

The Constitution (Article V, Section 11) allows the Governor to reassign functions among or reorganize executive agencies directly responsible to the Governor. If the reassignment or reorganization contravenes a statute, the Executive Order must be delivered to the General Assembly. After the Governor complies with the delivery provisions of the Constitution, the General Assembly has 60 calendar days after the delivery of the Executive Order to have one house, by a record vote, disapprove of the reassignment or reorganization to prohibit the reassignment or reorganization from occurring. (Finding 1, pages 13-14)

We recommended the Department, on behalf of the Authority, work with the Governor and the General Assembly to provide certainty as to the legal status of the Authority.

Department officials agree

Department officials, on behalf of the Authority, agreed with the recommendation.

EXCESS ASSETS IN THE HEALTH INFORMATION EXCHANGE FUND

The Authority had excess assets within the Authority's Health Information Exchange Fund (Fund).

As of September 30, 2017, the Authority finalized its wind down process through processing its final transactions within the Fund as part of its transfer into the Department of Healthcare and Family Services (Department). Afterwards, the Fund continued to receive monthly interest allocations deposited by the Office of the State Treasurer.

\$307,667 in assets without a current disposition

During testing, we noted the Fund had assets of \$307,667 as of June 30, 2018, which was the last month end reported by the State Comptroller prior to the conclusion of fieldwork on this engagement. This amount consisted of \$307,170 in cash and \$497 of June 2018 interest receivable. As the Department should have known of any outstanding obligations, the Department should have taken steps to dissolve the fund so this cash could be reallocated to other purposes. (Finding 2, pages 15-16)

We recommended the Department, on behalf of the Authority, work with the General Assembly and the Governor to determine an appropriate disposition of the Fund's remaining balance and then work with the Comptroller to dissolve the Fund.

Department officials disagree

Department officials disagreed with the finding. They stated:

The Department, on behalf of the Authority, processed expenditures from the Fund during the early portion of Fiscal Year 2018 and expected additional charges from the Department of Central Management Services (CMS) related to Authority employee group health insurance. The Department received the group insurance billing from CMS the week of July 9, 2018. The Department plans to close the fund per the Statewide Accounting Management System's procedures once all relevant expenditures have occurred.

Accountant's Comment

In an accountant's comment, we noted the group insurance underpayment to CMS, totaling \$3,704, was identified by us in May 2018. The Authority ceased operating as a separate entity on September 23, 2016. The Department's process for

identifying outstanding obligations, transferring available moneys, and dissolving an unnecessary fund was not timely.

INADEQUATE CONTROL OVER FINANCIAL ACTIVITIES

The Authority did not exercise adequate internal control over the Authority's financial activities.

As of September 30, 2017, the Authority finalized its wind down process after it processed its final transactions within the Health Information Exchange Fund (Fund) as part of its transfer into the Department of Healthcare and Family Services (Department).

During testing of these transactions, we noted the following:

Underpayment of group insurance costs, totaling \$3,704

- The Authority did not completely pay its required contribution for employee group insurance due to the Department of Central Management Services (CMS). As of the end of fieldwork on this examination, we noted the Authority's Health Information Exchange Fund owes CMS \$3,704.

Did not draw down all moneys due from the federal government

- During the examination period, the Authority received a Coordinating Care for a Healthy Illinois grant from the U.S. Department of Health and Human Services. We noted the Authority did not request and draw down the entirety of moneys due from the federal government as allowed for by this grant.

Inadequate time and effort reports limited ability to draw down cash

During discussions with Department officials regarding this matter, they indicated they did not authorize any further drawdowns because the individual working on this grant did not have adequate time and effort reports to support a drawdown of federal funds. Given this limitation, we estimated the maximum amount of federal reimbursement requests not sought by the Authority was \$23,428.

- The Authority did not document 11 of 15 (73%) monthly reconciliations of its cash receipt records to the Office of the State Comptroller's Monthly Revenue Status Report (SB04).

Expenditure reconciliations not performed

Unreconciled error of \$64,044

Unable to conclude fiscal schedules were complete and appropriately reported

- The Authority did not perform any of the required monthly reconciliations of its expenditure records to the Office of the State Comptroller's Monthly Appropriations Status Report (SB01) during the examination period. We noted an unreconciled error of \$64,044 between the Authority's records and the State Comptroller's records for Fiscal Year 2017,

which hindered our ability to conclude whether Schedule 2 and Schedule 3 within the Authority's report were complete and appropriately reported. (Finding 3, pages 17-19)

We recommended the Department, on behalf of the Authority, work with the Governor's Office of Management and Budget and CMS to pay the amount due to CMS for group insurance costs and work with the U.S. Department of Health and Human Services to collect amounts due from the federal government. Further, the Department, on behalf of the Authority, should ensure supporting documentation is retained and all reconciliations required by the Statewide Accounting Management System are performed on a timely basis.

Department officials partially agree

Department officials agreed with the portions of the finding regarding reconciliations, but disagreed with the portions of the finding relating to group health insurance payments and federal grant closing.

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

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Authority for the fifteen months ended September 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2018-001 through Finding 2018-003. Except for the noncompliance described in these findings, the accountants stated the Authority complied, in all material respects, with the requirements described in the report.

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

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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