



STATE OF ILLINOIS

Single Audit Report

For the Year Ended June 30, 2021

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

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

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

Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

STATE OF ILLINOIS

Single Audit Report

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Other Reports Issued Applicable to the Single Audit:

The Annual Comprehensive Financial Report of the State of Illinois for the year ended June 30, 2021 was issued under separate cover by the Auditor General of the State of Illinois.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the year ended June 30, 2021 was issued under separate cover by the Auditor General of the State of Illinois.

STATE OF ILLINOIS

Single Audit Report

Summary

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

Auditors' Reports

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

Qualified

- SNAP Cluster (10.551/10.561)
- Crime Victim Assistance (16.575)
- Unemployment Insurance (17.225)
- Airport Improvement Program (20.106)
- Coronavirus Relief Fund (21.019)
- Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (93.323)
- Temporary Assistance for Needy Families (93.558)
- CCDF Cluster (93.575/93.596)
- Social Services Block Grant (93.667)
- Children's Health Insurance Program (93.767)
- Medicaid Cluster (93.775/93.777/93.778)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)
- Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Summary of Audit Findings

| | <u>This audit</u> | <u>Prior audit</u> |
|--|-------------------|--------------------|
| Number of audit findings: | | |
| This audit | 40 | 29 |
| Repeated audit findings | 15** | 20* |
| Prior findings implemented or not repeated | 11 | 40 |
| Prior findings not corrected noted in summary schedule of prior year findings | 4 | 9 |

* Two of the 20 repeated audit findings were combined into one current year finding.

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



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Schedule of Expenditures of Federal Awards

As special assistance auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois for the year ended June 30, 2021, and the related notes (the Schedule).

Management's Responsibility for the Schedule of Expenditures of Federal Awards

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois for the year ended June 30, 2021 in accordance with the cash basis of accounting described in note 1(c).

Basis of Accounting

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

Other Matters

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

Also as described in note 1(a) to the Schedule, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program ALN 84.032L. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022 on our consideration of the State of Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State of Illinois' internal control over financial reporting and compliance.

KPMG LLP

Chicago, Illinois
June 24, 2022

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|---|----------------|----------------------|------------------------------------|
| U.S. Department of Agriculture | | | |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | \$ 250,000 | 113,000 |
| Voluntary Public Access and Habitat Incentive Program | 10.093 | 437,000 | 9,000 |
| Market Protection and Promotion | 10.163 | 92,000 | — |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | 601,000 | 594,000 |
| Trade Mitigation Program Eligible Recipient Agency Operational Funds | 10.178 | 2,200,000 | 2,200,000 |
| Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | 10.475 | 6,613,000 | — |
| CACFP Meal Service Training Grants | 10.534 | 13,000 | — |
| Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) | | | |
| Data and Technical Assistance Grants | 10.537 | 359,000 | 359,000 |
| COVID-19 - Pandemic EBT Food Benefits | 10.542 | 855,012,000 | — |
| SNAP Cluster: | | | |
| Supplemental Nutrition Assistance Program | 10.551 | 4,913,991,000 | — |
| COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 1,249,000 | — |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | <u>179,189,000</u> | 23,383,000 |
| Total SNAP Cluster | | 5,094,429,000 | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 3,021,000 | 2,926,000 |
| COVID-19 - School Breakfast Program | 10.553 | 2,012,000 | 2,004,000 |
| National School Lunch Program | 10.555 | 56,753,000 | 56,491,000 |
| COVID-19 - National School Lunch Program | 10.555 | 4,562,000 | 4,549,000 |
| Special Milk Program for Children | 10.556 | 375,000 | 375,000 |
| Summer Food Service Program for Children | 10.559 | 560,831,000 | 560,690,000 |
| COVID-19 - Summer Food Service Program | 10.559 | 92,858,000 | 92,858,000 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | <u>1,038,000</u> | 1,035,000 |
| Total Child Nutrition Cluster | | 721,450,000 | |
| COVID-19 - Special Supplemental Nutrition Program for Women, Infants, and Children - Food | 10.557 | 11,826,000 | — |
| COVID-19 - Special Supplemental Nutrition Program for Women, Infants, and Children - Admin | 10.557 | 4,698,000 | — |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | <u>121,835,000</u> | 83,009,000 |
| Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children | | 138,359,000 | |
| Child and Adult Care Food Program | 10.558 | 105,726,000 | 104,332,000 |
| COVID-19 - Child and Adult Care Food Program | 10.558 | <u>18,144,000</u> | 18,144,000 |
| Total Child and Adult Care Food Program | | 123,870,000 | |
| State Administrative Expenses for Child Nutrition | 10.560 | 10,741,000 | — |
| Food Distribution Cluster: | | | |
| Commodity Supplemental Food Program | 10.565 | 6,956,000 | 6,956,000 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | 5,737,000 | 5,512,000 |
| COVID-19 - Emergency Food Assistance Program (Administrative Costs) | 10.568 | 3,556,000 | 3,556,000 |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | <u>30,872,000</u> | 30,872,000 |
| Total Food Distribution Cluster | | 47,121,000 | |
| WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | 226,000 | 130,000 |
| Senior Farmers Market Nutrition Program | 10.576 | 510,000 | — |
| WIC Grants To States (WGS) | 10.578 | 3,086,000 | 290,000 |
| Fresh Fruit and Vegetable Program | 10.582 | 2,095,000 | 2,095,000 |
| COVID-19 - Pandemic Ebt Administrative Costs | 10.649 | 7,727,000 | — |
| Cooperative Forestry Assistance | 10.664 | 915,000 | 267,000 |
| Urban And Community Forestry Program | 10.675 | 542,000 | — |
| Forest Stewardship Program | 10.678 | 490,000 | — |
| State & Private Forestry Cooperative Fire Assistance | 10.698 | 341,000 | 230,000 |
| U.S. Department of Agriculture Total | Total | <u>7,017,479,000</u> | <u>1,002,979,000</u> |
| U.S. Department of Commerce | | | |
| Coastal Zone Management Administration Awards | 11.419 | 1,715,000 | 1,368,000 |
| State and Local Implementation Grant Program | 11.549 | 29,000 | 29,000 |
| U.S. Department of Commerce Total | Total | <u>1,744,000</u> | <u>1,397,000</u> |
| U.S. Department of Defense | | | |
| Procurement Technical Assistance For Business Firms | 12.002 | 785,000 | 494,000 |
| State Memorandum of Agreement Program for the Reimbursement of Technical Services | 12.113 | 671,000 | — |
| Military Construction, National Guard | 12.400 | 12,552,000 | — |
| National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | 22,047,000 | — |
| National Guard Challenge Program | 12.404 | <u>3,692,000</u> | — |
| U.S. Department of Defense Total | Total | <u>39,747,000</u> | <u>494,000</u> |
| U.S. Department of Housing and Urban Development | | | |
| CDBG - Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | <u>5,000</u> | — |
| Total CDBG - Entitlement Grants Cluster | | 5,000 | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 40,339,000 | 39,788,000 |
| COVID-19 - Emergency Solutions Grant Program | 14.231 | 10,165,000 | 10,164,000 |
| Housing Opportunities for Persons with AIDS | 14.241 | 1,558,000 | 1,558,000 |
| COVID-19 - Housing Opportunities for Persons with AIDS | 14.241 | <u>264,000</u> | 264,000 |
| Total Housing Opportunities for Persons with AIDS | | 1,822,000 | |
| Fair Housing Assistance Program State and Local | 14.401 | 1,277,000 | — |
| Lead-Based Paint Hazard Control in Privately-Owned Housing | 14.900 | 652,000 | 550,000 |
| U.S. Department of Housing and Urban Development Total | Total | <u>54,260,000</u> | <u>52,324,000</u> |

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|---|----------------|------------------------------|------------------------------------|
| U.S. Department of Interior | | | |
| Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | 15.250 | 3,177,000 | — |
| Abandoned Mine Land Reclamation (AMLR) | 15.252 | 7,604,000 | — |
| Flood Control Act Lands | 15.433 | 732,000 | — |
| Fish and Wildlife Management Assistance | 15.608 | 1,126,000 | 1,109,000 |
| Fish and Wildlife Cluster: | | | |
| Sport Fish Restoration | 15.605 | 7,035,000 | 3,608,000 |
| Wildlife Restoration and Basic Hunter Education | 15.611 | <u>23,166,000</u> | 6,500,000 |
| Total Fish and Wildlife Cluster | | 30,201,000 | |
| Cooperative Endangered Species Conservation Fund | 15.615 | 85,000 | 85,000 |
| State Wildlife Grants | 15.634 | 1,952,000 | 1,868,000 |
| Endangered Species Recovery Implementation | 15.657 | 23,000 | — |
| Great Lakes Restoration | 15.662 | 2,956,000 | 1,728,000 |
| Historic Preservation Fund Grants-In-Aid | 15.904 | 1,223,000 | 34,000 |
| Outdoor Recreation Acquisition, Development and Planning | 15.916 | <u>1,852,000</u> | <u>1,852,000</u> |
| U.S. Department of Interior Total | Total | <u>50,931,000</u> | <u>16,784,000</u> |
| U.S. Department of Justice | | | |
| Sexual Assault Services Formula Program | 16.017 | 114,000 | 67,000 |
| COVID-19 - Coronavirus Emergency Supplemental Funding Program | 16.034 | 2,641,000 | 2,458,000 |
| Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities | 16.529 | 72,000 | 47,000 |
| Juvenile Justice and Delinquency Prevention | 16.540 | 1,323,000 | 876,000 |
| Missing Children's Assistance | 16.543 | 220,000 | — |
| State Justice Statistics Program for Statistical Analysis Centers | 16.550 | 137,000 | — |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | 96,000 | — |
| Crime Victim Assistance | 16.575 | 75,998,000 | 72,946,000 |
| Crime Victim Compensation | 16.576 | 264,000 | — |
| Crime Victim Assistance/Discretionary Grants | 16.582 | 690,000 | 118,000 |
| Drug Court Discretionary Program | 16.585 | 132,000 | — |
| Violence Against Women Formula Grants | 16.588 | 4,633,000 | 4,226,000 |
| Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program | 16.589 | 145,000 | — |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 16.590 | 292,000 | 20,000 |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | 173,000 | — |
| Bulletproof Vest Partnership Program | 16.607 | 4,000 | 3,000 |
| Special Data Collections and Statistical Studies | 16.734 | 377,000 | — |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 4,301,000 | 3,428,000 |
| DNA Backlog Reduction Program | 16.741 | 2,639,000 | — |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 683,000 | 460,000 |
| Harold Rogers Prescription Drug Monitoring Program | 16.754 | 830,000 | — |
| Second Chance Act Reentry Initiative | 16.812 | 86,000 | 35,000 |
| Comprehensive Opioid, Stimulant, and Substance Abuse Program | 16.838 | 45,000 | — |
| STOP School Violence | 16.839 | 160,000 | — |
| Equitable Sharing Program | 16.922 | <u>607,000</u> | <u>510,000</u> |
| U.S. Department of Justice Total | Total | <u>96,662,000</u> | <u>85,194,000</u> |
| U.S. Department of Labor | | | |
| Labor Force Statistics | 17.002 | 2,762,000 | — |
| Compensation and Working Conditions | 17.005 | 243,000 | — |
| Employment Service Cluster: | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | 17,224,000 | — |
| COVID-19 - Employment Service/Wagner-Peyser Funded Activities | 17.207 | 102,000 | — |
| Jobs for Veterans State Grants | 17.801 | 3,455,000 | — |
| Local Veterans' Employment Representative Program | 17.804 | <u>3,301,000</u> | — |
| Total Employment Service Cluster | | 24,082,000 | |
| Unemployment Insurance | 17.225 | 5,859,656,000 | — |
| COVID-19 - Unemployment Insurance - Emergency (Administrative) | 17.225 | 107,944,000 | — |
| COVID-19 - Unemployment Insurance - Federal Pandemic Unemployment Compensation | 17.225 | 9,808,093,000 | — |
| COVID-19 - Unemployment Insurance - Pandemic Emergency Unemployment Compensation | 17.225 | 3,110,577,000 | — |
| COVID-19 - Unemployment Insurance - Pandemic Unemployment Assistance | 17.225 | <u>3,643,128,000</u> | — |
| Total Unemployment Insurance | | 22,529,398,000 | |
| Senior Community Service Employment Program | 17.235 | 3,143,000 | 2,990,000 |
| Trade Adjustment Assistance | 17.245 | 5,325,000 | 3,997,000 |
| WIOA Cluster: | | | |
| WIOA Adult Program | 17.258 | 38,898,000 | 35,268,000 |
| WIOA Youth Activities | 17.259 | 41,336,000 | 37,470,000 |
| WIOA Dislocated Worker Formula Grants | 17.278 | 52,097,000 | 44,079,000 |
| COVID-19 - WIOA Dislocated Worker Formula Grants | 17.278 | <u>3,510,000</u> | 3,510,000 |
| Total Workforce Investment Act Cluster | | 135,841,000 | |
| WIOA Pilots, Demonstrations, and Research Projects | 17.261 | 962,000 | — |
| H-1B Job Training Grants | 17.268 | 721,000 | 673,000 |
| Reentry Employment Opportunities | 17.270 | 14,000 | — |
| Work Opportunity Tax Credit Program (WOTC) | 17.271 | 784,000 | — |
| Temporary Labor Certification for Foreign Workers | 17.273 | 912,000 | — |
| WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 17.277 | 5,737,000 | 5,655,000 |
| Apprenticeship USA Grants | 17.285 | 1,719,000 | 1,433,000 |
| Occupational Safety and Health State Program | 17.503 | 1,316,000 | — |
| Consultation Agreements | 17.504 | 2,104,000 | — |
| Mine Health and Safety Grants | 17.600 | 272,000 | — |
| U.S. Department of Labor Total | Total | <u>22,715,335,000</u> | <u>135,075,000</u> |

