



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, 2019**

**Release Date: August 27, 2020**

FINDINGS THIS AUDIT: 69				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
				2018	15,16,21,29,64,66		
				2017	11,24,26,31,39,41,49,61	52	
				2016	27,28,30,38,40,44,50		
				2015	3,10,23,42,47,63		
				2014	9,33,45,65		
				2013	18,68		
				2012	8,22,32,51		
				2011	12,13,14,48,62		
				2010	20		
				2007	4,35		
				2005	36		
				2003	6		
				2002	1		
				2001	5		
				1999	34		
<b>Category 1:</b>	<u>New</u>	<u>Repeat</u>	<u>Total</u>				
	18	50	68				
<b>Category 2:</b>	0	1	1				
<b>Category 3:</b>	0	0	0				
<b>TOTAL</b>	<b>18</b>	<b>51</b>	<b>69</b>				
<b>FINDINGS LAST AUDIT: 80</b>							

**SYNOPSIS**

- The State expended approximately \$26.7 billion from federal awards in FY19.
- A total of 33 programs or program clusters were classified and audited as major programs at fourteen (14) State agencies. These programs constituted approximately 96% of all federal spending, or about \$25.7 billion. In addition, forty-five (45) State agencies expended federal financial assistance in FY19. Eleven (11) State agencies accounted for about 98.7% 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.

### **Auditor's Disclaimer of Opinion on a Major Program**

- The Illinois Department of Employment Security:
  - Auditors were unable to obtain audit evidence supporting the State's compliance with the Allowable Cost/Cost Principles and Reporting requirements applicable to the Employment Service Cluster.

### **Auditor's Adverse Opinion on Major Programs**

- The Department of Human Services:
  - Did not have appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
  - Did not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
  - Could not locate case file documentation supporting eligibility determinations for beneficiaries of the Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs.
  - Did not perform "eligibility redeterminations" for individuals receiving benefits under the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.
- The Department of Healthcare and Family Services:
  - Did not have adequate procedures to determine and document eligibility for beneficiaries of the Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs.

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

- The Illinois Department of Employment Security:
  - Was unable to provide a Service Organization Control (SOC) report covering the ERP application or the general information technology controls relevant to the ERP. Auditors were unable to obtain sufficient and appropriate audit evidence relative to several direct and material compliance requirements for the Unemployment Insurance program.
- The Illinois Criminal Justice Information Authority:
  - Could not provide documentation to support the amounts reported to meet the three priority area earmarking requirements and the underserved victims earmarking requirements. Auditors were unable to obtain sufficient and appropriate audit evidence to conclude on the earmarking compliance requirement applicable to the Crime Victim Assistance program.

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

- The Department of Human Services:
  - Did not have appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Temporary Assistance for Needy Families (TANF) Cluster program.
  - Did not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.
  - Could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.
  - Did not perform "eligibility redeterminations" for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster program in accordance with timeframes required by the respective State Plans.
  - Made improper payments to beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.
  - 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.

**Significant Agency Findings Classified as *Material Noncompliance* Resulting in an Auditor Qualification (cont.)**

- The Department of Children and Family Services:
  - Did not have an adequate process for supporting adjustments to the Title IV-E claiming report for the Adoption Assistance and the Foster Care – Title IV-E programs.
  - Did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers for the Foster Care – Title IV-E program.
- The Department on Aging:
  - Did not perform risk assessments and on-site reviews of fiscal compliance requirements for subrecipients of the Aging Cluster program.
  - Did not adequately review single audit reports received from its subrecipients for the Aging Cluster program on a timely basis.
- Illinois State Board of Education:
  - Did not perform adequate monitoring procedures over subrecipients of the Special Education Cluster (IDEA) (Special Education) and Career and Technical Education (CTE) programs.

**STATE OF ILLINOIS**  
**STATEWIDE SINGLE AUDIT**  
**For the Year Ended June 30, 2019**

<b>FINANCIAL ACTIVITIES (Amounts in Thousands)</b>	<b>Amount</b>	<b>Percent</b>
<b>EXPENDITURES BY PROGRAM</b>		
Major Programs:		
Medicaid Cluster.....	11,545,096	43.22%
Federal Family Education Loans.....	3,290,485	12.32%
Supplemental Nutrition Assistance Program (SNAP Cluster).....	2,774,178	10.39%
Unemployment Insurance.....	1,755,706	6.57%
Highway Planning and Construction Cluster.....	1,228,149	4.60%
Child Nutrition Cluster.....	682,205	2.55%
Title I Grants to Local Educational Agencies.....	650,851	2.44%
Temporary Assistance for Needy Families.....	609,298	2.28%
Special Education Cluster.....	547,954	2.05%
Children's Health Insurance Program.....	386,959	1.45%
Child Care Development Funds Cluster.....	348,333	1.30%
Foster Care Title IV-E.....	180,021	0.67%
Special Supplemental Nutrition Program for Women, Infants & Children (WIC).....	167,001	0.63%
Child and Adult Care Food Program.....	147,136	0.55%
Workforce Investment Act Cluster.....	144,654	0.54%
Child Support Enforcement.....	109,872	0.41%
Rehabilitation Services - Vocational Rehabilitation Grants to States.....	105,378	0.39%
Immunization Cooperative Agreements.....	90,820	0.34%
Social Services Block Grant.....	80,065	0.30%
Clean Water State Revolving Fund Cluster.....	79,899	0.30%
Adoption Assistance.....	79,436	0.30%
Disability Insurance/SSI Cluster.....	75,671	0.28%
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants).....	71,668	0.27%
Drinking Water State Revolving Fund Cluster.....	64,879	0.24%
Homeland Security Grant Program.....	64,691	0.24%
Crime Victim Assistance.....	61,872	0.23%
Aging Cluster.....	49,436	0.19%
Twenty-First Century Community Learning Centers.....	47,454	0.18%
Block Grants for Prevention and Treatment of Substance Abuse.....	44,113	0.17%
Employment Service Cluster.....	41,197	0.15%
Career and Technical Education -- Basic Grants to States.....	41,126	0.15%
Veterans State Nursing Home Care.....	39,879	0.15%
Airport Improvement Program.....	39,805	0.15%
Total Major Programs.....	25,645,287	96.00%
Non-Major Programs.....	1,064,682	4.00%
<b>TOTAL EXPENDITURES.....</b>	<b>\$ 26,709,969</b>	<b>100.00%</b>

<b>FEDERAL AGENCIES PROVIDING FUNDING (Amounts in Thousands)</b>	<b>Total</b>	<b>Major Program Expenditures</b>
U.S. Department of Health and Human Services.....	14,001,053	13,523,449
U.S. Department of Education.....	4,897,881	4,754,916
U.S. Department of Agriculture.....	3,831,017	3,770,520
U.S. Department of Labor.....	1,958,023	1,941,557
U.S. Department of Transportation.....	1,390,954	1,267,954
U.S Environmental Protection Agency.....	180,282	144,778
U.S. Department of Homeland Security.....	87,367	64,691
U.S. Department of Justice.....	82,025	61,872
Social Security Administration.....	75,671	75,671
U.S. Department of Veterans Affairs.....	41,483	39,879
All Other Federal Agencies.....	164,213	-
<b>TOTAL EXPENDITURES.....</b>	<b>\$ 26,709,969</b>	<b>\$ 25,645,287</b>

