

REPORT DIGEST

ILLINOIS DEPARTMENT OF PUBLIC HEALTH FINANCIAL AND COMPLIANCE AUDIT (In accordance with the Federal Single Audit Act of 1984 and OMB Circular A-128) FOR THE TWO YEARS ENDED JUNE 30, 1995

SYNOPSIS

- The Department's Internal Audit function does not fully meet the requirements of the Fiscal Control and Internal Auditing Act.
- The Department had several control deficiencies related to its computer local area networks.
- The Department had not consistently documented monitoring of physicians and had not met the reporting and accounting requirements for the Family Practice Residency Act.
- The Department was not in compliance with the federal Cash Management Improvement Act for fiscal year 1995.

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

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

There were 20 material findings in the Department's 1993 audit report, which compares to 7 material findings in this report. Of the 7 current findings, 2 are repeated from the 1993 report.

NONCOMPLIANCE WITH THE FISCAL CONTROL AND INTERNAL AUDITING ACT (FCIAA)

The Department's internal audit program does not fully meet statutory requirements of the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/1000-3004). During our audit we noted the internal audit unit:

- had not conducted all testing mandated by statute and included in the two-year audit plan;
- was involved in performing operational duties; and
- had not performed any reviews of new EDP systems.

Lack of sufficient staff in the division of Internal Audits and a concentration of efforts by internal auditors in other areas contributed to these deficiencies. An effective internal audit function would allow the Department to identify and correct internal control and other operational deficiencies in a timely manner. (Finding 1, page 13)

We recommended the Department allocate sufficient resources to its internal audit unit to ensure compliance with FCIAA and reassign operational duties outside the internal audit unit. The Department concurred with the finding and recommendation.

CONTROLS OVER LOCAL AREA NETWORKS (LANs)

The Department had several control deficiencies related to its LANs. The Department currently has 90 LANs which are accessible from remote locations as well as connected to each other and to the mainframe. This condition has existed since 1993. We noted the following control deficiencies:

- The Department does not have a policy of reviewing LAN security violation reports. These reports could indicate potential security breaches.
- The computer Disaster Recovery Plan does not directly address the LANs. It was indicated the LANs would follow the same procedures as the mainframe, but this plan has not been tested.
- A LAN policy and procedure manual has not been developed.

The weaknesses in LAN controls are attributable to the Department's rapid growth in the LAN area. The principles of good internal controls require reasonable cost-effective controls be implemented to ensure the integrity and security of information maintained on the Department's

LANs. (Finding 2, page 15)

We recommended the Department develop standard security guidelines to ensure security controls are adequately addressed in all of the Department's LANs. The Department concurred with the finding and recommendation.

FAMILY PRACTICE RESIDENCY ACT REQUIREMENTS

The Department has not consistently documented monitoring of physicians and has not met the reporting and accounting requirements for the Family Practice Residency Act (110 ILCS 935). The Family Practice Residency Act establishes standards for providing grants to medical students and residents who agree to practice in under-served areas as well as reporting requirements. During our audit testing we noted the following:

- The Department has not consistently documented monitoring of doctors to determine they are properly fulfilling their service contracts.
- The Department is not aggressively pursuing the doctors in default for repayment of their scholarships and penalty. All five default cases reviewed were not making timely payments and the Department had not aggressively pursued the doctors.
- The Department had not filed the required annual reports for fiscal year 1993 and 1994 with the General Assembly and Governor on a timely basis. The annual reports were due on March 15, the fiscal year 1993 report was filed in April and the fiscal year 1994 report was filed in May.
- When the Department determines a doctor is not going to fulfill the contract and practice in a designated area, they record an accounts receivable for the amount forwarded plus penalty. The Department reports these accounts receivable as "Receivables not Past Due" which is for amounts due less than thirty days. Of total receivables reported as "Receivables not Past Due", approximately 69% and 70% are greater than 30 days overdue as of June 30, 1994 and June 30, 1995, respectively. (Finding 4, page 18)

We recommended the Department consistently monitor and document the monitoring of the doctors' locations and practices and more timely pursue the doctors who have defaulted including revoking licenses. In addition, we recommended the Department submit the required reports timely and accurately track the aging of the receivables. The Department substantially agreed with the finding and recommendation. The Department stated it was "aggressively" pursuing scholarship recipients in default.