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|---|----------------|----------------------|------------------------------------|
| <u>U.S. Department of Transportation</u> | | | |
| Airport Improvement Program | 20.106 | 99,288,000 | 96,783,000 |
| COVID-19 - Airport Improvement Program | 20.106 | 409,263,000 | 409,263,000 |
| Total Airport Improvement Program | | 508,551,000 | |
| Highway Research and Development Program | 20.200 | 350,000 | — |
| Highway Planning and Construction Cluster: | | | |
| Highway Planning and Construction | 20.205 | 1,775,208,000 | 105,236,000 |
| Recreational Trails Program | 20.219 | 990,000 | 727,000 |
| Total Highway Planning and Construction Cluster | | 1,776,198,000 | |
| Highway Training and Education | 20.215 | 37,000 | — |
| FMCSA Cluster: | | | |
| Motor Carrier Safety Assistance | 20.218 | 13,819,000 | — |
| Total FMCSA Cluster | | 13,819,000 | |
| Transportation Infrastructure Finance and Innovation Act (TIFIA) Program | 20.223 | 348,000 | 77,000 |
| Commercial Driver's License Program Implementation Grant | 20.232 | 328,000 | — |
| Railroad Safety | 20.301 | 18,000 | — |
| High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants | 20.319 | 1,420,000 | — |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | 20.505 | 5,874,000 | 5,381,000 |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | 17,542,000 | 12,878,000 |
| COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | 29,621,000 | 29,621,000 |
| Total Formula Grants for Rural Areas and Tribal Transit Program | | 47,163,000 | |
| Transit Services Programs Cluster: | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | 5,081,000 | — |
| Total Transit Services Programs Cluster | | 5,081,000 | |
| Federal Transit Cluster: | | | |
| Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | 20.526 | 3,974,000 | — |
| Total Federal Transit Cluster | | 3,974,000 | |
| Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program | 20.528 | 850,000 | — |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | 9,860,000 | 6,194,000 |
| Incentive Grant Program to Prohibit Racial Profiling | 20.611 | 33,000 | — |
| National Priority Safety Programs | 20.616 | 7,800,000 | 996,000 |
| Total Highway Safety Cluster | | 17,693,000 | |
| National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements | 20.614 | 72,000 | — |
| Pipeline Safety Program State Base Grant | 20.700 | 1,814,000 | — |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | 462,000 | 435,000 |
| PHMSA Pipeline Safety Program One Call Grant | 20.721 | 51,000 | — |
| PHMSA Pipeline Safety Underground Natural Gas Storage Grant | 20.725 | 211,000 | — |
| National Infrastructure Investments | 20.933 | 512,000 | — |
| U.S. Department of Transportation Total | Total | 2,384,826,000 | 667,591,000 |
| <u>U.S. Treasury Department</u> | | | |
| COVID-19 - Coronavirus Relief Fund | 21.019 | 2,573,382,000 | 1,038,289,000 |
| COVID-19 - Emergency Rental Assistance Program | 21.023 | 257,083,000 | 257,083,000 |
| COVID-19 - Coronavirus State And Local Fiscal Recovery Funds | 21.027 | 116,379,000 | — |
| U.S. Treasury Department Total | Total | 2,946,844,000 | 1,295,372,000 |
| <u>Equal Employment Opportunity Commission</u> | | | |
| Employment Discrimination State and Local Fair Employment | 30.002 | 2,316,000 | — |
| Equal Employment Opportunity Commission Total | Total | 2,316,000 | — |
| <u>General Services Administration</u> | | | |
| Donation of Federal Surplus Personal Property | 39.003 | 2,152,000 | 2,051,000 |
| Election Reform Payments | 39.011 | 56,000 | — |
| General Services Administration Total | Total | 2,208,000 | 2,051,000 |
| <u>National Endowment for the Arts</u> | | | |
| Grants to States | 45.310 | 5,327,000 | 3,549,000 |
| COVID-19 - Grants to States | 45.310 | 554,000 | 554,000 |
| Total Grants to States | | 5,881,000 | |
| National Endowment for the Arts Total | Total | 5,881,000 | 4,103,000 |
| <u>U.S. Small Business Administration</u> | | | |
| Small Business Development Centers | 59.037 | 5,993,000 | 4,230,000 |
| State Trade Expansion | 59.061 | 163,000 | — |
| U.S. Small Business Administration Total | Total | 6,156,000 | 4,230,000 |
| <u>U.S. Department of Veterans Affairs</u> | | | |
| Grants to States for Construction of State Home Facilities | 64.005 | 46,194,000 | — |
| Veterans State Domiciliary Care | 64.014 | 368,000 | — |
| Veterans State Nursing Home Care | 64.015 | 28,838,000 | — |
| Burial Expenses Allowance for Veterans | 64.101 | 68,000 | — |
| All-Volunteer Force Educational Assistance | 64.124 | 1,246,000 | — |
| U.S. Department of Veterans Affairs Total | Total | 76,714,000 | — |

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|--|----------------|----------------------|------------------------------------|
| U.S. Environmental Protection Agency | | | |
| State Indoor Radon Grants | 66.032 | 220,000 | 206,000 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | 165,000 | — |
| Diesel Emissions Reduction Act (DERA) State Grants | 66.040 | 556,000 | 556,000 |
| Multipurpose Grants to States and Tribes | 66.204 | 440,000 | — |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | 128,000 | 18,000 |
| State Underground Water Source Protection | 66.433 | 135,000 | — |
| Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act | 66.436 | 25,000 | — |
| Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d)) | 66.444 | 130,000 | 93,000 |
| Water Quality Management Planning | 66.454 | 707,000 | 678,000 |
| Clean Water State Revolving Fund Cluster: | | | |
| Capitalization Grants for Clean Water State Revolving Funds | | <u>71,871,000</u> | 71,871,000 |
| Total Clean Water State Revolving Fund Cluster | 66.458 | 71,871,000 | |
| Nonpoint Source Implementation Grants | 66.460 | 5,118,000 | 3,510,000 |
| Drinking Water State Revolving Fund Cluster: | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | | <u>24,140,000</u> | 22,270,000 |
| Total Drinking Water State Revolving Fund Cluster | 66.468 | 24,140,000 | |
| Great Lakes Program | 66.469 | 889,000 | 554,000 |
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | 59,000 | 50,000 |
| Performance Partnership Grants | 66.605 | 22,049,000 | 163,000 |
| Environmental Information Exchange Network Grant Program and Related Assistance | 66.608 | 72,000 | — |
| Toxic Substances Compliance Monitoring Cooperative Agreements | 66.701 | 123,000 | — |
| TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | 6,000 | — |
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | 2,723,000 | — |
| Underground Storage Tank Prevention, Detection, and Compliance Program | 66.804 | 432,000 | — |
| Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | 2,835,000 | — |
| Superfund State and Indian Tribe Core Program Cooperative Agreements | 66.809 | 122,000 | — |
| State and Tribal Response Program Grants | 66.817 | 924,000 | — |
| Brownsfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | 66.818 | 12,000 | — |
| U.S. Environmental Protection Agency Total | Total | <u>133,881,000</u> | <u>99,969,000</u> |
| U.S. Department of Energy | | | |
| State Energy Program | 81.041 | 2,817,000 | 1,934,000 |
| Weatherization Assistance for Low-Income Persons | 81.042 | 11,770,000 | 10,672,000 |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions | 81.106 | 20,000 | — |
| U.S. Department of Energy Total | Total | <u>14,607,000</u> | <u>12,606,000</u> |
| U.S. Department of Education | | | |
| Adult Education - Basic Grants to States | 84.002 | 21,348,000 | 19,871,000 |
| Title I Grants to Local Educational Agencies | 84.010 | 619,066,000 | 612,760,000 |
| Migrant Education State Grant Program | 84.011 | 1,565,000 | 860,000 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | 694,000 | — |
| Special Education Cluster (IDEA): | | | |
| Special Education Grants to States | 84.027 | 538,141,000 | 524,578,000 |
| Special Education Preschool Grants | 84.173 | 17,131,000 | 16,866,000 |
| Total Special Education (IDEA) Cluster | | 555,272,000 | |
| Federal Family Education Loans | 84.032G | 2,485,594,000 | — |
| Career and Technical Education -- Basic Grants to States | 84.048 | 39,267,000 | 37,472,000 |
| Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126 | 122,525,000 | — |
| Migrant Education Coordination Program | 84.144 | 82,000 | 9,000 |
| Rehabilitation Services Client Assistance Program | 84.161 | 523,000 | — |
| Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | 84.177 | 1,125,000 | 1,125,000 |
| Special Education-Grants for Infants and Families | 84.181 | 14,743,000 | — |
| Supported Employment Services for Individuals with the Most Significant Disabilities | 84.187 | 591,000 | 591,000 |
| Education for Homeless Children and Youth | 84.196 | 3,676,000 | 3,488,000 |
| Charter Schools | 84.282 | 390,000 | 390,000 |
| Twenty-First Century Community Learning Centers | 84.287 | 40,475,000 | 38,399,000 |
| Special Education - State Personnel Development | 84.323 | 1,718,000 | 1,327,000 |
| Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | 271,000 | 271,000 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | 2,305,000 | 738,000 |
| Rural Education | 84.358 | 1,360,000 | 1,348,000 |
| English Language Acquisition State Grants | 84.365 | 19,615,000 | 19,374,000 |
| Mathematics and Science Partnerships | 84.366 | (1,000) | — |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | 71,565,000 | 70,327,000 |
| Grants for State Assessments and Related Activities | 84.369 | 20,328,000 | — |
| Statewide Longitudinal Data Systems | 84.372 | 1,125,000 | — |
| School Improvement Grants | 84.377 | 2,748,000 | 2,395,000 |
| Preschool Development Grants | 84.419 | (37,000) | — |
| Student Support and Academic Enrichment Program | 84.424 | 34,488,000 | 34,448,000 |
| COVID-19 - Education Stabilization Fund | 84.425C | 56,139,000 | 54,289,000 |
| COVID-19 - Education Stabilization Fund | 84.425D | 820,742,000 | 817,783,000 |
| Total Education Stabilization Fund | | 876,881,000 | |
| COVID-19 - Randolph-Sheppard - Financial Relief and Restoration Payments | 84.426 | 850,000 | — |
| U.S. Department of Education Total | Total | <u>4,940,152,000</u> | <u>2,258,709,000</u> |

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|--|----------------|-------------------|------------------------------------|
| <u>National Archives and Records Administration</u> | | | |
| National Historical Publications and Records Grants | 89.003 | 94,000 | 49,000 |
| National Archives and Records Administration Total | Total | 94,000 | 49,000 |
| <u>Election Assistance Commission</u> | | | |
| Help America Vote Act Requirements Payments | 90.401 | 162,000 | — |
| HAVA Election Security Grant | 90.404 | 5,520,000 | 689,000 |
| COVID-19 HAVA Election Security Grant | 90.404 | 16,759,000 | 16,759,000 |
| Total HAVA Election Security Grants | | 22,279,000 | |
| Election Assistance Commission Total | Total | 22,441,000 | 17,448,000 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | 170,000 | 170,000 |
| Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | 93.042 | 662,000 | 662,000 |
| COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | 93.042 | 560,000 | 560,000 |
| Total Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | | 1,222,000 | |
| Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | 93.043 | 780,000 | 780,000 |
| Special Programs for the Aging, Title IV, and Title II, Discretionary Projects | 93.048 | 1,705,000 | 1,705,000 |
| Aging Cluster: | | | |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | 16,185,000 | 15,401,000 |
| COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | 5,820,000 | 5,820,000 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | 20,955,000 | 20,352,000 |
| COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | 20,684,000 | 20,684,000 |
| Nutrition Services Incentive Program | 93.053 | 6,060,000 | 6,060,000 |
| Total Aging Cluster | | 69,704,000 | |
| National Family Caregiver Support, Title III, Part E | 93.052 | 6,397,000 | 6,397,000 |
| COVID-19 - National Family Caregiver Support, Title III, Part E | 93.052 | 2,903,000 | 2,903,000 |
| Total National Family Caregiver Support, Title III, Part E | | 9,300,000 | |
| Public Health Emergency Preparedness | 93.069 | 14,178,000 | 7,681,000 |
| Environmental Public Health and Emergency Response | 93.070 | 779,000 | 132,000 |
| Medicare Enrollment Assistance Program | 93.071 | 667,000 | 667,000 |
| Birth Defects and Developmental Disabilities - Prevention and Surveillance | 93.073 | 140,000 | — |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | 653,000 | 653,000 |
| COVID-19 - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | 1,742,000 | — |
| Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | | 2,395,000 | |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079 | 69,000 | — |
| Guardianship Assistance | 93.090 | 7,862,000 | — |
| Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | 1,471,000 | 1,311,000 |
| Food and Drug Administration Research | 93.103 | 143,000 | — |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 74,000 | 8,000 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 1,461,000 | — |
| Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 93.130 | 282,000 | 79,000 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 5,820,000 | 2,846,000 |
| COVID-19 - Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 137,000 | 137,000 |
| Total Injury Prevention and Control Research and State and Community Based Programs | | 5,957,000 | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 2,891,000 | 2,518,000 |
| Grants to States for Loan Repayment Program | 93.165 | 964,000 | — |
| Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | 327,000 | — |
| Family Planning Services | 93.217 | (2,000) | — |
| Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program | 93.235 | 1,015,000 | 951,000 |
| Grants to States to Support Oral Health Workforce Activities | 93.236 | 463,000 | 234,000 |
| State Capacity Building | 93.240 | 412,000 | — |
| State Rural Hospital Flexibility Program | 93.241 | 820,000 | — |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | 6,644,000 | 5,871,000 |
| Immunization Cooperative Agreements | 93.268 | 100,292,000 | 1,314,000 |
| COVID-19 - Immunization Cooperative Agreements | 93.268 | 555,000 | — |
| Total Immunization Cooperative Agreements | | 100,847,000 | |
| Drug Abuse and Addiction Research Programs | 93.279 | 8,000 | — |
| Teenage Pregnancy Prevention Program | 93.297 | 1,505,000 | 1,252,000 |
| Small Rural Hospital Improvement Grant Program | 93.301 | 826,000 | — |
| Total Small Rural Hospital Improvement Grant Program | | 826,000 | |
| PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF) | 93.305 | 31,000 | — |
| Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program | 93.314 | 77,000 | — |
| CSELS Partnership: Strengthening Public Health Laboratories | 93.322 | 28,000 | — |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | 2,069,000 | 195,000 |
| COVID - 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | 183,355,000 | 75,928,000 |
| Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | | 185,424,000 | |
| State Health Insurance Assistance Program | 93.324 | 1,402,000 | — |
| Behavioral Risk Factor Surveillance System | 93.336 | 221,000 | — |