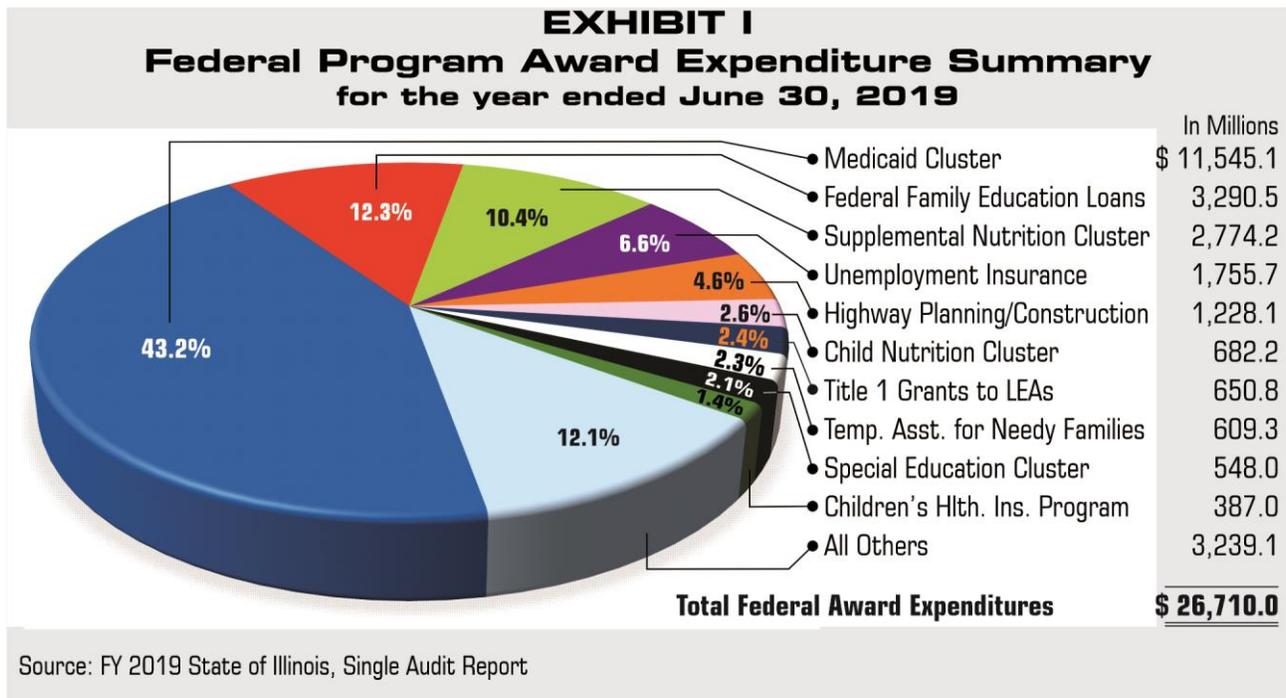
<b>STATISTICAL INFORMATION</b>		
Total Number of Programs in the Schedule of Expenditures of Federal Awards.....	321	
Number of Federal Programs or Program Clusters Audited (including finding follow-up).....	36	
Total Number of State Agencies Spending Federal Funds.....	45	
Number of State Agencies for Single Audit Requirements (including finding follow-up).....	17	

## INTRODUCTION

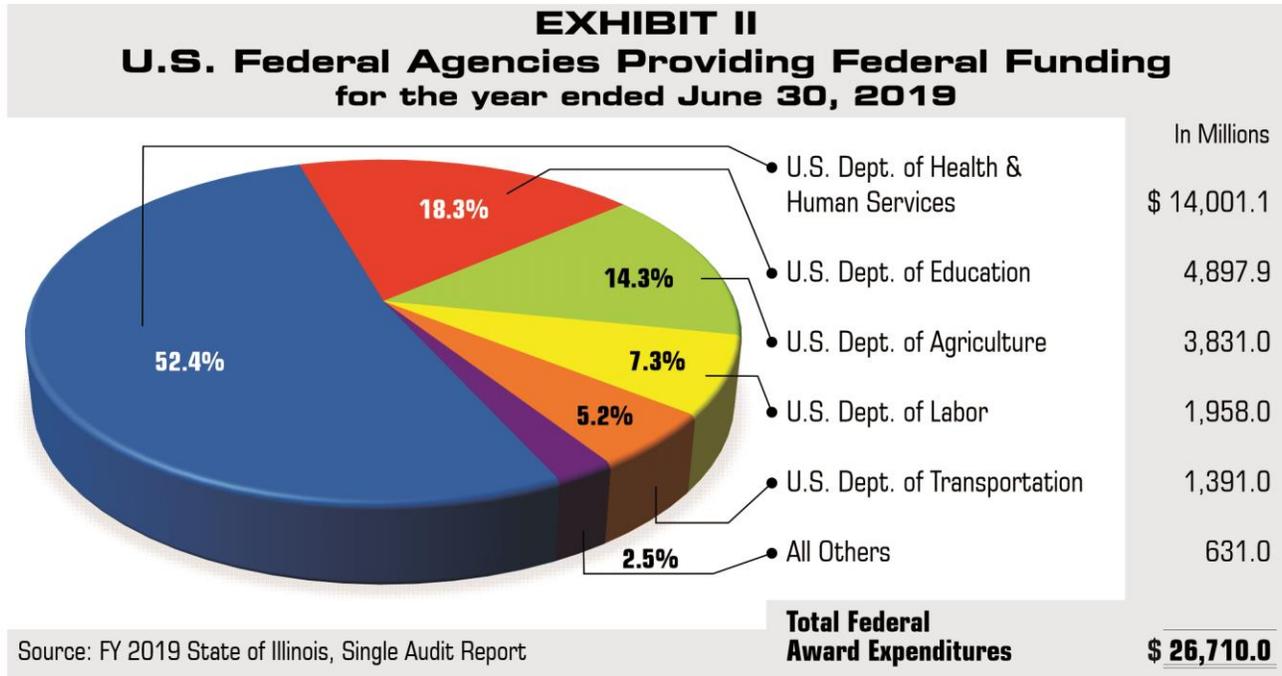
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY19 federal grant programs. The audit was conducted in accordance with the Uniform Guidance (Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements 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 FY19. 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 \$26.7 billion for the year ended June 30, 2019. Overall, the State participated in 321 different federal programs; however, 10 of these programs or program clusters accounted for approximately 87.9% of the total federal award expenditures. (See Exhibit I)



The funding for the 321 programs was provided by 22 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY19.