CASH MANAGEMENT IMPROVEMENT ACT

The State of Illinois has entered into an agreement (Agreement) with the Secretary of the Treasury, United States Department of Treasury, in order to fulfill the federal Cash Management Improvement Act of 1990. The Agreement describes the funding technique and how the Department is to receive its program award.

In fiscal Year 1995, the Department did not request funds in accordance with the Agreement for the

Maternal and Child Health Services program. The Department's drawdowns exceeded the allowable amounts under the Agreement in September 1994 and March 1995. Interest due to the federal government on the excess drawdowns is estimated to be approximately \$67,000. The Department drew down funds to pay estimated expenditures based on reimbursement requests from providers. Because of the cyclical nature of this program, two months exceeded the allowable drawdown as set forth by the Agreement. (Finding 19, page 124)

We recommended the Department adhere to the terms of the current agreement so that future funding is not jeopardized. In addition, we recommend the Department and the Bureau of the Budget negotiate an amendment to the current Agreement which will allow the Department to meet its obligations and comply with the Agreement. The Department concurred with the finding and recommendation.

OTHER FINDINGS

The remaining findings are less significant due to the attention given them by Department management during the audit period. We will review progress toward implementation of our recommendations during our next audit.

AUDITORS' OPINION

Our auditors report the financial statements of the Illinois Department of Public Health for the years ended June 30, 1994 and 1995 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:RPU:pp

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit

Audit findings 720
Repeated findings 214
Recommendations implemented
or not repeated 1832

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were Kerber, Eck & Braeckel LLP.

DEPARTMENT OF PUBLIC HEALTH
COMPLIANCE AUDIT
For The Two Years Ended June 30, 1995

EXPENDITURE STATISTICS	FY 1995	FY 1994	FY 1993
●Total Expenditures (All Funds)	\$375,761,857	\$330,102,736	\$295,781,293
<u>OPERATIONS TOTAL</u>	\$112,400,601	\$97,973,572	\$76,171,637
% of Total Expenditures	29.9%	29.7%	25.8%
Personal Services	\$39,233,971	\$36,706,622	\$34,562,195
% of Operations Expenditures	34.9%	37.5%	45.4%
Average No. of Employees	1,411	1,301	1,216
Other Payroll Costs (FICA, Retirement)	\$5,974,657	\$5,626,144	\$5,343,599
% of Operations Expenditures	5.3%	5.7%	7.0%
Contractual Services	\$9,320,951	\$9,049,140	\$7,533,497
% of Operations Expenditures	8.3%	9.2%	9.9%
All Other Operations Items	\$57,871,022	\$46,591,666	\$28,732,346
% of Operations Expenditures	51.5%	47.6%	37.7%
<u>GRANTS TOTAL</u>	\$263,361,256	\$232,129,164	\$219,609,656
% of Total Expenditures	70.1%	70.3%	74.2%
●Cost of Property and Equipment	\$21,870,833	\$18,631,163	\$16,548,710

SELECTED ACTIVITY MEASURES	FY 1995	FY 1994	FY 1993
●Doses of Vaccines Distributed	1,782,000	2,150,000	1,912,000
●Persons Receiving WIC Supplements Per Month	250,000	226,000	213,000
●Specimens Tested for HIV Antibodies	78,819	64,333	58,020
●Health Care Regulation Hot-Line Calls	20,454	20,890	21,121

AGENCY DIRECTOR
During Audit Period: John R. Lumpkin, M.D., M.P.H. Currently: John R. Lumpkin, M.D., M.P.H.