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
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| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|---|----------------|--------------------|------------------------------------|
| Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | 198,000 | 162,000 |
| COVID-19- Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | <u>8,362,000</u> | 35,000 |
| Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | | 8,560,000 | |
| Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs | 93.367 | 304,000 | — |
| ACL Independent Living State Grants | 93.369 | 542,000 | 542,000 |
| National and State Tobacco Control Program | 93.387 | 947,000 | — |
| COVID-19 - Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health | 93.421 | 11,000 | — |
| Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke | 93.426 | 1,621,000 | 497,000 |
| Every Student Succeeds Act/Preschool Development Grants | 93.434 | 9,659,000 | 4,696,000 |
| Well-Integrated Screening and Evaluation For Women Across the Nation (WISEWOMAN) | 93.436 | 522,000 | 267,000 |
| ACL Assistive Technology | 93.464 | 762,000 | 762,000 |
| Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees | 93.478 | 389,000 | — |
| COVID-19 - Provider Relief Fund | 93.498 | 139,000 | — |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | 15,789,000 | 5,981,000 |
| Temporary Assistance for Needy Families | 93.558 | 593,574,000 | 20,143,000 |
| Child Support Enforcement | 93.563 | 110,524,000 | 9,488,000 |
| Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act | 93.664 | 2,861,000 | 310,000 |
| COVID-19 -Emergency Grants To Address Mental And Substance Use Disorders During Covid-19 | 93.665 | 989,000 | 989,000 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | 3,251,000 | 2,527,000 |
| COVID-19 - Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | <u>229,000</u> | 229,000 |
| Total Refugee and Entrant Assistance State/Replacement Designee Administered Programs | | 3,480,000 | |
| Low-Income Home Energy Assistance | 93.568 | 214,320,000 | 206,219,000 |
| COVID-19 - Low-Income Home Energy Assistance | 93.568 | <u>40,667,000</u> | 40,667,000 |
| Total Low-Income Home Energy Assistance | | 254,987,000 | |
| Community Services Block Grant | 93.569 | 31,422,000 | 29,699,000 |
| COVID-19 - Community Services Block Grant | 93.569 | <u>16,053,000</u> | 16,053,000 |
| Total Community Services Block Grant | | 47,475,000 | |
| CCDF Cluster: | | | |
| Child Care and Development Block Grant | 93.575 | 114,011,000 | 35,862,000 |
| COVID-19 - Child Care and Development Block Grant | 93.575 | 140,230,000 | 140,230,000 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | <u>114,565,000</u> | 21,442,000 |
| Total CCDF Cluster | | 368,806,000 | |
| Refugee and Entrant Assistance Discretionary Grants | 93.576 | 62,000 | 62,000 |
| State Court Improvement Program | 93.586 | 659,000 | 512,000 |
| Community-Based Child Abuse Prevention Grants | 93.590 | 1,059,000 | 928,000 |
| Grants to States for Access and Visitation Programs | 93.597 | 311,000 | — |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | 2,806,000 | 106,000 |
| Head Start Cluster: | | | |
| Head Start | 93.600 | 3,198,000 | 3,091,000 |
| COVID-19 - Head Start | 93.600 | <u>270,000</u> | 270,000 |
| Total Head Start Cluster | | 3,468,000 | |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 704,000 | — |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | 3,020,000 | 1,693,000 |
| Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals | 93.634 | 900,000 | 508,000 |
| Children's Justice Grants to States | 93.643 | 749,000 | 733,000 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 8,720,000 | — |
| Foster Care Title IV-E | 93.658 | 150,648,000 | — |
| Adoption Assistance | 93.659 | 88,216,000 | — |
| Social Services Block Grant | 93.667 | 56,512,000 | 52,378,000 |
| Child Abuse and Neglect State Grants | 93.669 | 1,385,000 | 1,382,000 |
| Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 93.671 | 3,500,000 | 3,328,000 |
| COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 93.671 | <u>593,000</u> | 593,000 |
| Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | | 4,093,000 | |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | 17,665,000 | 168,000 |
| Elder Abuse Prevention Interventions Program | 93.747 | 176,000 | — |
| Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | 93.758 | (1,000) | — |
| Children's Health Insurance Program | 93.767 | 495,153,000 | — |
| Medicaid Cluster: | | | |
| State Medicaid Fraud Control Units | 93.775 | 6,505,000 | — |
| State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 93.777 | 25,974,000 | — |
| COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 93.777 | 60,000 | — |
| Medical Assistance Program | 93.778 | 16,922,499,802 | 75,108,000 |
| ARRA Medical Assistance Program | 93.778 | <u>10,724,198</u> | — |
| Total Medicaid Cluster | | 16,965,763,000 | |
| Opioid STR | 93.788 | 36,528,000 | 34,130,000 |
| Money Follows the Person Rebalancing Demonstration | 93.791 | 33,000 | — |
| Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | 93.817 | 91,000 | 91,000 |
| Maternal, Infant and Early Childhood Home Visiting Grant | 93.870 | 10,603,000 | 9,761,000 |
| COVID-19 - Mental Health Disaster Assistance and Emergency Mental Health | 93.982 | 690,000 | 522,000 |

THE STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Agency/Program or Cluster | Federal ALN | Expenditures | Passed-through to subrecipients |
|---|--------------------|-----------------------|--|
| National Bioterrorism Hospital Preparedness Program | 93.889 | 6,750,000 | 4,739,000 |
| COVID-19 - National Bioterrorism Hospital Preparedness Program | 93.889 | <u>2,219,000</u> | 1,829,000 |
| Total National Bioterrorism Hospital Preparedness Program | | 8,969,000 | |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | 8,906,000 | 5,231,000 |
| Grants to States for Operation of State Offices of Rural Health | 93.913 | 240,000 | — |
| HIV Care Formula Grants | 93.917 | 56,537,000 | 7,949,000 |
| COVID-19 - HIV Care Formula Grants | 93.917 | <u>1,086,000</u> | 993,000 |
| Total HIV Care Formula Grants | | 57,623,000 | |
| HIV Prevention Activities Health Department Based | 93.940 | 5,117,000 | 1,054,000 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | 439,000 | — |
| Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | 193,000 | — |
| Block Grants for Community Mental Health Services | 93.958 | 23,682,000 | 23,170,000 |
| COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 166,000 | — |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | <u>62,104,000</u> | 57,107,000 |
| Total Block Grants for Prevention and Treatment of Substance Abuse | | 62,270,000 | |
| Sexually Transmitted Diseases (STD) Prevention and Control Grants | 93.977 | 1,846,000 | 300,000 |
| Preventive Health and Health Services Block Grant | 93.991 | 2,624,000 | 364,000 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 18,784,000 | 17,305,000 |
| U.S. Department of Health and Human Services Total | Total | <u>19,884,909,000</u> | <u>1,025,476,000</u> |
| Corporation for National and Community Service | | | |
| State Commissions | 94.003 | 405,000 | — |
| AmeriCorps | 94.006 | 7,355,000 | 7,250,000 |
| Commission Investment Fund | 94.008 | 58,000 | — |
| Corporation for National and Community Service Total | Total | <u>7,818,000</u> | <u>7,250,000</u> |
| Social Security Administration | | | |
| Disability Insurance/SSI Cluster: | | | |
| Social Security Disability Insurance | 96.001 | 69,498,000 | — |
| Total Disability Insurance/SSI Cluster | | 69,498,000 | |
| Social Security Administration Total | Total | <u>69,498,000</u> | <u>—</u> |
| U.S. Department of Homeland Security | | | |
| Non-Profit Security Program | 97.008 | 1,627,000 | 1,627,000 |
| Boating Safety Financial Assistance | 97.012 | 1,403,000 | — |
| Community Assistance Program State Support Services Element (CAP-SSSE) | 97.023 | 277,000 | — |
| Flood Mitigation Assistance | 97.029 | 28,000 | — |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 30,764,000 | 21,372,000 |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | <u>554,916,000</u> | 170,471,000 |
| Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | 585,680,000 | |
| Hazard Mitigation Grant | 97.039 | 302,000 | 1,000 |
| National Dam Safety Program | 97.041 | 148,000 | — |
| Emergency Management Performance Grants | 97.042 | 13,586,000 | 7,525,000 |
| Cooperating Technical Partners | 97.045 | 50,000 | — |
| BRIC: Building Resilient Infrastructure and Communities | 97.047 | 1,285,000 | 952,000 |
| COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs | 97.050 | 1,261,433,000 | — |
| Port Security Grant Program | 97.056 | 38,000 | — |
| Homeland Security Grant Program | 97.067 | 75,895,000 | 70,358,000 |
| Earthquake Consortium | 97.082 | 24,000 | 5,000 |
| Homeland Security Biowatch Program | 97.091 | 989,000 | — |
| Preparing for Emerging Threats and Hazards | 97.133 | 46,000 | — |
| U.S. Department of Homeland Security Total | Total | <u>1,942,811,000</u> | <u>272,311,000</u> |
| Total expenditures of federal awards | \$ | <u>62,417,314,000</u> | <u>6,961,412,000</u> |

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

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

1) Summary of Significant Accounting Policies

a) Reporting Entity

The schedule of expenditures of federal awards (the Schedule) includes all federal award programs administered by the State of Illinois (the State), except for component units, for the fiscal year ended June 30, 2021. The State's financial reporting entity is described in note 1a of the State's Annual Comprehensive Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Annual Comprehensive Financial Report, which received federal financial assistance for the year ended June 30, 2021. Each of these entities is subject to separate audits in compliance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the Uniform Guidance).

The federal transactions of the following entities and the related foundations and alumni associations are not reflected in this Schedule:

| | |
|------------------------------|----------------------------------|
| University of Illinois | Governors State University |
| Illinois State University | Northeastern Illinois University |
| Northern Illinois University | Eastern Illinois University |
| Chicago State University | Southern Illinois University |
| Western Illinois University | Housing Development Authority |

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program ALN 84.032L, are not reflected in the Schedule. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

b) Basis of Presentation

The Schedule is presented on the cash basis of accounting and presents total federal awards expended for each individual federal program in accordance with the Uniform Guidance. Federal award program titles are reported as presented in the Assistance Listing Number (ALN). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.U01, .U02, etc.).

c) Basis of Accounting

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

d) Matching Costs

Matching costs are the non-federal share of certain program costs and are not included in the Schedule except for the State's share of unemployment insurance (note 4).

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

e) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports may not necessarily reconcile with the amounts reported in the accompanying Schedule.

f) Indirect Cost

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

2) Non-monetary Assistance

The State reports the following non-cash federal awards on the Schedule:

| <u>ALN</u> | <u>Program Title</u> | <u>Non-cash Award</u> |
|------------|--|-----------------------|
| 10.555 | National School Lunch Program commodities | \$ 48,989,000 |
| 10.565 | Commodity Supplemental Food Program commodities | 5,690,000 |
| 10.569 | Emergency Food Assistance Program commodities | 30,872,000 |
| 39.003 | Donation of Federal Surplus Personal Program equipment | 2,152,000 |
| 93.268 | Immunization Cooperative Agreements vaccines | <u>91,568,000</u> |
| | Total Non-cash awards | \$ <u>179,271,000</u> |

3) Federal Loan Guarantees

Federal Family Education Loans Program (FFELP) - Guaranty Agencies (ALN 84.032G) have continuing compliance requirements. The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) as well as the outstanding balance of defaulted loans held by ISAC under ALN 84.032G were as follows:

| | <u>July 1, 2020</u> | <u>June 30, 2021</u> |
|--|-------------------------|-------------------------|
| Original Principal Balance of Loans Guaranteed | \$ 2,049,109,000 | \$ 1,757,612,000 |
| Outstanding Balance of Defaulted Loans held | <u>285,545,000</u> | <u>277,614,000</u> |
| Total FFELP Guaranteed Loans | \$ <u>2,334,654,000</u> | \$ <u>2,035,226,000</u> |

STATE OF ILLINOIS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

4) Unemployment Insurance

The U.S. Department of Labor, in consultation with the OMB, has determined that for the purpose of audits and reporting under the Uniform Guidance, State of Illinois unemployment insurance funds as well as federal funds should be considered federal awards for determining Type A programs. The State receives federal funds for administrative purposes. State unemployment taxes must be deposited to a State account in the Federal Unemployment Trust Fund, used only to pay benefits under the federally approved State law. State unemployment funds as well as federal funds are included on the schedule of federal awards. The following schedule provides a breakdown of the state and federal portions of the total expended amount under ALN 17.225.

| | |
|--|-------------------------|
| State Unemployment Insurance Funds - Benefits | \$5,704,911,000 |
| State Unemployment Insurance - Benefits | 928,000 |
| COVID-19 - Unemployment Insurance - Benefits - Federal Pandemic Unemployment Compensation | 9,808,093,000 |
| COVID-19 - Unemployment Insurance - Benefits - Pandemic Emergency Unemployment Compensation | 3,110,577,000 |
| COVID-19 - Unemployment Insurance - Benefits - Pandemic Unemployment Assistance | 3,643,128,000 |
| Unemployment Insurance - Administrative | 153,817,000 |
| COVID-19 - Unemployment Insurance - Administrative – Short-Term Compensation Program | 1,172,000 |
| COVID-19 - Unemployment Insurance - Administrative - Pandemic Emergency Unemployment Compensation | 70,000 |
| COVID-19 - Unemployment Insurance - Administrative - Pandemic Unemployment Assistance | 24,785,000 |
| COVID-19 - Unemployment Insurance - Administrative - Emergency | 41,572,000 |
| COVID-19 - Unemployment Insurance - Administrative | <u>40,345,000</u> |
| Total Expenditures | <u>\$22,529,398,000</u> |

5) Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036)

After a Presidential-Declared Disaster, FEMA provides a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster damaged facilities. For the year ended June 30, 2021, approved eligible expenditures of \$301,728,000 included on the Schedule were incurred in the year ended June 30, 2020, and \$283,952,000 were incurred in the current fiscal year.

6) Donated Personal Protective Equipment (PPE) (unaudited)

During the emergency period of the COVID-19 pandemic, federal agencies did donate PPE purchased with federal assistance funds to various entities for the COVID-19 response. The fair market value of the PPE at the time for receipt was approximately \$4.4 million from the Federal Emergency Management Agency (FEMA). Per the 2021 Compliance Supplement Addendum, this amount is not included in the Schedule and is not subject to audit. Therefore, this amount is unaudited.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As special assistant auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of expenditures of federal awards (the Schedule) and related notes to the Schedule of the State of Illinois (the State) for the year ended June 30, 2021, and have issued our report thereon dated June 24, 2022.

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

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

Also as described in note 1(a) to the Schedule, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program ALN 84.032L. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Chicago, Illinois
June 24, 2022



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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on Compliance for Each Major Federal Program

We have audited the State of Illinois' (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2021. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The schedule of expenditures of federal awards (the Schedule) and our audit described above does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The Schedule and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program ALN 84.032L. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

Basis for Qualified Opinions on Major Federal Programs

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

| State Administering Agency | Federal Program | Compliance Requirement(s) | Finding Number |
|---|--|---------------------------------------|-----------------------|
| IL Department of Healthcare and Family Services | Medicaid Cluster | Special Tests | 2021-009 |
| IL Department of Healthcare and Family Services | Children's Health Insurance Program | Special Tests | 2021-009 |
| IL Department of Human Services | Temporary Assistance for Needy Families | Eligibility and Special Tests | 2021-011 |
| IL Department of Human Services | SNAP Cluster | Special Tests | 2021-011 |
| IL Department of Human Services | Block Grants for Prevention and Treatment of Substance Abuse | Matching, Level of Effort, Earmarking | 2021-012 2021-013 |
| IL Department of Human Services | Block Grants for Prevention and Treatment of Substance Abuse | Reporting | 2021-014 |
| IL Department of Human Services | Social Services Block Grant | Reporting | 2021-015 |
| IL Department of Human Services | Temporary Assistance for Needy Families | Reporting | 2021-015 |
| IL Department of Human Services | COVID-19 – CCDF Cluster | Reporting | 2021-015 |
| IL Department of Human Services | Social Services Block Grant | Eligibility and Reporting | 2021-016 |
| IL Department of Human Services | Social Services Block Grant | Subrecipient Monitoring | 2021-017 |
| IL Department of Human Services | Block Grants for Prevention and Treatment of Substance Abuse | Subrecipient Monitoring | 2021-017 |
| IL Department of Human Services | Temporary Assistance for Needy Families | Subrecipient Monitoring | 2021-017 |
| IL Department of Human Services | COVID-19 – CCDF Cluster | Subrecipient Monitoring | 2021-017 |



| State Administering Agency | Federal Program | Compliance Requirement(s) | Finding Number |
|---|--|----------------------------------|-----------------------|
| IL Department of Public Health | COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | Reporting | 2021-021 |
| IL Criminal Justice Information Authority | Crime Victim Assistance | Subrecipient Monitoring | 2021-026 |
| IL Criminal Justice Information Authority | Crime Victim Assistance | Reporting and Matching | 2021-027 |
| IL Criminal Justice Information Authority | Crime Victim Assistance | Reporting | 2021-028 |
| IL Department of Employment Security | COVID-19 – Unemployment Insurance | Eligibility | 2021-030 |
| IL Department of Employment Security | Unemployment Insurance | Special Tests | 2021-033 2021-034 |
| IL Department of Transportation | COVID-19 – Airport Improvement Program | Reporting | 2021-036 |
| IL Emergency Management Agency | COVID-19 – Coronavirus Relief Fund | Reporting | 2021-038 |
| IL Emergency Management Agency | COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) | Reporting | 2021-039 |

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

Qualified Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions on Major Federal Programs paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinions on Major Federal Programs paragraph for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of



findings and questioned costs as items 2021-005, 2021-006, 2021-008, 2021-010, 2021-018, 2021-020, 2021-022 through 2021-025, 2021-029, 2021-032, and 2021-037. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-006, 2021-007, 2021-009, 2021-011, 2021-012 through 2021-017, 2021-021, 2021-026 through 2021-028, 2021-030, 2021-031, 2021-033, 2021-034, 2021-036, and 2021-038 through 2021-040 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-002 through 2021-005, 2021-008, 2021-010, 2021-018 through 2021-020, 2021-022 through 2021-025, 2021-029, 2021-032, 2021-035 and 2021-037 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.