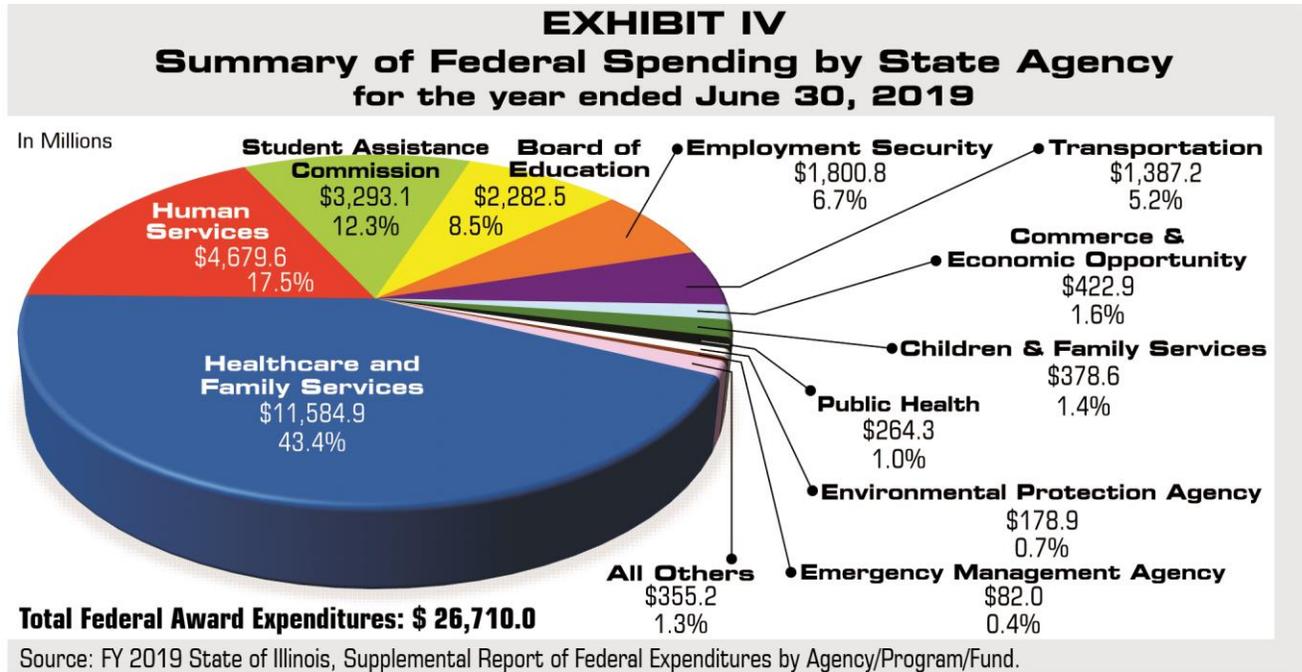


A total of 33 federal programs or program clusters were identified as major programs in FY19. A major program was defined in accordance with the Uniform Guidance as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief 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, 2019**

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs (or clusters)	33	\$25,645.3	96.01%
Non-Major Programs (or clusters)	288	1,064.7	3.99%
Total	321	\$26,710.0	100.0%

Eleven State agencies accounted for approximately 98.7% of all federal dollars spent during FY19 as depicted in Exhibit IV.



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

The auditors' report contained qualifications on compliance as summarized below. The complete text of the Auditors' Report may be found on pages 25-31 of the audit.

**Disclaimer of Opinion**

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

IL Department of Employment Security	Employment Service Cluster Program	Allowable Cost/Cost Principles and Reporting	2019-060	197-199
IL Department of Employment Security	Employment Service Cluster Program	Allowable Cost/Cost Principles and Reporting	2019-061	200-201

**Adverse Opinion**

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

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Human Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions – ADP System for SNAP	2019-003	48-50

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-003	48-50
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Special Tests and Provisions – ADP Risk Analysis and System Security Review	2019-003	48-50
IL Department of Human Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions – ADP System for SNAP	2019-004	51-53
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-004	51-53
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-004	51-53
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-005	54-57
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-005	54-57
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-006	58-60
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-006	58-60
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-019	92-94
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2019-019	92-94

**Qualifications (Scope Limitation)**

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

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Criminal Justice Information Authority	Crime Victim Assistance	Earmarking	2019-055	184-185
IL Department of Employment Security	Unemployment Insurance	Allowable Costs/Cost Principles and Reporting	2019-061	200-201

**Qualifications (Noncompliance)**

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

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions – Income Eligibility and Verification System	2019-003	48-50
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles and Eligibility	2019-004	51-53
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles and Eligibility	2019-005	54-57
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles and Eligibility	2019-006	58-60
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles and Eligibility	2019-007	61-62
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles, and Maintenance of Effort	2019-009	66-67
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles and Reporting	2019-027	112-114
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Matching, and Reporting	2019-027	112-114
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles and Eligibility	2019-028	115-117
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	2019-038	140-141

**Qualifications**  
**(Noncompliance)**  
**(Cont.)**

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>	<b>Page Numbers</b>
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	2019-039	142-143
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2019-041	146-148
IL State Board of Education	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	2019-041	146-148

**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 noted that during the past seventeen years, there have been various errors identified and reported on the audits of State agencies and the Office of the State Comptroller (IOC) in its annual data gathering on the SCO forms that are used to present the Schedule. Thus, the auditors recommended the Office of the Governor and the Illinois Office of the Comptroller work together with the State agencies to establish a corrective action plan to address the quality of the accounting information provided to and maintained by the IOC as it relates to year-end preparation of the Schedule.

**Internal Control Over Compliance**

We noted certain matters involving internal control over compliance that were considered to be significant deficiencies. A control deficiency in an entity’s internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Overall, 1 of the 69 findings reported in the single audit was 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, 68 of the 69 findings reported in the single audit were classified as a material weakness.

**FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

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

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

<b>State Agency</b>	<b>Number of Findings</b>	<b>Number of Repeat Findings</b>	<b>Page References to Findings</b>
State Comptroller/Office of the Governor	1	1	36-40
Governor's Office of Management and Budget	1	0	46-47
Human Services	16	14	48-91
Healthcare and Family Services	8	6	92-111
Children and Family Services	8	8	112-131
Public Health	3	2	132-139
Aging	3	3	140-145
State Board of Education	5	4	146-160
Illinois Community College Board	2	1	161-164
Transportation	4	4	165-175
Environmental Protection Agency	1	1	176-178
Emergency Management Agency	1	0	179-181
Veterans Affairs	1	0	182-183
Illinois Criminal Justice Information Authority	4	0	184-193
Commerce and Economic Opportunity	1	0	194-196
Employment Security	<u>10</u>	<u>7</u>	197-218
	<u>69</u>	<u>51</u>	
Totals			

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**

<b>Year</b>	<b>Number of Findings</b>	<b>Number of Repeated Findings</b>	<b>Percentage of Repeated Findings</b>
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%
2010	103	64	62%

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

### **Current process does not allow for accurate reporting**

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 and SEFA 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 Illinois Office of 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.

### **Adjustments relative to the SEFA continue to occur**

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.

### **Control deficiencies have been identified and reported in each of the past seventeen years as a result of errors**

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past seventeen 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.

### **First official draft of SEFA not provided until April 2020 and not finalized until June 2020**

During fiscal year 2019, the State's process for compilation of the SEFA was based on the financial information reported to the Illinois Office of Comptroller by the State agencies. The first official draft of the SEFA was provided in April 2020 and the SEFA and related notes were not finalized until June 2020.

We also noted the following deficiencies in the SEFA preparation process which resulted in errors in the amounts initially reported in the SEFA provided for audit:

- Procedures were not implemented to identify errors made by State agencies in reporting information to the IOC. Specifically, we identified several differences between amounts provided for our

**Procedures not implemented to identify errors**

audit and amounts reported to the IOC. In many cases these errors were the result of State agencies reporting changes in accrual accounting estimates or other errors in the cash basis expenditure information used by the State to compile the SEFA which needed to be corrected to prepare the SEFA on a cash basis of accounting.

**Unsupported adjustments were made**

- Unsupported adjustments were made to change amounts previously reported by State agencies during the State's procedures to confirm the accuracy of amounts reported on the Statewide SEFA with State agencies. Specifically, we noted the Illinois Department of Children and Family Services requested adjustments to remove expenditures from the Foster Care Title IV-E program and to increase expenditures under the Adoption Assistance program in the amounts of \$15.2 million and \$1.5 million, respectively. These amounts were improperly adjusted and were corrected in the final SEFA.
- Negative expenditures reported by the Illinois Department of Healthcare and Family Services for a disallowance of costs from more than 20 years ago were netted against current year Medicaid Cluster program expenditures. As a result, Medicaid Cluster program expenditures were understated by \$144,794,000 in the initial SEFA prepared by the State. This amount was corrected in the final SEFA.
- Expenditures which were not originally reported to the IOC were added to the SEFA. Specifically, we noted expenditures totaling \$734 thousand were added to the SEFA based on a request by the Illinois Board of Higher Education (IBHE). Supporting documentation for the amounts reported for the SEFA compilation could not be provided. IBHE noted the adjustment was requested because no Federal expenditures were originally reported to the IOC; whereas, amounts provided to subrecipients were reported.

**Medicaid Cluster program expenditures were understated by \$145m in initial SEFA**

While many of the adjustments 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 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. When evaluating the SEFA errors identified by our audit procedures individually and in the aggregate, we noted a change in our Type A threshold and the Federal expenditures reported for certain programs which changed our major program determination. Specifically, we noted our Type A threshold increased by \$165,668 to \$40,064,954 and the Veterans State Nursing Home Care – CFDA No. 64.015 (Veterans Care) program expenditures decreased by \$308,000 to \$39,879,000. As a result, this program was a Type B program which was unnecessarily tested as a major program.

**State does not have a process in place to evaluate items of this nature outside of the audit process**

**Evaluation of SEFA errors changed Type A threshold causing a program to unnecessarily be tested as a major program**

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 1, pages 36-40) **This finding was first reported in the Statewide Single Audit in 2002.**

We recommended the Office of the Governor, GOMB, and the IOC work together with the State agencies to establish a corrective action plan to

**Finding since 2002**

address the quality of accounting information provided to and maintained by the IOC as it relates to year-end preparation of the SEFA. We further recommended the State develop a process to assess adjustments to the final SEFA for accuracy and materiality.

GOMB accepted the recommendation and stated they worked with State agencies to develop better reporting capabilities and to encourage the development of positions within state government with appropriate qualifications to support enhanced reporting. For the upcoming year, GOMB stated they plan to conduct trainings for agency accounting and auditing staff in the fall on the importance of this reporting and with advice on preparing the reports in a more accurate and timely manner.

**GOMB accepted recommendation**

The IOC accepted the recommendation and stated they agree 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.

**IOC accepted recommendation**

**FAILURE TO ESTABLISH ADEQUATE CONTROLS OVER THE INTEGRATED ELIGIBILITY SYSTEM**

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.

**Lack of appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations of four major 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 an excessive number of unique users (120) have administrative access to the IES database. 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,

**Auditors unable to rely on IES regarding eligibility and related allowability compliance requirements**

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 and the Income Eligibility Verification System related to the TANF Cluster.

Details of the beneficiary payments paid by the State during the year ended June 30, 2019 for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

<b>Major Program</b>	<b>Total Beneficiary Payments in FY19</b>	<b>Total FY19 Program Expenditures</b>	<b>%’s</b>
SNAP Cluster	\$2,658,587,000	\$2,774,178,000	95.8%
TANF Cluster	34,612,000	609,298,000	5.7%
CHIP	368,849,000	386,959,000	95.3%
Medicaid Cluster	10,844,109,000	11,545,096,000	93.9%

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. (Finding 3 pages 48-50) **This finding was first reported in the Statewide Single Audit in 2015.**

As a result of IDHS’s failure to have appropriate controls over the Integrated Eligibility System, the State did not comply in all material respects with specific compliance requirements. Due to these failures, the auditors rendered an adverse opinion on the SNAP, CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

**Adverse and qualified opinions on major programs as a result of material noncompliance**

We recommended IDHS implement adequate user access control procedures for the IES system.

The Department accepted the recommendation and stated they began working with DoIT-DHS leadership staff in April 2020 to review all users with IES administrative access privileges from up-to-date listings provided by DoIT (internal users) and management third party vendor (external users).

**IDHS officials accepted the recommendation**

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

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.

**Inadequate controls over case file records maintained at IDHS local offices for beneficiaries**

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 two storage facilities, 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 60 eligibility case records from two off-site case file storage facilities and noted 11 case records could not be located for our testing.

**Adequate procedures not in place to maintain and control manual beneficiary case file records against potential loss of such records**

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.

**11 case records could not be located for our testing**

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

<b>Major Program</b>	<b># of Cases</b>	<b>Payments for Cases Sampled</b>	<b>Beneficiary Payments in FY 2019</b>	<b>Total FY19 Program Expenditures</b>
TANF Cluster	50	\$12,342	\$34,612,000	\$ 609,298,000
CHIP	100	286,783	368,849,000	386,959,000
Medicaid Cluster	100	112,812	10,844,109,000	11,545,096,000

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 finding 2019-003, deficiencies in general information technology controls were identified in IES which affected the reliability of source documentation maintained in IES for 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.

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs. (Finding 4, pages 51-53) **This finding was first reported in the Statewide Single Audit in 2007.**

As a result of IDHS' failure to have appropriate controls over case file records maintained at its local offices for beneficiaries, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the SNAP, CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

We recommended 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.

**Adverse and qualified opinions on major programs as a result of material noncompliance**

The Department accepted the recommendation and stated that due to office space limitations and the large volume of paper files, offsite storage facilities have been used. They further stated the over time, the number of case files maintained in hard copy form will be reduced as all new cases are maintained in the new electronic document system.

**MISSING DOCUMENTATION IN BENEFICIARY ELIGIBILITY FILES**

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.

**IDHS officials accepted the recommendation**

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

Major Program	# of Cases	Payments for Cases Sampled	Beneficiary Payments in FY 2019	Total FY19 Program Expenditures
TANF Cluster	50	\$12,342	\$34,612,000	\$609,298,000
CHIP	100	286,783	368,849,000	386,959,000
Medicaid Cluster	100	112,812	10,844,109,000	11,545,096,000

**Case file documentation could not be located**

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 13 TANF Cluster, 5 CHIP, and 11 Medicaid Cluster cases (with payments sampled of \$3,610, \$18,649 and \$32,001, 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, 2019 totaled \$42,137. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2019 were \$32,606 and \$216,458 for the CHIP and Medicaid Cluster programs, respectively.