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

KPMG LLP

Chicago, Illinois
June 24, 2022

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

(1) Summary of Auditors' Results

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

| Opinion Unit | Type of Opinion |
|--|-----------------|
| Governmental Activities | Unmodified |
| Business-Type Activities | Qualified |
| Aggregate Discretely Presented Component Units | Unmodified |
| General Fund | Unmodified |
| Unemployment Compensation Trust Fund | Disclaimer |
| Water Revolving Fund | Unmodified |
| Prepaid Tuition Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

- (b)(1) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois:
- Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (b)(2) Internal control deficiencies over financial reporting disclosed by the audit of the schedule of expenditures of federal awards:
- Material weaknesses: **None reported**
 - Significant deficiencies: **None reported**
- (c)(1) Noncompliance which is material to the basic financial statements: **Yes**
- (c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (e) The type of report issued on compliance for major programs:

Qualified:

- SNAP Cluster (10.551/10.561)
- Crime Victim Assistance (16.575)
- Unemployment Insurance (17.225)
- Airport Improvement Program (20.106)
- Coronavirus Relief Fund (21.019)
- Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (93.323)
- Temporary Assistance for Needy Families (93.558)
- CCDF Cluster (93.575/93.596)
- Social Services Block Grant (93.667)
- Children's Health Insurance Program (93.767)
- Medicaid Cluster (93.775/93.777/93.778)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)
- Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Unmodified:

Pandemic EBT Food Benefits (10.542)
Emergency Rental Assistance Program (21.023)
Coronavirus State and Local Fiscal Recovery Fund (21.027)
Special Education Cluster (IDEA) (84.027/84.173)
Education Stabilization Fund (84.425)
Foster Care – Title IV-E (93.658)
Adoption Assistance (93.659)
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (97.050)

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

(g) Major programs:

U.S. Department of Agriculture

1. SNAP Cluster (10.551/10.561)
2. Pandemic EBT Food Benefits (10.542)

U.S. Department of Justice

3. Crime Victim Assistance (16.575)

U.S. Department of Labor

4. Unemployment Insurance (17.225)

U.S. Department of Transportation

5. Airport Improvement Program (20.106)

U.S. Department of Treasury

6. Coronavirus Relief Fund (21.019)
7. Emergency Rental Assistance Program (21.023)
8. Coronavirus State and Local Fiscal Recovery Funds (21.027)

U.S. Department of Education

9. Special Education Cluster (IDEA) (84.027/84.173)
10. Education Stabilization Fund (84.425)

U.S. Department of Health and Human Services

11. Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (93.323)
12. Temporary Assistance for Needy Families (93.558)
13. CCDF Cluster (93.575/93.596)
14. Foster Care – Title IV-E (93.658)
15. Adoption Assistance (93.659)
16. Social Services Block Grant (93.667)
17. Children's Health Insurance Program (93.767)
18. Medicaid Cluster (93.775/93.777/93.778)
19. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

U.S. Department of Homeland Security

20. Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
21. Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (97.050)

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

(h) Dollar threshold used to distinguish between Type A and Type B programs: \$93,625,971

(i) The State qualified as a low-risk auditee: **No**

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

Findings related to the basic financial statements for the year ended June 30, 2021 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

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

No findings reported.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

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

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

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

Program Name: Adoption Assistance

ALN and Program Expenditures: 93.659 (\$88,216,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Compliance Requirement: Cash Management

Finding 2021-001: Inadequate Process for Reconciling Cash Balances

Type of Finding: Material Weakness

Condition Found:

DCFS does not have an adequate process to reconcile its cash balances to the records of the Illinois Office of Comptroller (IOC) and to perform an independent review of the cash reconciliations.

DCFS is the state agency responsible for expending program funds and requesting federal cash reimbursement for expenditures under the Adoption Assistance program. The IOC is the official record keeper of the State and is responsible for paying vouchers processed by DCFS and other state agencies. DCFS is required to reconcile its records to the IOC records monthly and resolve any reconciling items on a timely basis.

During our test work over the monthly cash reconciliation process, we noted supervisory reviews of the monthly reconciliations were not performed. Thus, one individual acted as both the preparer and reviewer of the reconciliations.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that cash reconciliations are properly performed and reviewed monthly during the year.

Cause:

In discussing these conditions with DCFS officials, they stated DCFS continued to struggle with timely filling key vacancies in their General Accounting division.

Possible Asserted Effect:

Failure to appropriately segregate duties between preparation and review may result in inaccurate financial reporting and drawing federal funds more than expenditures incurred.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-001. (Finding Code 2021-001, 2020-001, 2019-033, 2018-036, 2017-034, 2016-034, 2015-030, 2014-027)

Statistical Sampling:

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

Recommendation:

We recommend DCFS implement procedures to ensure appropriate segregation of duties in the monthly cash reconciliations process.

Views of DCFS Officials:

DCFS agrees with this recommendation. DCFS has made improvements since the FY20 audit and performed the reconciliations timely. A key position was filled late in FY21, so DCFS will be able to separate the preparation and review of the reconciliation going forward.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

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

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

Program Name: Adoption Assistance

ALN and Program Expenditures: 93.659 (\$88,216,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Compliance Requirement: Eligibility

Finding 2021-002: *Inadequate Procedures to Reasonably Ensure Children are in the Continued Care of Their Adoptive Parent*

Type of Finding: Significant Deficiency

Condition Found:

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

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

According to 42 USC 673(a)(4), payments are discontinued when the state determines that the adoptive parents are no longer legally responsible for the support of the child. Parents must keep the state agency informed of circumstances that would make the child ineligible for adoption assistance payments or eligible for assistance payments in a different amount. To meet this requirement, prior to fiscal year 2019, the State sent a recertification form to the adoptive parent(s) of a child on behalf of whom the parent is receiving adoption subsidy payments on an annual basis. The form contains a series of questions concerning the parents' legal and financial responsibility for the child. The adoptive parent(s) were required to answer the questions and then sign and return the form to DCFS to demonstrate their continued legal and financial responsibility for the adopted child. Effective January 29, 2018, the State amended DCFS's policy guide to eliminate the requirement for the adoptive parent to complete the recertification form. There has not been a control implemented since the elimination of the requirement to address continued care. Adoptive parents are told they should inform DCFS of any change in the child's care but DCFS does not have a process or control to validate that all children remain in the care of their adoptive parents.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to monitor whether the adoptive child is in the continued care of the adoptive parent.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Cause:

In discussing these conditions with DCFS officials, they stated that DCFS officials misinterpreted the federal guidelines as well as the prior auditor recommendation when eliminating the completion of the recertification form, which led to an incomplete solution to the control issues identified.

Possible Asserted Effect:

Failure to establish adequate procedures to identify changes in care of adoptive children could result in unallowable costs.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2020-003. (Finding Code 2021-002, 2020-003, 2019-029, 2018-031)

Statistical Sampling:

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

Recommendation:

We recommend DCFS implement a process and controls to ensure payments made to adoptive parents are only on behalf of eligible children in the continued care of their adoptive parents.

Views of DCFS Officials:

DCFS agrees with the recommendation. DCFS is currently negotiating a Program Improvement Plan with USDHHS' Children's Bureau to correct the deficiencies noted in this finding. DCFS has amended its recertification form to clarify responsibilities and remedies of both the adoptive parent and DCFS. DCFS will also review its current systems and processes including controls to discover or develop other mechanisms to ensure that children on behalf of whom the State is making subsidy payments are in the continued care of their adoptive parent(s). DCFS is also updating the current notification form that contains the appeal process when terminating adoption subsidy payments to meet federal requirements.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

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

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

Program Name: Foster Care – Title IV-E

ALN and Program Expenditures: 93.658 (\$150,648,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Compliance Requirement: Eligibility

Finding 2021-003: Inadequate Controls to Maintain Adequate Provider Licensing Files

Type of Finding: Significant Deficiency

Condition Found:

DCFS has not established adequate controls to ensure documentation of background checks is completed in a consistent manner.

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 utilizes the Authorization for Background Check for Foster Care & Adoption form 718-A (Form 718-A) and the Authorization for Background Check for Child Care form 718-B (Form 718-B) to obtain employee authorization as well as control documentation for the completion of required background checks.

During our test work of 50 Foster Care maintenance assistance payments (totaling \$59,239), we reviewed the associated provider licensing files for compliance with licensing requirements and for the allowability of related benefits paid. We noted for 4 foster family homes tested (with payments of \$1,936) and for 2 child care service providers tested (with payments of \$972) that background check clearance dates were noted as completed prior to the service date; however, documentation of the review control to ensure background checks were obtained prior to service was not consistent. Licensing representatives did not always use the completion date as their final review date such that there was a gap in evidence of review date and background check clearance date. The range of date differences was 1 to 49 days, indicating the evidence of sign-off was an initiation date versus a completion date.

Foster care maintenance payments during year the ended June 30, 2021 totaled approximately \$74,005,000.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure the foster care provider licensing files are complete, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

applicants, employees, volunteers, or non-licensed service providers.

Cause:

In discussing these conditions with DCFS officials, they stated that inconsistencies amongst staff members in carrying out the procedures for documenting foster home background check clearances caused the date variances described above.

Possible Asserted Effect:

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

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2020-004. (Finding Code 2021-003, 2020-004, 2019-028, 2018-029, 2017-025, 2016-028)

Statistical Sampling:

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

Recommendation:

We recommend DCFS evaluate its control procedures relative to provider background checks and implement additional changes as considered necessary to ensure evidence of completion of the background check (i.e. the completion date) is consistently documented and supported.

Views of DCFS Officials:

DCFS agrees with the auditor's recommendation and has implemented changes as of July 2021 to address the auditor's recommendation. Individual Licensing Summaries (ILS) will always reflect the most recent background check updates i.e. renewals, background hits, adoption, etc. Whereas, the 718A & 718B will only show the initial clearances. DCFS Licensing will only record straight background check clearances on the CFS 718-A and B (authorization forms) and will maintain consistency when recording dates from the various background check data sources used to document the background check clearances. Effective July 2021, DCFS licensing have updated their practice by entering only the final clearances on the 718-A and B, using a clearance tracking sheet for all pending codes. Any historical data prior to July 2021 will not reflect this current practice.

For Foster home license applications, the completion of the CFS 718-A should continue to be completed at the initial and renewal period that reflect exact date of updates in background check clearances. For any reason, if clearance occur outside the initial and renewal period, the updates will be made on the BC04/05/09 screens with the supporting documentation used to update the clearances be kept in the licensing background unit file.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Healthcare and Family Services (DHFS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
ALN and Program Expenditures: 93.775/93.777/93.778 (\$16,558,856,000)
Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: None
Compliance Requirement: Special Tests and Provisions – Utilization Control and Program Integrity
Finding 2021-004: *Inadequate Monitoring of Quality Improvement Organization Contracted to Perform Reviews of Home and Community Based Service Waivers*

Type of Finding: Significant Deficiency

Condition Found:

DHFS did not adequately monitor its Quality Improvement Organization (QIO) responsible for reviewing Home and Community Based Services (HCBS) waivers operated by the State of Illinois.

The Illinois Medicaid program, as administered by DHFS, currently has nine federally approved HCBS waiver programs. The federal Centers for Medicare and Medicaid Services (CMS) holds DHFS, as the Single State Medicaid agency, responsible for the oversight and monitoring of the nine federally approved HCBS waiver programs operated by the State of Illinois. To ensure compliance with these federal requirements, DHFS contracts with a QIO to independently perform reviews for five of the nine waiver programs, including Persons with Disabilities, Persons with HIV or AIDS, Persons with Brain Injuries, Adults with Developmental Disabilities, and Persons who are Elderly.

DHFS' procedures to effectively monitor the QIO consist of formal, regularly scheduled meetings with the QIO. However, during fiscal year 2021, DHFS did not conduct the formal weekly meetings with the QIO, instead only communicating ad hoc with the QIO throughout the year. Formal, regularly scheduled meetings with the QIO resumed in September 2021.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include formal monitoring of the QIO to ensure the HCBS waiver programs are operated in compliance with federal regulations.

Cause:

In discussing these conditions with DHFS officials, they stated formal weekly meetings were suspended in fiscal year 2021 due to the COVID-19 pandemic.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Possible Asserted Effect:

Failure to adequately monitor the QIO may result in noncompliance within the HCBS waiver programs operated by the State of Illinois.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-004)

Statistical Sampling:

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

Recommendation:

We recommend DHFS continue the weekly formal meetings with the QIO which were resumed September 2021.

Views of DHFS Officials:

DHFS accepts the recommendation.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Healthcare and Family Services (DHFS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
ALN and Program Expenditures: 93.775/93.777/93.778 (\$16,558,856,000)
Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: Cannot be determined
Compliance Requirement: Special Tests and Provisions – Utilization Control and Program Integrity

Finding 2021-005: *Inadequate Procedures to Ensure Recovery Audits Conducted by the Medicaid Recovery Audit Contractor are Received*

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

DHFS does not have adequate procedures to ensure recovery audit files received from their Medicaid Recovery Audit Contractor (RAC) are complete.

DHFS contracts with an independent Medicaid RAC to perform audits of Medicaid providers to identify and correct improper Medicaid payments through the collection of overpayments made on claims for healthcare services provided to Medicaid beneficiaries. DHFS receives the audit files from the Medicaid RAC and maintains the audit files in their database.

During our testing, DHFS provided a listing of recovery audits performed by the Medicaid RAC during fiscal year 2021. However, we noted the listing of recovery audits provided improperly excluded two recovery audits performed by the Medicaid RAC during fiscal year 2021. As such, we were unable to verify the completeness of the listing of recovery audits performed during fiscal year 2021.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing procedures to ensure all recovery audit files received from the Medicaid RAC are complete and are maintained in the DHFS database.

Cause:

In discussing these conditions with DHFS officials, they stated not loading the two recovery audits to the DHFS database was an oversight.

Possible Asserted Effect:

Failure to maintain a complete listing of recovery audits performed by the Medicaid RAC may result in noncompliance with program regulations as the subsequent actions taken, such as collection of overpayments from Medicaid providers, are not pursued and/or properly supported by the DHFS database.

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For the Year Ended June 30, 2021

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-005)

Statistical Sampling:

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

Recommendation:

We recommend DHFS develop procedures to ensure recovery audit files received from the Medicaid RAC are complete and are maintained in the DHFS database.

Views of DHFS Officials:

DHFS accepts the recommendation. The Department of Healthcare and Family Services – Office of Inspector General (OIG) requires our Recovery Audit Contractor (RAC) to send OIG an audit file when RAC begins an audit. RAC submits this file to OIG via a secure file transfer protocol (FTP). Since May 2019 the OIG bureau responsible for uploading these files has experienced a staffing shortage. Either as the result of RAC not transferring these audit files or OIG staff failing to download the files from the FTP prior to their expiration, the files were not uploaded to OIG’s audit database. Prior to OIG’s collection on a sustained RAC audit, there are several other exchanges of information between RAC and OIG beyond the initial file transfer, which allow for OIG to become aware of an audit that may have been missed at RAC’s initiation. OIG would not be able to commence a collection without first gathering the information regarding the missing audit file.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Healthcare and Family Services (DHFS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Children's Health Insurance Program
Medicaid Cluster

ALN and Program Expenditures: 93.767 (\$489,725,000)
93.775/93.777/93.778 (\$16,558,856,000)

Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: Cannot be determined
Compliance Requirement: Special Tests and Provisions – Provider Eligibility (Screening and Enrollment)
Finding 2021-006: Inadequate Procedures to Determine Provider Eligibility
Type of Finding: Material Weakness and Non-Compliance
Condition Found:

DHFS did not adequately screen providers of the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs to ensure the providers were not on the USDHHS Office of the Inspector General's (OIG) List of Excluded Individuals/Entities (LEIE) at the time the voucher for the related services performed was paid.

The Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system is used by DHFS for the enrollment and screening of CHIP and Medicaid providers. On a monthly basis, IMPACT automatically checks providers enrolled within IMPACT to the LEIE to verify the provider is not on the LEIE. During our testing of 80 CHIP and 100 Medicaid beneficiary payments (totaling \$59,344 and \$5,853,501, respectively) to ensure the providers were not on the LEIE at the time the voucher for the related services performed was paid, we identified 2 CHIP payments (totaling \$24,201) and 10 Medicaid payments (totaling \$1,115) to providers for services where the providers were not checked against the LEIE to verify they were not on the LEIE for the month when the voucher was paid.

Payments made to providers on behalf of beneficiaries of the CHIP and Medicaid Cluster programs totaled approximately \$479,020,000 and \$16,272,000,000, respectively, during the year ended June 30, 2021.

Criteria or Requirement:

42 CFR 455.436(a) requires the State Medicaid agency to confirm the identify and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of a provider through routine checks of federal databases. Additionally, 42 CFR 455.436(b) requires the State Medicaid agency to check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System, the LEIE, the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe. 42 CFR 455.436(c) requires the State Medicaid agency to consult the appropriate databases to confirm identity upon enrollment and reenrollment and check the LEIE and EPLS no less frequently than monthly.

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

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compliance requirements. Effective internal controls should include establishing adequate procedures to screen providers of the CHIP and Medicaid Cluster programs, specifically, to ensure the providers were not on the LEIE for the month when the voucher was paid.

Cause:

In discussing these conditions with DHFS officials, they stated the providers were not checked against the LEIE on a monthly basis due to a processing error within the IMPACT system.

Possible Asserted Effect:

Failure to adequately screen CHIP and Medicaid Cluster program providers may result in federal funds being paid to providers that should have been denied, which are unallowable costs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-006)

Statistical Sampling:

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

Recommendation:

We recommend DHFS address the IMPACT processing error for screening CHIP and Medicaid Cluster program providers, specifically, the process to check, on a monthly basis, that providers are not on the LEIE.

Views of DHFS Officials:

DHFS accepts the recommendation. Provider Enrollment is working with the vendor to determine additional resources for screening reviews. Changes are projected to be completed and implemented with the 1.3 IMPACT System Release going into production June 2022.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

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

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

Program Name: Children's Health Insurance Program
Medicaid Cluster

ALN and Program Expenditures: 93.767 (\$489,725,000)
93.775/93.777/93.778 (\$16,558,856,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Compliance Requirement: Special Tests and Provisions – Provider Eligibility (Screening and Enrollment) and Special Tests and Provisions – Health and Safety Standards for Medicaid

Finding 2021-007: Inadequate Support for Automated Controls related to Provider Eligibility

Type of Finding: Material Weakness

Condition Found:

DHFS changed third-party providers who administered the Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system in September 2021. Information from the former third-party provider was not available to adequately audit the general information technology controls (GITC) over IMPACT.

The IMPACT system was used by DHFS for the enrollment and screening of Children's Health Insurance Program (CHIP) and Medicaid providers. Administrative access and password management evidence was available. No exceptions were noted. However, due to the change in third-party providers, other areas of GITC, including new user provisioning, timely removal of terminated users, and change management authorization, testing and approval prior to implementation, were not able to be audited for the year ended June 30, 2021. Further, DHFS relied on IMPACT for application-level controls such as interfaces and validation of eligible providers. Without reliance on the GITC environment, the application-level controls could not be relied on to validate the eligibility of providers including health and safety for Medicaid providers.

Payments made to providers on behalf of beneficiaries of the CHIP and Medicaid Cluster programs totaled approximately \$479,020,000 and \$16,272,000,000, respectively, during the year ended June 30, 2021.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include GITC and application-level controls that can be verified through appropriate documentation.

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Cause:

In discussing these conditions with DHFS officials, a business decision was made to change third-party providers and to not maintain the legacy system due to cost.

Possible Asserted Effect:

Failure to demonstrate adequate internal controls may result in noncompliance with program regulations.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-007)

Statistical Sampling:

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

Recommendation:

We recommend DHFS ensure the new third-party provider has adequate support for the GITC environment for future audits.

Views of DHFS Officials:

DHFS accepts the recommendation. Although the physical hardware was not available to be verified, logs were provided to demonstrate that all data tables had been migrated to the new hardware with only minor errors that were expected. The application data was unchanged. New users established during the audit period were the same users in the new database with the same begin and end dates. Timely removal of terminated users inside the Impact system was provided. DHFS followed the change control process for making all changes. Proper testing was completed as part of the migration.

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For the Year Ended June 30, 2021

State Agency: Illinois Department of Healthcare and Family Services (DHFS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Medicaid Cluster
ALN and Program Expenditures: 93.775/93.777/93.778 (\$16,558,856,000)
Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: Cannot be determined
Compliance Requirement: Special Tests and Provisions – Medicaid National Correct Coding Initiative
Finding 2021-008: Failure to Download and Implement Medicaid NCCI Edit Files
Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

DHFS did not download quarterly Medicaid National Correct Coding Initiative (NCCI) edit files from the Medicaid Integrity Institute and implement the edit files in their Medicaid Management Information System (MMIS) for the Medicaid Cluster program.

DHFS currently manages and operates the MMIS system to support claims processing for the Illinois Medicaid Enterprise. During our testwork, we noted DHFS's MMIS does not have the capability to download Medicaid NCCI edit files from the Medicaid Integrity Institute. DHFS has added edits to MMIS to address the six Medicaid NCCI methodologies for fee for service claims. DHFS is expected to transition using the Illinois Medicaid Program Advanced Cloud Technology (IMPACT) system for Medicaid claims processing, which will provide DHFS the capability to download Medicaid NCCI edit files from the Medicaid Integrity Institute.

Criteria or Requirement:

Section 6507 of the Affordable Care Act (ACA) requires States to use compatible NCCI methodologies in paying applicable Medicaid claims. The Center for Medicaid and CHIP Services (CMCS) requires that the Medicaid Enterprise Systems (MES), formerly known as the MMIS, in each State completely and correctly implement and use in paying applicable Medicaid claims the Medicaid NCCI methodologies. Specifically, according to the NCCI Medicaid Technical Guidance Manual Section 2, States are required to implement, and use in paying all applicable Medicaid claims, the new quarterly Medicaid NCCI edit files for States on the first day of every calendar quarter corresponding to the effective date of the files.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing procedures required by the Medicaid NCCI to download and implement edit files in DHFS's MMIS.

Cause:

In discussing these conditions with DHFS officials, they stated the current MMIS system does not have the functionality built in to incorporate the NCCI edit files and enforce the rules.

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Possible Asserted Effect:

Failure to download and implement quarterly edit files from the Medicaid Integrity Institute can result in coding errors and improper payments for procedures and services.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-009. (Finding Code 2021-008, 2020-009)

Statistical Sampling:

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

Recommendation:

As noted above, DHFS is expected to transition to the IMPACT system for Medicaid claims processing; therefore, DHFS should implement policies and procedures to ensure the IMPACT system has the capability to download Medicaid NCCI edit files from the Medicaid Integrity Institute.

Views of DHFS Officials:

DHFS accepts the recommendation. While DHFS has implemented several custom edits to enforce the NCCI rules and refers to the NCCI code on code rules for proper editing along with the enforcement of medically unlikely edits, the functionality is not programmed against the quarterly files. DHFS is in the process of implementing the new IMPACT system which has all functionality built in to take the quarterly files from RISSNET and upload them into the MMIS and use them for editing.

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For the Year Ended June 30, 2021

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

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

Program Name: Children's Health Insurance Program
Medicaid Cluster

ALN and Program Expenditures: 93.767 (\$489,725,000)
93.775/93.777/93.778 (\$16,558,856,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Special Tests and Provisions – Managed Care Financial Audit

Finding 2021-009: Failure to Obtain Annual Audited Financial Reports and Perform Periodic Audits of Encounter Data

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

DHFS did not obtain the annual audited financial reports required for each Managed Care Organization (MCO) specific to each MCO's Medicaid contract for the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs. Additionally, DHFS did not perform periodic audits of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO for the CHIP and Medicaid Cluster programs.

During our test work, we noted DHFS did not obtain the annual audited financial reports conducted in accordance with generally accepted accounting principles and generally accepted auditing standards required for each of its MCOs specific to each MCO's Medicaid contract. Additionally, we noted DHFS did not conduct or contract for an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each of its MCOs with contracts starting on or after July 1, 2017 during fiscal year 2021 or in the past three years. As a result of not performing periodic audits, no audit results were available to be posted on DHFS' website.

Criteria or Requirement:

Per 42 CFR 438.3(m) and 42 CFR 457.1201(k), the Medicaid contract must require MCOs, Prepaid Inpatient Health Plans (PIHP), and Prepaid Ambulatory Health Plans (PAHP) to submit audited financial reports specific to the Medicaid contract on an annual basis. The audit must be conducted in accordance with generally accepted accounting principles and generally accepted auditing standards. Per 42 CFR 438.602(e), the State must periodically, but no less frequently than once every 3 years, conduct, or contract for the conduct of, an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO, PIHP, or PAHP. Additionally, per 42 CFR 438.602(g), the State must post on its website the results of any audits under 42 CFR 438.602(e).

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

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obtain annual audited financial reports specific to each of its MCO's Medicaid contracts and perform periodic audits of encounter and financial data submitted by, or on behalf of each of its MCOs.

Cause:

In discussing these conditions with DHFS officials, they stated that their current process does not include obtaining annual audited financial reports specific to each of its MCO's Medicaid contracts because they relied on the Department of Insurance who oversees financial viability of all licensed health plans (MCOs) statewide; therefore, the task was not assigned nor executed. On the second topic, although the contracts with each MCO were amended to include independent periodic audits of encounter data, no audits have been completed to date.

Possible Asserted Effect:

Failure to obtain annual audited financial reports specific to each of its MCO's Medicaid contracts and perform periodic audits of encounter data submitted by, or on behalf of, each of its MCOs may result in inaccurate capitation rate setting for the respective MCOs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-009)

Statistical Sampling:

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

Recommendation:

We recommend DHFS implement procedures to obtain annual audited financial reports specific to each of its MCO's Medicaid contracts and perform periodic audits of encounter and financial data submitted by, or on behalf of each of its MCOs.

Views of DHFS Officials:

DHFS accepts the recommendation. DHFS has a robust encounter utilization management (EUM) process that is managed by our consulting actuary. DHFS has also included the ability to conduct an independent audit of the MCOs encounter data in our contract with our external quality review organization (EQRO) but have not completed an audit to date. DHFS will work to conduct an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of each MCO, and post the results of these audits on our website pursuant to Federal regulation, at a minimum of once every three years. DHFS will add a provision to each of its MCO Medicaid contracts to require annual audited financial reports conducted in accordance with generally accepted accounting principles starting with calendar year 2022.

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For the Year Ended June 30, 2021

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Children’s Health Insurance Program
 Medicaid Cluster

ALN and Program Expenditures: 93.767 (\$5,428,000)
 93.775/93.777/93.778 (\$368,641,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Eligibility

Finding 2021-010: Failure to Perform Eligibility Decisions within Prescribed Timeframes

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

IDHS did not perform eligibility decisions 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.

Each of the State Plans for the CHIP and Medicaid Cluster programs require the State to perform eligibility redeterminations on an annual basis. For the Medicaid Cluster, the determination may not exceed 90 days for disability basis and 45 days for all other reasons. The determination for CHIP may not exceed 45 days. During our test work over eligibility, we noted the State was late (overdue) in performing initial and redetermination eligibility decisions for individuals receiving benefits under the CHIP and Medicaid Cluster programs.

Evidence was not provided to document redeterminations were performed within required time frames for 1 Medicaid Cluster cases with payments of \$93. Additionally, there were 8 Medicaid Cluster cases not meeting the initial determination time frames with payments sampled of \$1,863,617 and 5 CHIP cases did not meet initial determination time frames with payments sampled of \$4,037.

Details of the beneficiary payments selected in our samples for the CHIP and Medicaid Cluster programs are as follows. The Medicaid Cluster amounts include both IDHS and DHFS as beneficiary eligibility is primarily the responsibility of IDHS while the beneficiary expenses are recorded in both agencies depending on the type of claim.

| Major Program | Number of Cases Sampled | Total Amount of Payments for Cases Sampled | Total Beneficiary Payments in Fiscal Year 2021 | Total Fiscal Year 2021 Program Expenditures |
|----------------------|--------------------------------|---|---|--|
| CHIP | 80 | \$ 59,344 | \$ 479,020,000 | \$ 495,153,000 |
| Medicaid Cluster | 100 | 5,853,500 | 16,272,498,000 | 16,965,763,000 |

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Criteria or Requirement:

Per 42 CFR 435.916 (Medicaid) and 42 CFR 457.343 (CHIP), IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans. The current State Plans require redeterminations of eligibility for all recipients on an annual basis. States are also directed under 42 CFR 435.912, to determine Medicaid eligibility promptly and without undue delay. For individuals applying for Medicaid based on disability, the determination may not exceed 90 days. For all other applicants, the determination may not exceed 45 days. For CHIP, states are directed, at 42 CFR 457.340(d), to determine eligibility promptly and without undue delay. The determination of eligibility may not exceed 45 days.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure eligibility decisions are performed in accordance with program requirements.

Cause:

IDHS management stated factors contributing to untimely determination processing include the complexity of the work involved, manual processes that are a required component of case processing, and need for additional resources to perform and document initial eligibility or redeterminations within the required timeframes.

Possible Asserted Effect:

Failure to properly perform eligibility decisions in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-011. (Finding Code 2021-010, 2020-011, 2019-006, 2018-005, 2017-005, 2016-005, 2015-005, 2014-002, 2013-002, 12-02, 11-02, 10-03, 09-03, 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

Statistical Sampling:

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

Recommendation:

We recommend IDHS review its current process for performing eligibility decisions and consider changes necessary to ensure all initial and redetermination decisions are performed within the timeframes prescribed within the State Plans for each affected program.