**Initial case application or redetermination completed could not be located for several cases**

- In 1 CHIP case file (with medical payments sampled of \$188), IDHS could not locate adequate documentation evidencing income verification was performed. Agency staff indicated that an income verification was performed but was not updated in the case profile. Medical payments made on behalf of this beneficiary during the year ended June 30, 2019 were \$4,662 for the CHIP program.
- In 2 TANF Cluster cases (with a payment sampled of \$637), 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, 2019 totaled \$6,153.
- In 4 TANF Cluster cases (with payments sampled of \$882), IDHS could not provide adequate documentation evidencing the child on the case met the age requirement. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2019 totaled \$8,821.
- In 1 TANF Cluster case (with payment sampled of \$222), the initial TANF application was not signed by the beneficiary. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2019 totaled \$3,454.
- In 1 TANF Cluster case (with payment sampled of \$231), IDHS could not provide adequate documentation evidencing the beneficiary's income. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2019 totaled \$2,387.
- In 1 TANF Cluster case (with payment sampled of \$181), IDHS could not provide a completed Mid-Point Report (MPR) covering the payment date. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2019 totaled \$2,300.
- In 2 TANF Cluster Child Support Non-Cooperation special test cases, IDHS could not provide evidence that the beneficiary was sanctioned subsequent to the beneficiary's failure to cooperate. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2019 totaled \$10,778.
- In 3 TANF Cluster Child Support Non-Cooperation special test cases, IDHS failed to take timely action in sanctioning the beneficiary subsequent to the beneficiary's failure to cooperate. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2019 totaled \$14,022.
- In 1 TANF Cluster Child Support Non-Cooperation special test case, a 1611 child support non-cooperation form was incorrectly issued. TANF Cluster cash assistance paid to this beneficiary during the year ended June 30, 2019 totaled \$6,991.

**Several instances of missing case record documentation to support beneficiary payments**

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 2019-003, 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.

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. (Finding 5, pages 54-57) **This finding was first reported in the Statewide Single Audit in 2001.**

**IDHS does not have adequate resources to perform and document eligibility determinations**

As a result of IDHS' failure to locate case file documentation supporting eligibility determinations for beneficiaries, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program

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

The Department accepted the recommendation and stated they continue to communicate to staff the importance of proper and accurate filing processes. Since October 2017 all case files have been maintained electronically.

**Adverse and qualified opinions on major programs as a result of material noncompliance**

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

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.

**IDHS officials accepted the recommendation**

During our testing, we noted 10,281 TANF Cluster cases had their due dates extended one year through October 2018. We also noted 7,019 TANF Cluster cases were subsequently redetermined; however, 3,263 TANF Cluster cases were still not redetermined by the required due date.

**IDHS delinquent in performing recipient eligibility redeterminations**

Additionally, in our testing of case files selected for testing, evidence was not provided to document redeterminations were performed within required time frames for 5 TANF cluster cases, 5 CHIP cases, and 11 Medicaid Cluster cases (with payments sampled of \$918, \$21,068, and \$63,591 respectively). Delays in performing redeterminations exceeded 12 months after the required timeframe. We were able to determine multiple cases which were affected by the due date extensions discussed in the previous paragraph.

**10,281 TANF Cluster cases had their due dates extended one year**

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

**3,263 TANF Cluster cases were still not redetermined by the required due date**

Major Program	# of Cases	Payments for Cases Sampled	Beneficiary Payments in FY 2019	Total FY19 Program Expenditures
TANF Cluster	50	\$12,342	\$34,612,000	\$609,298,000
CHIP	100	286,783	368,849,000	386,959,000
Medicaid Cluster	100	112,812	10,844,109,000	11,545,096,000

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.

Failure to properly perform eligibility redetermination procedures in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding 6, pages 58-60) **This finding was first reported in the Statewide Single Audit in 2003.**

As a result of IDHS' failure to perform eligibility redeterminations for individuals receiving benefits, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

**IDHS does not have adequate resources to perform and document eligibility redeterminations**

We recommended 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.

The Department accepted the recommendation and stated the redetermination process as part of IES Phase 2 now includes the tracking and auto initiating of renewal notices to eligible customers using a three-step process. They also stated with the task-based business model, processing centers to help with aging tasks have been established to ensure redetermination timeliness.

**Adverse and qualified opinions on major programs as a result of material noncompliance**

### **IMPROPER TANF CLUSTER BENEFICIARY PAYMENTS**

IDHS made improper payments to beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.

During our testwork of 50 TANF Cluster program beneficiary payments, we noted five beneficiaries (with payments of \$1,221) received payments that were improperly calculated. As a result of the calculation errors, the monthly payments for these beneficiaries were understated in total by \$529. Total payments made to these beneficiaries under the TANF Cluster were \$9,456 for the year ended June 30, 2019. As of the date of our testing (February 7, 2020), the payment errors identified in our sample had not been corrected by IDHS.

**IDHS officials accepted the recommendation**

Beneficiary payments selected in our sample totaled \$12,342. Payments made on behalf of beneficiaries of the TANF Cluster program totaled \$34,612,000 during the year ended June 30, 2019.

Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding 7, pages 61-62)

As a result of IDHS failing to properly calculate beneficiary payments, the auditors qualified their opinion on the TANF Cluster program.

**Beneficiaries received payments that were improperly calculated**

We recommended IDHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid.

The Department accepted the recommendation and stated that during the testing period, TANF grant levels changed. To ensure the proper calculation and issuance of benefits, the process of reviewing case actions that do not qualify for systematic updates is communicated and reinforced on an ongoing basis with staff and management.

**FAILURE TO PROVIDE ADEQUATE DOCUMENTATION FOR THE SAPT MOE REQUIREMENT**

**Auditor qualification due to failing to properly calculate beneficiary payments**

IDHS 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.

As a condition of receiving federal funding under the SAPT program, the US Department of Health and Human Services (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 and individuals with tuberculosis.

**IDHS officials accepted the recommendation**

During the current fiscal year, we noted IDHS was required to maintain aggregate State expenditures for State fiscal year June 30, 2019 of \$103,322,412. IDHS reported actual aggregate State expenditures for State fiscal year June 30, 2019 of \$130,252,827. However, IDHS could not provide detailed supporting documentation for managed care organization expenditures totaling \$63,104,919. 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.

**Could not provide adequate documentation to substantiate MOE requirements**

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. (Finding 9, pages 66-67) **This finding was first reported in the Statewide Single Audit in 2014.**

As a result of IDHS not meeting its maintenance of effort expenditures, the auditors qualified their opinion on the Block Grants for Prevention and Treatment of Substance Abuse program.

**IDHS could not provide detailed supporting documentation for managed care organization expenditures totaling \$63m**

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

The Department accepted the recommendation and stated that they developed protocol which was approved by Substance Abuse and Mental Health Services Administration (SAMHSA) and Center for Substance Abuse Treatment (CSAT) and that there was a request by

SAMHSA/CSAT for the Department to clarify the start date of the protocol and provide an example report related to the protocol. The Department further stated their response to SAMHSA/CSAT was submitted on August 6, 2020 and confirmation from SAMHSA/CSAT is pending.

**INADEQUATE PROCEDURES TO DETERMINE AND DOCUMENT BENEFICIARY ELIGIBILITY**

**Auditor qualification due to not meeting maintenance of effort**

DHFS does not have adequate procedures to determine and document eligibility for beneficiaries of the Children’s Health Insurance Program (CHIP) and the Medicaid Cluster programs.