Views of IDHS Officials:

IDHS accepts the recommendation and continues to improve its process for performing eligibility determinations. The exceptions noted represented case requests received prior to the current fiscal year. IDHS will work to ensure all requests for benefits are approved in a timely manner.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Agriculture (USDA)
 U.S. Department of Health and Human Services (USDHHS)
Program Name: SNAP Cluster
 Temporary Assistance for Needy Families

ALN and Program Expenditures: 10.551/10.561 (\$5,094,429,000)
 93.558 (\$524,774,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined, known questioned costs for TANF is \$1,124

Compliance Requirement: Eligibility, Special Tests and Provisions – Child Support Non-Cooperation,
 Special Tests and Provisions – Income Eligibility and Verification System
 for TANF
 Special Tests and Provisions – ADP System for SNAP

Finding 2021-011: Missing Documentation in Beneficiary Files

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDHS could not locate case file documentation supporting eligibility determinations and special test requirements for beneficiaries of the SNAP Cluster and/or the Temporary Assistance for Needy Families (TANF) program.

Details of the beneficiary payments selected in our samples for the SNAP/TANF program are as follows:

| Case Type | Number of Cases Tested | Total Amount of Payments for Cases Tested | Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2021 | Total Fiscal Year 2021 Program Expenditures |
|-------------------|------------------------|---|---|---|
| TANF/SNAP Cluster | 50 | \$25,971 | \$4,951,908,000 | \$5,688,003,000 |

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

- In 1 of 50 TANF cases (with payments sampled of \$655), IDHS could not locate the Responsibility Service Plan (RSP) completed and signed by the beneficiary covering the payment date. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$7,183. Further we noted that the control to ensure the RSPs are collected (i.e. completeness) in accordance with policy is not effectively designed.

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- For 13 of 50 TANF cases (with payments sampled of \$5,158), IDHS could not provide support at redetermination that the applicant was not on probation, convicted of a felony, or other members of the family were not convicted of a drug related felony. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$56,106.
- For 1 of 50 TANF/SNAP cases (with payments sampled of \$644), IDHS could not provide the application. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$1,932.
- For 1 of 50 TANF cases (with payments sampled of \$767), IDHS could not provide support for payments being made past 60 months of benefits. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$7,631.
- For 1 of 50 TANF/SNAP cases (with payments sampled of \$168), IDHS could not provide support for the unearned income amount. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$1,843.
- For 1 of 50 TANF cases, there was an overpayment of \$1,124 when the case did not close on time and one additional month was paid. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$7,892.

During our test work, we also selected Child Support Non-Cooperation (Non-Cooperation) files to review for compliance with the respective special tests and provisions. We noted the following exceptions:

- In 14 of 40 TANF Non-Cooperation special test cases, IDHS could not provide evidence that the beneficiary was sanctioned after the beneficiary's failure to cooperate. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2021 totaled \$57,145.
- In addition, in 1 of 40 TANF Non-Cooperation special test cases, IDHS did not take timely action on the case. Payments received during the year ended June 30, 2021 were \$3,831.
- Also, the application of a sanction, or documentation of why the sanction is not applicable, is not consistently applied.

Criteria or Requirement:

Per 42 USC 602(a)(1)(B)(iii) (the State Plan for TANF/SNAP), IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans. The TANF State Plan amended April 1, 2020, Section L Personal Responsibility, requires all adults and minor parents applying for or receiving assistance be required to sign a Responsibility and Services Plan (RSP) and follow through with its provisions. TANF/SNAP State Plan also required an application to be completed to apply for assistance.

A state may not provide TANF assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony or who is violating a condition of probation or parole imposed under federal or state law (42 USC 608(a)(9)(A)). Further, any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any state program funded by federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. (45 CFR sections 264.1(a), (b), and (c)).

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For non-cooperation, if an individual is not cooperating with the state establishing paternity or enforcing a support order with respect to a child of the individual, the state must apply a sanction or deny assistance (45 CFR 264.30).

Through the Income Eligibility and Verification System (IEVS), the state is required to request and obtain information for unearned income from the Internal Revenue Service (IRS) (45 CFR 205.55(a)(4)) .

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files to ensure all required documentation is received and appropriate sanctions applied.

Cause:

IDHS management stated the exceptions noted were due to oversight to secure or upload supporting documentation adequately and to follow up on notices of non-cooperation.

Possible Asserted Effect:

Failure to maintain RSPs, applications, evidence of felony requirements, and support for unearned income may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries. Payments beyond the eligibility period can result in unallowable costs. Inability to demonstrate if a sanction has been appropriately applied also may result in federal funds being awarded to an ineligible beneficiary.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2020-010. (Finding Code 2021-011, 2020-010, 2019-005, 2018-004, 2017-004, 2016-004, 2015-004, 2014-004, 2013-004, 12-04, 11-04, 10-06, 09-06, 08-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

Statistical Sampling:

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

Recommendation:

We recommend IDHS review its current process for collecting and maintaining TANF/SNAP eligibility support and documentation to support the appropriate TANF application of sanctions.

Views of IDHS Officials:

IDHS accepts the recommendation and will work to review and improve the processes by which eligibility support and sanctions are documented and maintained.

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| | |
|--------------------------------------|---|
| State Agency: | Illinois Department of Human Services (IDHS) |
| Federal Agency: | U.S. Department of Health and Human Services (USDHHS) |
| Program Name: | Block Grants for Prevention and Treatment of Substance Abuse |
| ALN and Program Expenditures: | 93.959 (\$62,270,000) |
| Award Numbers: | Various – see table of award numbers |
| Federal Award Year: | Various – see table of award numbers |
| Questioned Costs: | Cannot be determined |
| Compliance Requirement: | Matching, Level of Effort, Earmarking |
| Finding 2021-012: | <u>Failure to Provide Adequate Documentation for the SAPT MOE Requirement</u> |
| Type of Finding: | Material Weakness and Material Non-Compliance |
| Condition Found: | |

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 for award year 2019 that closed during State fiscal year 2021.

As a condition of receiving federal funding under the SAPT program, USDHHS requires the State to maintain the level of State and locally funded expenditures for substance abuse prevention and treatment activities at an amount that is at least equal to the average level of these same amounts for the prior two years.

During the current fiscal year, we noted IDHS was required to maintain aggregate State expenditures for State fiscal year June 30, 2019 (SFY19) of \$101,071,199. IDHS reported actual aggregate State expenditures for State fiscal year June 30, 2019 of \$130,252,827. However, included in the total MOE reported expenditures were \$63,104,919 of managed care organization (MCO) billings in SFY19. The MCO billings represented MCO encounter data amounts, and IDHS could not provide evidence or reconcile MCO encounter data to actual State paid expenditures. Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort requirement. IDHS appears to be approximately \$33 million short of the required \$101 million MOE requirement.

In addition, when testing the allowability of the SAPT state expenses, IDHS was unable to provide support for 6 of 15 sample items selected. The samples were selected from the detail of the \$130 million described above and the 6 sample items were unable to be agreed to the amount paid. No sampling was performed for the MCO billings described above as there was no payment support.

Criteria or Requirement:

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

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

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure MOE requirements are achieved with allowable expenditures.

Cause:

In discussing these conditions with IDHS officials, management stated IDHS is awaiting confirmation from the Substance Abuse and Mental Health Services Administration (SAMHSA) and the Center for Substance Abuse Treatment (CSAT) of approval of the protocol for supporting the MOE requirement.

Possible Asserted Effect:

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

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-012. (Finding Code 2021-012, 2020-012, 2019-009, 2018-007, 2017-008, 2016-008, 2015-009, 2014-010)

Statistical Sampling:

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

Recommendation:

We recommend IDHS review its process for identifying allowable expenditures to achieve the SAPT MOE, including receiving input from SAMHSA regarding the applicability of MCO encounter data expenditures.

Views of IDHS Officials:

IDHS accepts the recommendation. IDHS will continue to seek documentation from SAMHSA of the approved MOE methodology to support the calculation for SFY2019-2021. IDHS will use the approved MOE methodology prospectively and will continue making quarterly inquiries to SAMHSA as to the retroactive approval of the methodology for the timeframes of SFY2008-2013 and SFY 2016-2018.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Block Grants for Prevention and Treatment of Substance Abuse
ALN and Program Expenditures: 93.959 (\$62,270,000)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: \$206,510
Compliance Requirement: Matching, Level of Effort, Earmarking
Finding 2021-013: *Failure to Meet Earmarking Requirement*
Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDHS did not meet the 5% administrative earmarking requirements of the Block Grants for Prevention and Treatment of Substance Abuse Program (SAPT) for the federal fiscal year 2019.

During our testing of the SAPT administrative earmarking requirement for the federal fiscal year ended September 30, 2019 (filed in State fiscal year 2021), we noted IDHS reported \$3,392,615 as administrative expenditures as compared to 5% of program expenditures which was \$3,186,105 thus overreporting administrative expenditures by \$206,510. For fiscal year 2019, the grant was not fully expended and the administrative earmark not adjusted to 5% of expenditures incurred. The amount charged was 5% of the total grant award.

IDHS has not established appropriate internal controls to ensure earmarking requirements are met in accordance with federal requirements, specifically for grants that are not fully expended.

Criteria or Requirement:

According to 42 USC 300x-31 and 45 CFR 96.135 (b)(1), a state may not expend more than 5 percent of the grant to pay the costs of administering the grant.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing procedures to ensure earmarking requirements are met.

Cause:

In discussing these conditions with IDHS officials, they stated turnover in program personnel did not allow for adequate monitoring of the earmarking requirements.

Possible Asserted Effect:

Failure to meet earmarking requirements results in noncompliance with federal requirements.

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Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-013)

Statistical Sampling:

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

Recommendation:

We recommend IDHS implement procedures to ensure earmarking requirements are met by the State.

Views of IDHS Officials:

IDHS accepts the recommendation. IDHS will review federal guidelines and ensure SAPT earmarking requirements are met by the State.

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State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Block Grants for Prevention and Treatment of Substance Abuse
ALN and Program Expenditures: 93.959 (\$62,270,000)
Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: Cannot be determined
Compliance Requirement: Reporting
Finding 2021-014: Failure to Report Subaward Information Required by FFATA
Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDHS failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse program (SAPT).

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

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

Payments made to subrecipients for the SAPT program totaled approximately \$57,107,000 during the year ended June 30, 2021.

Criteria or Requirement:

In accordance with 2 CFR 170.200, Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation. Consistent with the Federal Acquisition Register (FAR) threshold for subcontract reporting, OMB raised the reporting threshold for subawards that equal or exceed \$30,000.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include complying with FFATA.

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Cause:

In discussing these conditions with IDHS officials, Substance Use Prevention & Recovery (SUPR) personnel first became aware that FFATA reporting requirements for Substance Abuse and Mental Health Services Administration (SAMHSA) non-discretionary programs had changed in August of 2020. Beginning in FY2020, SAMHSA re-classified the type of award from type 2 to type 1, making FFATA reporting a requirement. Due to the COVID-19 pandemic and the pending conversion of the IDHS accounting system from CARS to ERP, SUPR was unable to comply with the new requirements.

Possible Asserted Effect:

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal requirements.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-014)

Statistical Sampling:

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

Recommendation:

We recommend IDHS establish procedures to identify awards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

Views of IDHS Officials:

IDHS accepts the recommendation. IDHS will establish procedures to identify awards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

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For the Year Ended June 30, 2021

State Agency: Illinois Department of Human Services (IDHS)

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

Program Name: Temporary Assistance for Needy Families
Social Services Block Grant
COVID-19 – CCDF Cluster

ALN and Program Expenditures: 93.558 (\$524,774,000)
93.667 (\$56,163,000)
93.575/93.596 (\$368,181,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Reporting

Finding 2021-015: Failure to Report Subaward Information Required by FFATA

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDHS failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Temporary Assistance for Needy Families (TANF), Social Services Block Grant (Title XX), and CCDF Cluster (CCDF) programs.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

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

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During our testwork of 63 subawards and 10 amendments, we noted the following exceptions:

| FFATA Non-compliance Exceptions | | | | |
|---|---|--|---|---|
| Transactions Tested | Subaward or Amendment not reported | Report not timely | Subaward amount or obligation date incorrect | Subaward missing key elements (report month incorrect) |
| TANF: 21 Title XX: 42 CCDF: 10 | TANF: 8 Title XX: 6 CCDF: 0 | TANF: 13 Title XX: 19 CCDF: 10 | TANF: 3 Title XX: 16 CCDF: 9 | TANF: 0 Title XX: 17 CCDF: 0 |
| Dollar Amount of Tested Transactions | Subaward or Amendment not reported | Report not timely | Subaward amount or obligation date incorrect | Subaward missing key elements (report month incorrect) |
| TANF: \$10,090,817 Title XX: \$27,462,718 CCDF: \$72,470,234 | TANF: \$2,004,240 Title XX: \$3,871,951 CCDF: N/A | TANF: \$8,086,577 Title XX: \$13,803,252 CCDF: \$72,470,234 | TANF: \$1,118,720 Title XX: \$9,877,125 CCDF: \$59,890,282 | TANF: N/A Title XX: \$9,787,515 CCDF: N/A |

IDHS's subrecipient expenditures under the federal programs for the year ended June 30, 2021 were approximately as follows:

| Program | Total Fiscal Year 2021 Subrecipient Expenditures | Total Fiscal Year 2021 Program Expenditures |
|----------------|---|--|
| TANF | \$ 20,143,000 | \$593,574,000 |
| Title XX | 52,029,000 | 56,512,000 |
| CCDF Cluster | 197,534,000 | 368,806,000 |

Criteria or Requirement:

In accordance with 2 CFR 170.200, Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation. Consistent with the Federal Acquisition Register (FAR) threshold for subcontract reporting, OMB raised the reporting threshold for subawards that equal or exceed \$30,000.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include complying with FFATA.

Cause:

In discussing these conditions with IDHS officials, they stated the exceptions noted are due to inaccuracies in the manual entry of subawards, and not all awards being identified through the existing processes.

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Possible Asserted Effect:

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal requirements.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-015)

Statistical Sampling:

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

Recommendation:

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

Views of IDHS Officials:

IDHS accepts the recommendation. IDHS will establish procedures to identify awards subject to the FFATA reporting requirement and report required subaward information in accordance with the FFATA.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Social Services Block Grant
ALN and Program Expenditures: 93.667 (\$56,163,000)
Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: Cannot be determined
Compliance Requirement: Eligibility and Reporting
Finding 2021-016: Inadequate Procedures to Determine Accuracy of the Post-Expenditure Report
Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDHS failed to provide supporting documentation for the post-expenditure report including a key line item, the number of eligible individuals who received services paid for in part or in whole with federal funds under the Social Services Block Grant (Title XX) program.

Per review of the 2020 post-expenditure report, total individuals served was noted at 419,008. The individual line items that represent different services supported with SSBG expenditures are tracked by various departments and third parties. For certain line items, support was not available, for others the support did not match the individuals reported, and for certain lines individuals reported included individuals not funded with SSBG. As a result, testing a sample of individuals to verify the individual was eligible for the service received could not be performed.

Criteria or Requirement:

42 USC 1397e requires states to submit to the federal administering agency an annual post-expenditure report.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include retaining support for the post-expenditure report and a formalized methodology to ensure the reporting is consistent and accurate.

Cause:

In discussing these conditions with IDHS officials, they stated uniform procedures were not implemented to retain documentation supporting the annual report due to lack of policy and procedures.

Possible Asserted Effect:

Failure to completely and accurately report SSBG individuals served could result in incomplete data being submitted to the federal administering agency.

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Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-016)

Statistical Sampling:

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

Recommendation:

We recommend IDHS establish a methodology for departments to gather data needed for the post-expenditure report and a central repository for storing the supporting materials. IDHS should determine the appropriate person(s) to oversee the process and review the final report prior to submission to verify the report is supported by appropriate documentation.