**IDHS officials accepted the recommendation**

During our testing of medical payments made on behalf of CHIP and Medicaid Cluster beneficiaries, we noted one CHIP case file (with a medical payment sampled of \$43) for which the initial presumptive eligibility period was not discontinued on the last day of the month following the initial application. Medical payments made on behalf of this beneficiary during the year ended June 30, 2019 were \$1,087 for the CHIP program.

Upon further discussion, we noted DHFS identified a system defect in September 2019 in which the eligibility status of certain Medicaid presumptive eligibility cases was not being updated at the end of the initial presumptive eligibility period. As a result of this system defect, 3,056 cases were not closed at the end of the Medicaid presumptive eligibility period which resulted in \$374,731 in unallowable medical payments made on behalf of these beneficiaries being claimed during the year ended June 30, 2019. Upon review of the population of claims data provided during our audit, we noted there were 48,202 Medicaid presumptive eligibility cases with \$8,077,431 medical payments claimed during the year ended June 30, 2019.

We also noted one CHIP case file (with a medical payment sampled of \$95) for which DHFS could not locate adequate documentation evidencing income verification procedures were performed. Medical payments made on behalf of this beneficiary during the year ended June 30, 2019 were \$4,662 for the CHIP program.

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

**DHFS system defect caused 3,056 cases to not be properly closed which resulted in \$374,731 in unallowable medical payments**

<b>Major Program</b>	<b># of Cases</b>	<b>Payments for Cases Sampled</b>	<b>Beneficiary Payments in FY 2019</b>	<b>Total FY19 Program Expenditures</b>
CHIP	100	\$286,783	\$368,849,000	\$386,959,000
Medicaid Cluster	100	112,812	10,844,109,000	11,545,096,000

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 finding 2019-003, deficiencies in general information technology controls were identified in IES which affected the reliability of source documentation maintained in IES for eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

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

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. (Finding 19, pages 92-94)

As a result of DHFS' failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the CHIP and Medicaid Cluster programs.

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

The Department accepted the recommendation and stated they are working to improve staff training materials and communication as well as better documentation through use of electronic case records.

**DHFS does not have adequate resources to perform and document eligibility determinations**

### **INADEQUATE PROCESS FOR SUPPORTING ADJUSTMENTS TO THE TITLE IV-E CLAIMING REPORT**

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.

**Adverse opinion on major programs as a result of material noncompliance**

During the year ended June 30, 2019, DCFS identified and reported 115 increasing and 90 decreasing adjustments to the Foster Care program. DCFS also identified and reported 27 increasing and 37 decreasing adjustments to the Adoption Assistance program. Increasing and decreasing adjustments reported on quarterly claims pertaining to the year ended June 30, 2019 totaled as follows:

**DHFS officials accepted the recommendation**

	<b>Foster Care</b>	<b>Adoption Assistance</b>
--	--------------------	----------------------------

Quarter Ended	Increasing	Decreasing	Increasing	Decreasing
9/30/2018	\$10,202,521	\$66,021	\$7,375	\$423,591
12/31/2018	19,503,320	12,540,262	601,221	171,199
3/31/2019	9,245,289	2,610,773	233,884	590,949
6/30/2019	9,725,709	1,390,852	174,464	\$95,605

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, 2019, we noted DCFS did not properly report adjustments on a gross basis. Accordingly, increasing and decreasing adjustments reported by DCFS were understated because they were reported net.

**Adjustments not properly reported by DCFS**

Additionally, in our testing of 40 individual adjusting transactions (32 from Foster Care totaling \$39,915 and 8 from Adoption Assistance totaling \$4,092), we noted that DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one increasing adjustment totaling \$606 sampled from a decreasing adjustment (of \$189,477) for the Foster Care program. Additionally, we noted that DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one decreasing adjustment totaling \$945 and for one increasing adjustment totaling \$471 sampled from a decreasing adjustment (of \$55,278) for the Adoption Assistance program. The amounts reported as questioned costs include both the federal participation and the required state matching amount.

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.

**Adjustments were understated**

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

**Reasons for adjustments could not be provided**

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. (Finding 27, pages 112-114) **This finding was first reported in the Statewide Single Audit in 2016.**

As a result of DCFS failing to properly report adjustments on a gross basis to USDHHS, the auditors qualified their opinion on the Foster Care and Adoption Assistance programs.

**Inadequate supervisory reviews**

We recommended 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.

The Department agreed with the auditor recommendation and state they will be implementing system changes so that they can meet the CB-496

**DCFS did not quantify impact of reporting error**

requirements to post adjustments on a gross basis beginning with the September 2020 quarter's claim.

### **FAILURE TO MAINTAIN ADEQUATE PROVIDER LICENSING FILES**

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

**Auditor qualification due to DCFS improper reporting**

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.

**DCFS officials accepted the recommendation**

During our testwork of 50 Foster Care maintenance assistance payments (totaling \$60,059), 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 33 foster care beneficiary payments sampled (totaling \$42,582) related to 16 child care service providers and 25 foster family homes 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 and/or evidence of completed background checks and results were not maintained. In reviewing supporting documentation, we also noted DCFS does not maintain documentation of the background check results after the information is manually input into its information systems. As a result, while background checks may have been performed prior to the service date for the assistance payments we sampled, supporting documentation was not maintained to evidence the timing of the background checks or the accuracy of the information input into DCFS' information systems.

**DCFS did not maintain complete provider licensing files**

DCFS claimed reimbursement for foster care maintenance payments made to these providers on behalf of these children totaling \$241,031 during the year ended June 30, 2019. 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.

**Required background clearances were not obtained for all staff members and/or evidence of completed background checks and results were not maintained**

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, supervisory review and other monitoring controls were not established to ensure licensing procedures were being followed and background check results were accurately documented or maintained.

Foster care maintenance payments during year the ended June 30, 2019 totaled \$65,372,000.

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. (Finding 28, pages 115-117) **This finding was first reported in the Statewide Single Audit in 2016.**

As a result of DCFS failing 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, the auditors qualified their opinion on the Foster Care program.

We recommended 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. We also recommended 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. In addition, we recommended DCFS evaluate its control procedures relative to provider background checks and implement additional changes as considered necessary to ensure results are accurately documented and supported.

The Department accepted the recommendation and stated the Department takes every precaution available to ensure the safe placement of all youth in care and that the Department continues to look for ways to ensure the safe placement of its youth in care, comply with State and federal requirements and improve title IV-E claiming.

**Auditor qualification due to DCFS failing to maintain complete provider licensing files**

**FAILURE TO PERFORM REQUIRED RISK ASSESSMENT AND ADEQUATELY MONITOR SUBRECIPIENTS OF AGING CLUSTER PROGRAM**

The Department on Aging (IDOA) did not perform risk assessments and on-site reviews of fiscal compliance requirements for subrecipients of the Aging Cluster program.

IDOA passed through approximately \$48,443,000 of federal funding under the Aging Cluster program to 13 area agencies on Aging (subrecipients) during the year ended June 30, 2019. IDOA's monitoring policy requires IDOA to evaluate each subrecipient on their risk of noncompliance with Federal and State statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of ongoing monitoring. Additionally, it requires IDOA to monitor subrecipients to determine that each establishes and operates its fiscal system according to the conditions of the award document and to ensure that funds are requested and expended according to the Area Agency on Aging needs for eligible costs.