Views of IDHS Officials:

IDHS agrees that a methodology to gather data and store documentation utilized in the post-expenditure support is needed. IDHS will work to create a process through which providers will submit supporting documentation with their quarterly reports.

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For the Year Ended June 30, 2021

State Agency: Illinois Department of Human Services (IDHS)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families
COVID-19 – CCDF Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

ALN and Program Expenditures: 93.558 (\$524,774,000)
93.575/93.596 (\$368,181,000)
93.667 (\$56,163,000)
93.959 (\$62,270,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Subrecipient Monitoring

Finding 2021-017: Failure to Follow Established Program Subrecipient Monitoring Procedures and to Notify Subrecipients of Federal Funding

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDHS did not follow its established program monitoring policies and procedures for subrecipients of the Temporary Assistance for Needy Families (TANF), CCDF Cluster (Child Care), Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

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

During our test work over program on-site review procedures performed for 88 subrecipients of the TANF, CCDF Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established program monitoring procedures as follows:

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- During our test work performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2021 in accordance with IDHS’ planned monitoring schedule and/or could not provide support for the review. Specifically, we noted the following exceptions:

| Federal Program | Number of Reviews Not Performed | Number of Subrecipients Tested |
|------------------------|--|---------------------------------------|
| TANF | 3 | 14 |
| CCDF Cluster | 2 | 9 |
| Title XX | 20 | 41 |
| SAPT | 12 | 24 |

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

| Federal Program | Number of Late Communications | Number of Subrecipients Tested | Number of Days Late (Range) |
|------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| CCDF Cluster | 1 | 9 | 230 |
| SAPT | 6 | 24 | 63-333 |

- IDHS did not complete their quality reviews on a timely basis (within 60 days). We noted the following exceptions:

| Federal Program | Number of Late Quality Reviews | Number of Subrecipients Tested | Number of Days Late (Range) |
|------------------------|---------------------------------------|---------------------------------------|------------------------------------|
| SAPT | 4 | 24 | 112-357 |

- For the Title XX program, IDHS personnel were unable to provide support for management review of the program review tool for 2 of the 41 subrecipients sampled.
- Additionally, for 13 of 40 Title XX and 31 of 31 CCDF Cluster subrecipient disbursements sampled, IDHS did not communicate the required ALNs to the subrecipients at time of disbursement.

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IDHS’s subrecipient expenditures under the federal programs for the year ended June 30, 2021 were approximately as follows:

| Program | Total Fiscal Year 2021 Subrecipient Expenditures | Total Fiscal Year 2021 Program Expenditures | % |
|----------------|---|--|----------|
| TANF | \$20,143,000 | \$593,574,000 | 3.8% |
| Title XX | 52,029,000 | 56,512,000 | 92.6% |
| CCDF Cluster | 197,534,000 | 368,806,000 | 53.7% |
| SAPT | 57,107,000 | 62,270,000 | 91.7% |

Criteria or Requirement:

According to 2 CFR 200.332(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to 2 CFR 200.332(b), a pass-through entity must evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Per 2 CFR 200.332(a)(1)(xii), all pass-through entities must identify the dollar amount made available under each Federal award and the ALN at the time of disbursement.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site program procedures and expenditure reviews are performed in a timely manner and adequate documentation is maintained. Further, controls should ensure ALN notifications are made at disbursement.

Cause:

In discussing these conditions with IDHS officials, they stated that the program monitoring deficiencies noted are due to misplaced or misfiled documentation, untimely monitoring, inadequate staffing, and lack of consistent application in each program division. Furthermore, some staff were not aware of the requirement to notify subrecipients of ALNs at the time of disbursement.

Possible Asserted Effect:

Failure to adequately perform and document program on-site monitoring reviews of subrecipients and notify subrecipients of findings in a timely manner may result in subrecipients not properly administering the Federal programs in accordance with laws, regulations, and the grant agreement. Failure to communicate ALNs at time of disbursement can hamper the subrecipient’s ability to correctly prepare their schedule of expenditures of federal awards.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-015. (Finding Code 2021-017, 2020-015, 2019-013, 2018-012, 2017-013, 2016-012, 2015-011, 2014-008, 2013-009, 12-07, 11-09)

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Statistical Sampling:

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

Recommendation:

We recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on program findings relative to subrecipient on-site reviews to ensure timely corrective action and quality control is taken. Further, we recommend IDHS add to their warrant description the ALN for each disbursement made to subrecipients.

Views of IDHS Officials:

IDHS accepts the recommendation and will work to have all programmatic monitoring report reviews completed in accordance with the established policies and procedures. This will include ensuring the process for reviewing and following up on program findings for subrecipients is performed timely. In addition, the communication of the ALN for each disbursement will be added to the warrant description for payments made.

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State Agency: Illinois Department of Revenue (IDOR)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: Temporary Assistance for Needy Families
ALN and Program Expenditures: 93.558 (\$105,396,000)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: None
Compliance Requirement: Allowable Costs/Cost Principles
Finding 2021-018: Inadequate Process for Determining EITC Reversals
Type of Finding: Significant Deficiency and Non-Compliance
Condition Found:

IDOR is inappropriately reversing earned income tax credits (EITC) that are funded with the Temporary Assistance for Needy Families (TANF) program.

The State of Illinois, through the Department of Revenue (IDOR), has established an EITC program to provide a tax refund to low-income families residing in Illinois. Certain amounts refunded to taxpayers under this program are claimed by the Department of Human Services (DHS) under the Temporary Assistance for Needy Families (TANF) program. To be considered for the EITC, the taxpayer must have a federal EITC. To be allowable for claiming under TANF, the state EITC is determined in accordance with the State's earned income tax credit regulations and must be disbursed to the taxpayer through a refund. These eligible refunds are made throughout the year as state tax returns are received and processed.

Each fall, IDOR receives a US Department of the Treasury, Internal Revenue Service (IRS) file which included federal EITC data for the tax year. IDOR matches the IRS file against the state tax returns to validate the state EITC was allowable. IDOR will change the method of finance from TANF to state funding if the data match notes there is no federal EITC, the filing status is different such as number of children, and/or the names on the federal and state returns are different.

During our test work, we selected 25 payments and 25 reversals to validate the state EITC allowability. For 5 of 25 reversals, the IDOR data match noted the taxpayer names were different and created a reversal of the state EITC. Upon review of the returns, the names were the same and the amounts should not have been reversed. IDOR determined that the data match was comparing primary name to primary name without consideration of the secondary names on the returns. In essence, the names were the same but reversed in the primary/secondary data fields between the state and federal returns. Amounts incorrectly moved from TANF to state funding for the 5 items totaled \$2,826.

EITC payments under TANF were approximately \$105,396,000 for the fiscal year ended June 30, 2021. Method of finance adjustments totaled approximately \$7,026,000.

Criteria or Requirement:

Per the Illinois Income Tax Act (35 ILCS 5/212), a taxpayer is entitled to an 18% state EITC based on the federal EITC amount.

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For the Year Ended June 30, 2021

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls to appropriately calculate EITC and related reversals.

Cause:

IDOR management stated the exceptions noted were due to inappropriate data matches being performed between the IRS file and the state tax return data. The parameters of the data match were not considering all the correct data fields.

Possible Asserted Effect:

Inappropriate funding source is utilized for the EITC refunds.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-018)

Statistical Sampling:

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

Recommendation:

We recommend IDOR revise their data match routines to compare the appropriate data fields between the IRS file and the state tax return information.

Views of IDOR Officials:

IDOR agrees with the condition noted and are actively working to implement a remedy.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: U.S. Treasury Department (TREAS)

Program Name: COVID-19 – Coronavirus Relief Fund

ALN and Program Expenditures: 21.019 (\$282,250,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Compliance Requirement: Allowable Costs/Cost Principles and Period of Performance

Finding 2021-019: Failure to Follow Established Invoice Approval Procedures

Type of Finding: Significant Deficiency

Condition Found:

IDPH did not follow its established policies and procedures for invoice approvals for the Coronavirus Relief Fund (CRF) program.

IDPH has implemented procedures whereby IDPH program staff perform a review and approval of invoices submitted by vendors. During our testing of vendor payments, we noted for 2 of 65 invoices sampled for CRF, IDPH program staff did not properly review and approve the vendor invoice. Vendor expenditures under the CRF program for the year ended June 30, 2021 were approximately as follows:

| Program | Total expenditures for samples with deficiencies | Total fiscal year 2021 vendor expenditures | % |
|----------------|---|---|----------|
| CRF Program | \$284,000 | \$156,380,000 | 0.18% |

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls include following established policy for program staff to review and document approval of vendor invoices prior to payment.

Cause:

In discussing these conditions with IDPH officials, IDPH stated that program approval deficiencies were due to staff members not properly documenting approval of invoices prior to submitting them to the Fiscal Office.

Possible Asserted Effect:

Failure to properly review and approve vendor invoices may result in payments to unapproved vendors, inaccurate payments, or duplicate payments to vendors.

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Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-019)

Statistical Sampling:

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

Recommendation:

We recommend IDPH ensure vendor invoice reviews and approvals are performed and documented for all vendors in accordance with its established policies and procedures.

Views of IDPH Officials:

IDPH agrees with the finding and recommendation.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

ALN and Program Expenditures: 93.323 (\$185,424,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Procurement

Finding 2021-020: Failure to Appropriately Obtain Procurement Documentation

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

IDPH did not follow its established policies and procedures for procurement methods that can be used under a disaster proclamation for procurement for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program.

During our test work performed over procurement, we noted IDPH did not follow its established procedures for two procurement samples. For one sole source procurement contract tested which exceeded \$250,000, IDPH did not obtain the \$250,000 review packet to accompany the draft contract. In addition, for one of six samples which were bid, the \$250,000 review packet was not obtained for one vendor. Further, IDPH did not include suspension and debarment requirements in the contracts/agreements nor did IDPH verify the vendors were not suspended or debarred.

IDPH's vendor expenditures under ELC for the year ended June 30, 2021 were approximately \$96,739,000.

Criteria or Requirement:

2 CFR 200.317 requires states to follow the same policies and procedures it uses for procurements from its non-Federal funds. Per the IDPH Disaster Proclamation Procurement Guidance, if a contract value is \$250,000 or greater, the contract is to be reviewed by IDPH's legal staff. More specifically, IDPH legal staff is to review the work plan and deliverables, and the budget is to be reviewed by IDPH fiscal staff. 2 CFR 200.214 states a non-federal entity is subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR Part 180. The regulations in 2 CFR Part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate document to demonstrate the execution of procurement procedures.

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Cause:

IDPH personnel noted the lack of documentation to be a manual oversight due in part to the volume of contracting for the new federal programs during fiscal year 2021.

Possible Asserted Effect:

Failure to appropriately complete procurement procedures can result in the use of nonqualified vendors resulting in unallowable costs.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-020)

Statistical Sampling:

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

Recommendation:

We recommend IDPH follow their established procurement policies.

Views of IDPH Officials:

IDPH agrees with the finding and recommendation. IDPH officials point to the extreme duress placed on this agency during the time period associated with this finding. IDPH is the central agency in the State of Illinois' response to the COVID-19 pandemic. During emergency situations, such as COVID-19, where lives were at stake, every day IDPH delayed in issuing procurements was critical to saving lives. Sole source emergency declaration procurements were necessary to implement life-saving programs and received significant scrutiny from executive and legal staff prior to implementation. The subject sample of contracts were emergency procurements with established vendors of IDPH undertaken to provide COVID-19 response services to the public.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Public Health (IDPH)
Federal Agency: U.S. Department of Health and Human Services (USDHHS)
Program Name: COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

ALN and Program Expenditures: 93.323 (\$185,424,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Compliance Requirement: Reporting

Finding 2021-021: Failure to Report Subaward Information Required by FFATA

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDPH failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

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

Amounts passed through to subrecipients under the ELC totaled approximately \$76,123,000 during the year ended June 30, 2021

Criteria or Requirement:

In accordance with 2 CFR 170.200, Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation. Consistent with the Federal Acquisition Register (FAR) threshold for subcontract reporting, OMB raised the reporting threshold for subawards that equal or exceed \$30,000.

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For the Year Ended June 30, 2021

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include complying with FFATA.

Cause:

In discussing these conditions with IDPH officials, IDPH stated they were not aware that the FFATA reporting applied to ELC program.

Possible Asserted Effect:

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal requirements.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-021)

Statistical Sampling:

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

Recommendation:

We recommend IDPH establish procedures to identify awards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

Views of IDPH Officials:

IDPH agrees with the finding and recommendation.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Public Health (IDPH)

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

Program Name: COVID-19 – Coronavirus Relief Fund
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

ALN and Program Expenditures: 21.019 (\$282,250,000)
93.323 (\$185,424,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Subrecipient Monitoring

Finding 2021-022: Failure to Notify Subrecipients of Federal Funding

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

IDPH did not communicate required federal program information to subrecipients at the time of disbursement for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) and Coronavirus Relief Fund (CRF) programs.

During our testing of 43 ELC and 30 CRF subrecipient payments, we noted IDPH did not communicate the Assistance Listing Number (ALN) at the time of disbursement to any of the subrecipients tested. Upon further review, IDPH did not provide any notification of ALNs at time of disbursement to any of its subrecipients during fiscal year 2021.

Amounts passed through to subrecipients under the ELC and CRF programs totaled approximately \$76,123,000 and \$118,951,000, respectively, during the year ended June 30, 2021.

Criteria or Requirement:

Per 2 CFR 200.332(a)(1)(xii), all pass-through entities must identify the dollar amount made available under each Federal award and the ALN at the time of disbursement.

Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing risk assessment procedures required by the Uniform Guidance and ensuring monitoring procedures are performed and documented in accordance with established policies and procedures.

Cause:

In discussing these conditions with IDPH officials, staff were not aware of the specific requirement to notify subrecipients of ALNs at the time of disbursement. IDPH was communicating the state designated program name, mass vaccination or contract tracing.

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For the Year Ended June 30, 2021

Possible Asserted Effect:

Failure to communicate ALNs at the time of disbursement can hamper the subrecipients' ability to correctly prepare their schedule of expenditures of federal awards.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-022)

Statistical Sampling:

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

Recommendation:

We recommend IDPH add to their warrant description the ALN for each disbursement made to subrecipients.

Views of IDPH Officials:

While IDPH agrees with the finding and recommendation, IDPH officials point to the extreme duress placed on this agency during the time period associated with this finding. IDPH is the central agency in the State of Illinois' response to the COVID-19 pandemic. IDPH staff and systems were subjected to unprecedented pressure during this period. While IDPH intends to follow all requirements even the most obscure, the size and volume of grants during the period combined with the exhaustive workload on staff contributed to the causation of this finding.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Public Health (IDPH)

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

Program Name: COVID-19 – Coronavirus Relief Fund
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

ALN and Program Expenditures: 21.019 (\$282,250,000)
93.323 (\$185,424,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Compliance Requirement: Subrecipient Monitoring

Finding 2021-023: Inadequate Single Audit Reports Process

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

The IDPH process for collecting single audit reports, issuing MDLs, and collecting corrective action plans (CAPs) only focuses on a subset of IDPH’s subrecipients and IDPH failed to ensure that management decision letters (MDLs) were issued and communicated to subrecipients of the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) and the Coronavirus Relief Fund (CRF) programs.

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 (FAC), if required. IDPH staff are responsible for ensuring single audit reports are received from subrecipients and reviewing the reports to determine the need for issuing MDLs within required time frames and receiving corrective action plans.