**DCFS officials accepted the recommendation**

During our review of monitoring procedures performed by IDOA for the Aging Cluster program during the year ended June 30, 2019, we noted IDOA risk assessment and on-site monitoring procedures only covered programmatic risks and compliance requirements and did not consider any risks related to fiscal requirements. A separate risk assessment and on-site monitoring procedures were not performed for any subrecipients during the year ended June 30, 2019.

**IDOA did not perform risk assessments and on-site reviews of fiscal compliance requirements for subrecipients**

Failure to perform 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. (Finding 38, pages 140-141) **This finding was first reported in the Statewide Single Audit in 2016.**

As a result of IDOA failing to perform required risk assessments and to adequately monitor subrecipients, the auditors qualified their opinion on the Aging Cluster program.

We recommended IDOA implement procedures to ensure risk assessments and on-site reviews are appropriately performed and completed for fiscal compliance requirements.

IDOA agreed with the finding and stated they are working on implementing procedures to ensure risk assessments and on-site monitoring reviews are completed timely and appropriately. They further stated they are also attempting to hire staff and provide the staff with adequate training to complete the on-site monitoring.

**Risk assessment and on-site monitoring procedures did not consider any risks related to fiscal requirements**

**INADEQUATE REVIEW OF SUBRECIPIENT SINGLE AUDIT REPORTS**

IDOA did not adequately review single audit reports received from its subrecipients for the Aging Cluster program on a timely basis.

The State of Illinois established the Grant Accountability Transparency Unit (GATU) to implement the provisions of the State's Grant Accountability and Transparency Act (GATA) on a centralized basis. GATU has established standardized reporting requirements for subrecipients of the various Federal programs administered by the State through its various departments. Subrecipients of the State are required to certify whether they expended more than \$750,000 in federal awards during the fiscal year and submitted their single audit reporting packages to the Federal Audit Clearinghouse (if required). GATU is then responsible for obtaining the single audit reporting package, verifying the report meets the single audit requirements, and assigning, to the applicable state agency, any findings attributable to amounts passed through to the subrecipient(s) by the State.

**Auditor qualification due to IDOA failing to perform required risk assessments and to adequately monitor subrecipients**

IDOA staff are responsible for reviewing the reports assigned to them by GATU and determining whether: (1) federal funds reported in the schedule of expenditures of federal awards (SEFA) reconcile to IDOA records and (2) issuing management decisions on findings reported within required time frames.

**IDOA officials accepted the recommendation**

During our testing of a sample of single audit desk review files for 6 subrecipients (with expenditures of \$33,094,427), we noted IDOA did not reconcile the SEFAs to IDOA records and did not issue management decision letters to each subrecipient as of the date of our testwork (January 31, 2020).

IDOA's subrecipient expenditures under the Aging Cluster program for the year ended June 30, 2019 were \$48,443,000.

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 administering the federal programs in accordance with laws, regulations and the grant agreement. (Finding 39, pages 142-143) **This finding was first reported in the Statewide Single Audit in 2017.**

As a result of IDOA failing to complete and document reviews of subrecipient single audit reports in a timely manner, the auditors qualified their opinion on the Aging Cluster program.

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

IDOA agreed with the finding and state they have established procedures to ensure subrecipient single audit report reviews are completed and documented in a timely manner and will establish procedures to issue management decision within the required timeframes.

**IDOA did not reconcile SEFAs to IDOA records and did not issue management decision letters to each subrecipient**

### **INADEQUATE MONITORING OF SPECIAL EDUCATION AND CTE SUBRECIPIENTS**

Illinois State Board of Education (ISBE) did not perform adequate monitoring procedures over subrecipients of the Special Education Cluster (IDEA) (Special Education) and Career and Technical Education (CTE) programs.

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 higher risk 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.

**Auditor qualification due to IDOA failing to complete and document reviews of subrecipient single audit reports in a timely manner**

During the year ended June 30, 2019, ISBE's programmatic monitoring procedures only included requirements pertaining to the Title I and Title II federal programs, as well as select fiscal requirements applicable to certain federal programs. Accordingly, program requirements pertaining to the Special Education and CTE programs were not included in the on-site reviews, desk reviews, or analytical procedures performed for ISBE's higher risk subrecipients during the year ended June 30, 2019.

**IDOA officials accepted the recommendation**

While we noted ISBE may have performed additional monitoring procedures for a sample of subrecipients of the Special Education and CTE, those procedures were not based upon ISBE's risk assessment described above or other formally documented risk assessment procedures.

In addition, ISBE did not establish adequate controls to ensure its subrecipient risk assessment procedures properly addressed each of ISBE's federal programs as required by the Uniform Guidance.

ISBE's payments to subrecipients of the Special Education and CTE programs during the year ended June 30, 2019 totaled \$532,766,000 and \$22,837,000, respectively.

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. (Finding 41, pages 146-148) **This finding was first reported in the Statewide Single Audit in 2017.**

**Program requirements were not included in on-site reviews, desk reviews, or analytical procedures performed for ISBE's higher risk subrecipients**

As a result of ISBE failing to implement required risk assessments and to adequately monitor subrecipients, the auditors qualified their opinion on the Special Education Cluster (IDEA) and the Career and Technical Education – Basic Grants to States programs.

We recommended ISBE review its monitoring procedures relative to the Special Education and CTE programs and implement additional procedures as necessary to ensure proper monitoring procedures are performed.

**ISBE did not establish adequate controls to ensure its subrecipient risk assessment procedures properly addressed each federal programs**

ISBE agreed with the finding and stated that for CTE, in conjunction with the reauthorization of Perkins V, ISBE's CTE and Innovation Department has initiated the rewriting of monitoring procedures for CTE grants. They stated the procedures will be implemented in state fiscal year 2021 and will include an evaluation of each subrecipient's risk of noncompliance for the purposes of determining appropriate monitoring. For Special Education, ISBE stated management continues to move forward with developing an expanded special education risk-based accountability and support system as scheduled, with implementation planned for the Fall of 2020.

#### **FAILURE TO MAINTAIN ADEQUATE DOCUMENTATION FOR EARMARKING REQUIREMENTS OF THE CRIME VICTIM ASSISTANCE PROGRAM**

ICJIA did not maintain adequate documentation to substantiate the earmarking requirements of the Crime Victim Assistance Program were met during the year ended June 30, 2019.

**Auditor qualification due to ISBE failing to implement required risk assessments and to adequately monitor subrecipients**

ICJIA is required to earmark a portion of its Crime Victim Assistance award to fund activities relative to victims of crimes in three priority areas designated by USDOJ (10% for each priority area) and to underserved victims (10%). The three priorities designated by USDOJ include sexual assault, domestic and family violence, and child abuse. Additionally, USDOJ has identified underserved victims to include: victims of federal

crimes, survivors of homicide victims, or victims of assault, robbery, gang violence, hate and bias crimes, intoxicated drivers, bank robbery, economic exploitation and fraud, and elder abuse.

**ISBE officials accepted the recommendation**

During our testing of the Illinois State Annual Performance Report for the federal fiscal year ended September 30, 2018 (filed in State fiscal year 2019), we noted ICJIA reported the following amounts for each of the earmarking requirements in the 2018 Illinois State Annual Performance Report for the 2015 Crime Victim Assistance Award (2015-VA-GX-0049):

Earmarking Requirement	2015-VA-GX-0049	
	Dollars	%’s
Sexual assault priority area	\$17,906,362	23.0%
Domestic and family violence priority area	24,467,910	32.0%
Child abuse priority area	3,802,886	5.0%
Underserved victims	5,252,346	7.0%

**ICJIA did not maintain adequate documentation to substantiate earmarking requirements**

ICJIA was unable to provide documentation to support the amounts reported to meet the three priority area earmarking requirements and the underserved victims earmarking requirements. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to conclude on the earmarking compliance requirement applicable to the Crime Victim Assistance program. In addition, as noted above, the amounts reported for the child abuse priority area and underserved victims did not meet the 10% minimum requirement.

ICJIA has not established appropriate internal controls to ensure earmarking requirements are met and supported in accordance with federal requirements.

Failure to maintain supporting documentation for the earmarking requirements prohibits the completion of an audit and prevents the Department of Justice from monitoring the Crime Victim Assistance Program earmarking requirements. (Finding 55, pages 184-185)

As a result of ICJIA failing to maintain supporting documentation for the earmarking requirements, the auditors qualified their opinion due to a Scope Limitation on the Crime Victim Assistance program.

We recommended ICJIA implement procedures to ensure supporting documentation is maintained for the earmarking requirement applicable to its federal programs. Additionally, procedures should be implemented to ensure earmarking requirements are met by the State.

ICJIA accepted the recommendation and state that, while there has been no finding from OVC of our accounting for these funds for Federal fiscal year 2015, they will implement procedures to ensure supporting documentation is maintained for the earmarking requirement applicable to its federal, and when applicable State, programs.

**Auditors were unable to obtain sufficient and appropriate audit evidence to conclude on the earmarking compliance requirement**

**FAILURE TO PROVIDE SUPPORTING DOCUMENTATION FOR PAYROLL AND RELATED COSTS**

IDES could not provide adequate supporting documentation to substantiate payroll and related costs claimed for federal reimbursement under the Employment Service Cluster program.

**Auditor qualification due to ICIJIA failing to maintain supporting documentation for the earmarking requirements**

The Employment Service Cluster program is an administrative grant program which primarily funds personal service costs, fringe benefit expenditures, and indirect costs which are allocated to its Federal and State programs through the use of cost centers established for each of IDES' activities and programs. On a bi-weekly basis, IDES employees complete and sign manual effort reports (time sheets) to report and certify their time according to the appropriate cost centers. These effort reports are then reviewed and approved by the employee's immediate supervisor. Time sheets are manually entered in the time reporting system which is used to accumulate the costs related to each cost center. Cost center data from the time reporting system is used to identify personal service expenditures attributable to IDES' State and federal programs and to calculate and allocate the related fringe benefit charges and indirect costs.

**ICJIA officials accepted the recommendation**

During our testing of 25 direct payroll expenditures charged to the Employment Service Cluster program (totaling \$74,900) during the year ended June 30, 2019, we noted effort reports (supporting payroll expenditures sampled of \$21,550) for nine Employment Service Cluster employees could not be provided for testing. IDES personnel stated they were unable to physically access their offices to locate the files as of the date of our testing (July 29, 2020) and were unable to provide a date on which they would be able to physically access the files. As a result, we were unable to determine whether the payroll and fringe benefit expenditures, as well as related indirect costs, were appropriately supported in accordance with federal requirements. Accordingly, we were unable to determine if the payroll, fringe benefits, and indirect costs were allowable or met earmarking requirements, if applicable.

Personal service expenditures, fringe benefits, and indirect costs charged to the ES Cluster program for the year ended June 30, 2019 were as follows:

<b>Expenditure Type</b>	<b>Employment Service Cluster</b>
Direct payroll	\$13,257,000
Fringe benefits	\$11,558,000
Indirect costs	\$9,547,000
Total	\$34,362,000

Failure to provide adequate documentation for payroll and related costs inhibits our ability to perform an audit in accordance with professional standards and may result in the federal funds being expended for unallowable purposes. (Finding 60, pages 197-199)

**Effort reports for nine Employment Service Cluster employees could not be provided for testing**

As a result of IDES's failure to provide adequate documentation for payroll and related costs, the auditors were unable to issue an opinion (Disclaimer) on the Employment Service Cluster program.

We recommended IDES review its current procedures and consider any changes necessary to ensure supporting documentation for payroll and related costs is maintained in accordance with the applicable federal regulations.

**Auditors were unable to determine whether the payroll and fringe benefit expenditures and related indirect costs appropriately supported**

The Department accepted the audit finding and stated they will confer with senior management to implement a process to require timely submission of required timesheets.

**FAILURE TO ESTABLISH ADEQUATE CONTROLS OVER INFORMATION SYSTEMS USED TO DOCUMENT COMPLIANCE WITH CERTAIN ADMINISTRATIVE GRANTS**

IDES has not established adequate controls over the Enterprise Resource Planning (ERP) system used to document its compliance with certain requirements of administrative grants of the Employment Service Cluster and Unemployment Insurance (UI) programs.

Certain compliance requirements for the UI program are dependent on queries and other reports generated from data recorded within the State's ERP application. During our audit, we noted IDES was unable to provide a Service Organization Control (SOC) report covering the ERP application or the general information technology controls relevant to the ERP. As a result, we were unable to obtain sufficient and appropriate audit evidence relative to several direct and material compliance requirements as follows:

**Disclaimer of Opinion due to IDES failing to provide adequate documentation for payroll and related costs**

- IDES management was unable to provide supporting documentation which agreed to or could be reconciled to UI administrative cash draw requests made during the year ended June 30, 2019.
- 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 for the Employment Service Cluster and UI programs were based upon queries of ERP data which could not be reperformed or tested for completeness and accuracy.

**IDES officials accepted the recommendation**

Additionally, we noted indirect costs are calculated within the ERP and are automatically recorded in the applicable program general ledger account. While we were able to recalculate a sample of indirect charges, we were not able to test the general information technology controls to rely on the application controls and IDES has not established any other manual controls over the calculation of indirect costs.

IDES reported total Employment Service Cluster and UI administrative expenditures of approximately \$41,197,000 and \$131,450,000, respectively, in the SEFA as of and for the year ended June 30, 2019.

**IDES unable to provide SOC report covering ERP application or general information technology controls relevant to the ERP**

Failure to establish effective internal controls over information systems results in noncompliance and may inhibit the completion of the single audit. (Finding 61, pages 200-201)

As a result of IDES's failure to establish effective internal controls over information systems, the auditors were unable to issue an opinion (Disclaimer) on the Employment Service Cluster program and qualified their opinion (Scope Limitation) on the Unemployment Insurance program.

We recommended IDES implement adequate internal control procedures over information systems used to document compliance with requirements applicable to its federal programs.

**Auditors unable to obtain sufficient and appropriate audit evidence relative to several direct and material compliance requirements**

The Department accepted the finding and stated they will continue to pursue the development of accurate federal reports and the remediation of the asset data in the ERP system with DoIT.

**OTHER FINDINGS**

**Auditors unable to recalculate a sample of indirect charges**

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, 2020.

**Disclaimer of Opinion and qualified opinion due to IDES failing to establish effective internal controls over information systems**

**AUDITORS' OPINION**

The auditors state the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2019 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

**IDES officials accepted the recommendation**

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:ETL