IDPH has a central process related to single audit reviews to ensure compliance with GATA and federal requirements. This process includes extracting data from the GATA system on a weekly basis and reviewing it to ensure certain Federal requirements are met. For subrecipients where IDPH is assigned the state cognizant agency role, IDPH monitors the submission of single audit packages to ensure that subrecipients are compliant with applicable timely submission requirements. IDPH sends follow up emails when the single audit package is past due. On a weekly basis, the single audit coordinator discussed the GATA dashboard report with various members of IDPH management with regard to subrecipients whom additional follow-up and/or training could be beneficial. However, this process only includes IDPH subrecipients for which GATA has designated IDPH as the state cognizant agent.

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Additionally, IDPH does not have a like process in place to ensure that management decision letters are timely issued to the subrecipients nor that the CAPs are collected. During our review of single audits for 51 unique subrecipients of ELC and CRF, we noted that two had single audit reports containing major program findings related to IDPH. IDPH drafted and posted to GATA management decision letters for these two subrecipients within the time requirements to issue such letters. However, management failed to send the letter to the subrecipients. Further, IDPH responsibilities for issuing MDLs and CAPs are not consistently discussed nor documented as occurring at the weekly management meetings.

Amounts passed through to subrecipients under the ELC and CRF programs totaled approximately \$76,123,000 and \$118,951,000, respectively, during the year ended June 30, 2021.

Criteria or Requirement:

2 CFR 200.332(d)(3) requires pass-through entities to issue management decisions for applicable audit findings pertaining to the Federal awards provided to the subrecipient, 2 CFR 200.332(f) requires the verification that every subrecipient is audited as required by Subpart F where applicable, and 2 CFR 200.332(d)(4) requires pass through entities to resolve audit findings through corrective action plans.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that single audit reports are collected and reviewed in a timely manner, MDLs are issued and communicated to subrecipients within six months after acceptance of the single audit report by the FAC, and CAPs are received for all subrecipients of IDPH federal programs.

Cause:

In discussing these conditions with IDPH officials, IDPH stated they were not aware that the single audit collection requirements and the issuance of MDLs was IDPH's responsibility when IDPH was not the state cognizant agency. Also, IDPH was not aware they could issue an MDL directly to a subrecipient when IDPH was not the state cognizant agency.

Possible Asserted Effect:

Failure to timely collect single audit reports, issue and communicate MDLs to the subrecipient, and collect CAPs could result in Federal funds being expended for unallowable purposes and subrecipients not properly administering the Federal programs in accordance with laws, regulations and the grant agreement.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-023)

Statistical Sampling:

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

Recommendation:

We recommend IDPH expand its single audit process to include the collection of single audit reports, issuance of MDL, and collection of CAPs for all IDPH subrecipients. Second, IDPH should issue MDLs directly to the subrecipients within the required federal 180 days. For effective internal controls, IDPH's

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weekly management meetings should be expanded to include discussion and monitoring of IDPH compliance procedures such as issuing MDL and CAPS to compliment the review of the subrecipients' responsibilities already discussed.

Views of IDPH Officials:

IDPH concurs with the finding and recommendation.

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For the Year Ended June 30, 2021

State Agency: Governor's Office of Management and Budget (GOMB)

Federal Agency: U.S. Treasury Department (TREAS)

Program Name: COVID-19 – Coronavirus Relief Fund

ALN and Program Expenditures: 21.019 (\$336,855,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Subrecipient Monitoring

Finding 2021-024: Failure to Establish Subrecipient Monitoring Procedures

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

GOMB did not delegate the subrecipient monitoring requirement for the Illinois Housing Development Authority (IHDA) to a state agency to execute.

GOMB is responsible for overseeing the administration of the Coronavirus Relief Fund (CRF) for the State of Illinois. GOMB established guidance for the 34 state agencies that incurred costs related to the COVID-19 pandemic and response in fiscal year 2020 and was involved in the appropriations of the CRF fund for fiscal year 2021. IHDA was one of the agencies receiving appropriated CRF funding in fiscal year 2021 for rental assistance. IHDA is a discreetly presented component unit (DPCU) within the State of Illinois annual comprehensive financial report (ACFR). As a DPCU, IHDA is considered a subrecipient of the State of Illinois and obtains its own financial and single audit.

As a pass-through entity, the State of Illinois was responsible for establishing a monitoring process to:

- Identify the award and applicable requirements,
- Evaluate IHDA's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward,
- Monitor the activities of IHDA as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and
- Issue a management decision for audit findings pertaining to the federal award provided to the IHDA, if applicable.

Amounts passed through totaled approximately \$336,855,000, during the year ended June 30, 2021.

Criteria or Requirement:

2 CFR 200.332(a) requires a pass-through entity to clearly identify to the subrecipient data elements in the subaward agreement. Per 2 CFR 200.332(b), a pass-through entity must evaluate each subrecipient's risk

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of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward. According to 2 CFR 200.332(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. 2 CFR 200.332(d)(3) requires pass-through entities to issue management decisions for applicable audit findings pertaining to the federal awards provided to the subrecipient and 2 CFR 200.332(d)(4) requires pass through entities to resolve audit findings through corrective action plans (CAP).

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include adequate subrecipient notification and monitoring requirements.

Cause:

In discussing these conditions with GOMB officials, the ACFR treatment of IHDA as a DPCU was not considered during fiscal year 2021 such that subrecipient monitoring responsibilities were not delegated to the appropriate agency.

Possible Asserted Effect:

Failure to adequately notify subrecipients of award elements and to perform monitoring reviews may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-024)

Statistical Sampling:

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

Recommendation:

We acknowledge the CRF funds have all been allocated and substantially spent as of June 30, 2021. We recommend GOMB consider if there are any subrecipient relationships in the American Rescue Plan Act of 2021 (ARPA) appropriations that would require oversight by another state agency.

Views of GOMB Officials:

GOMB agrees with the recommendation. For fiscal year 2021, with the need to provide rental assistance funds as quickly as possible, IHDA was identified as uniquely suitable to run such a program in the initial timeframe allowed under CRF rules. While GOMB did not assign subrecipient monitoring duties to a State agency through a formal process, GOMB and other State agencies did work with IHDA on the development of their rental assistance program and to ensure proper reporting to U.S. Treasury of the expenditure of the CRF monies.

The agency has taken steps to prevent similar findings related to remaining CARES Act funding and new funding allocated to the State by the ARPA. GOMB facilitated agreements between IHDA and the Department of Human Services (DHS) for monitoring of the State's allocations of funding from the federal

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Emergency Rental Assistance Program pursuant to the Consolidated Appropriations Act, 2021 and will work to establish similar agreements with state agencies for money allocated to the State from the Housing Assistance Fund pursuant to the ARPA. GOMB is also in the process of working with State agencies and other DPCUs to establish similar relationships for additional funding appropriated from the State's allocation of the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) pursuant to the ARPA.

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For the Year Ended June 30, 2021

| | |
|--------------------------------------|--|
| State Agency: | Governor's Office of Management and Budget (GOMB) |
| Federal Agency: | U.S. Treasury Department (TREAS) |
| Program Name: | COVID-19 – Coronavirus State and Local Fiscal Recovery Fund |
| ALN and Program Expenditures: | 21.027 (\$116,379,000) |
| Award Numbers: | Various – see table of award numbers |
| Federal Award Year: | Various – see table of award numbers |
| Questioned Costs: | None |
| Compliance Requirement: | Period of Performance |
| Finding 2021-025: | <u>Inadequate Controls for Detail Review of Expenditures</u> |
| Type of Finding: | Significant Deficiency and Non-Compliance |

Condition Found:

GOMB implemented a management review process regarding the allowable cost categories of expenses as defined by Department of Treasury along with period of performance. A secondary control for a more detailed review of the payment dates of the actual costs did not operate at the required precision level.

GOMB is responsible for overseeing the administration of the Coronavirus State and Local Fiscal Recovery (SLFR) Fund for the State of Illinois with regard to the provision of government services to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year. GOMB identified lost revenue, as defined, for the State of Illinois and qualifying government services expenses from the Illinois Department of Corrections (DOC) and Department of Juvenile Justice for the year ended June 30, 2021. Specifically, payroll costs of state employees and the medical services provider of approximately \$144 million were determined to have been paid during fiscal year 2021. During testwork, the \$27 million paid to the medical services provider for payroll costs incurred were not paid until after June 30, 2021. The Schedule of Expenditures of Federal Awards (SEFA) is on a cash basis, so these expenditures were moved from 2021 to the 2022 SEFA. All amounts were properly adjusted in the 2021 SEFA; therefore, there are no questioned costs.

Criteria or Requirement

Sections 602 and 603 of the Social Security Act (the "Act"), as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (Mar. 11, 2021) authorized the Coronavirus State Fiscal Recovery Fund (CSFRF) and Coronavirus Local Fiscal Recovery Fund (CLFRF) respectively (referred to collectively as the Coronavirus State and Local Fiscal Recovery Funds). The purpose of the SLFR fund is to provide direct payments to state, territorial, tribal, and certain eligible local governments to:

1. Respond to the public health emergency, COVID-19 or its negative economic impacts, including providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality.
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers that have eligible workers who

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are performing essential work, or by providing grants to eligible entities who perform essential work.

3. Provide government services, to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year of the State, Territory, Tribal government, Metropolitan city, County, or Non-entitlement units of local government.
4. Make necessary investments in water, sewer, or broadband infrastructure.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure appropriate period of performance.

Cause:

In discussing the condition found with GOMB officials, they stated the review of the medical services provider payroll records detail focused on the pay periods, not the invoice payment dates, noting the payroll was related to April, May, and June of 2021. GOMB did not make the adjustments in its accounting to address the cash-basis reporting requirement of the SEFA.

Possible Asserted Effect:

Failure to review expenditures at a detail level could result in unallowable costs or expenditures claimed outside of the award's period of performance.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-025)

Statistical Sampling:

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

Recommendation:

We recommend GOMB add an additional process to review the dates the amounts were paid to ensure proper cutoff.

Views of GOMB Officials:

GOMB agrees with the recommendation and is undertaking a review of its current process to determine how to ensure detailed review of the payment dates incorporating voucher release date data from the Illinois Office of the Comptroller.

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| | |
|--------------------------------------|--|
| State Agency: | Illinois Criminal Justice Information Authority (ICJIA) |
| Federal Agency: | U.S. Department of Justice (USDOJ) |
| Program Name: | Crime Victim Assistance |
| ALN and Program Expenditures: | 16.575 (\$75,998,000) |
| Award Numbers: | Various – see table of award numbers |
| Federal Award Year: | Various – see table of award numbers |
| Questioned Costs: | Cannot be determined |
| Compliance Requirement: | Subrecipient Monitoring |
| Finding 2021-026: | <u>Failure to Execute Risk Assessment and Adequately Monitor Subrecipients</u> |
| Type of Finding: | Material Weakness and Material Non-Compliance |
| Condition Found: | |

ICJIA created a fiscal risk assessment policy but did not execute the risk assessment of subrecipients of the Crime Victim Assistance (CVA) program as required by the Uniform Guidance during fiscal year 2021. ICJIA does not have a formally documented program risk assessment. Practice is to review all subrecipients within a three-year cycle. Additionally, ICJIA did not perform programmatic and fiscal on-site visits in accordance with its established monitoring procedures, did not have adequate controls around the review of single audit reports, and did not include identifying information with disbursements made to subrecipients.

The Uniform Guidance requires pass-through agencies to perform a risk assessment to establish appropriate monitoring procedures based upon the risks inherent at each subrecipient. ICJIA is required to monitor subrecipients to determine whether they establish and operate their fiscal system according to the conditions of the award document and to ensure that funds are requested and expended according to the subrecipient's cash needs and eligible costs. ICJIA's monitoring procedures for all subrecipients consisted of performing single audit report desk reviews, reviewing fiscal and data reports submitted by subrecipients, and performing periodic program and fiscal site visits.

ICJIA created a fiscal risk assessment policy during fiscal year 2020 and refined the policy in 2021 but did not perform the risk assessments and document related conclusions for subrecipients as specified in the policy. Accordingly, we could not determine if the one fiscal on-site review conducted correlated with the risk criteria set forth in the policy.

Further, ICJIA does not have a formally documented program risk assessment with sufficiently designed procedures to address program and/or fiscal compliance. In reviewing the on-site program monitoring procedures performed by ICJIA for seven subrecipients (with expenditures totaling \$1,562,213), we noted the following exceptions:

- ICJIA's program on-site monitoring reviews included completing a brief checklist to determine whether certain program-specific compliance requirements (including activities allowed, matching, and maintenance of effort requirements) and select fiscal activities were being performed in accordance with the grant award. The procedures performed appeared to primarily consist of inquiries of personnel responsible for administering the program at the subrecipient location.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

- ICJIA did not consistently document the supervisory review of the site visit reports or supervisory review of communications of on-site monitoring results to subrecipients in accordance with ICJIA's policies. Specifically, one of seven follow up letters was sent without evidence of supervisor review.

Additionally, ICJIA did not adequately review single audit reports for subrecipients of the CVA program. 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).

ICJIA staff are responsible for reviewing the reports of their subrecipients and issuing management decisions on findings reported within required time frames. During our testwork of a sample of single audit desk review files for 18 CVA program subrecipients, we noted ICJIA did not have appropriate internal controls in place to ensure receipt of single audit reports or issuance of management decisions within required time frames.

Finally, all pass-through entities must identify the dollar amount made available under each Federal award and the Assistance Listing Number (ALN) at the time of disbursement per 2 CFR 200.332(a)(1)(xii). ICJIA did not provide notification of ALNs to 23 out of 34 subrecipients sampled when funds were disbursed during fiscal year 2021.

ICJIA passed through approximately \$72,946,000 to subrecipients of the CVA program during the year ended June 30, 2021.

Criteria or Requirement:

28 CFR 94.106(a) requires the state administering agency (SAA) to develop and implement a monitoring plan in accordance with the requirements of this section and 2 CFR 200.332. The monitoring plan must include a risk assessment plan. 2 CFR 200.332(b) states a pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the sub award. In addition, 2 CFR 200.332(d) states a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the sub award is used for authorized purposes, in compliance with Federal statutes, regulations and the terms and conditions of the sub award, and that the sub award performance goals are achieved.

Additionally, 2 CFR 200.332(d)(3) and 2 CFR 200.521 state that a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Further, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include implementing risk assessment procedures required by the Uniform Guidance and ensuring monitoring procedures are performed and documented in accordance with established policies and procedures.

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Cause:

In discussing these conditions with ICJIA officials, they stated both a lack of adequate staff resources combined with the increase in new programs delayed the ability to adequately implement the fiscal risk assessment policy and conduct the respective onsite reviews. In addition, ICJIA officials indicated changes in personnel combined with competing priorities for the limited resources available led to a reduction in the audits and review of work performed.

Possible Asserted Effect:

Failure to execute required risk assessments and adequately monitor subrecipients including review of single audit reports may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award. Not communicating ALNs can hamper the subrecipients' ability to correctly prepare their schedule of expenditures of federal awards.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-018. (Finding Code 2021-026, 2020-018, 2019-056)

Statistical Sampling:

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

Recommendation:

We recommend ICJIA perform and document risk assessments of each subrecipient and ensure fiscal and program monitoring visits are performed in accordance with the results of such risk assessments. In addition, we recommend ICJIA establishes controls to ensure single audit reports are received timely and desk reviews are completed and documented in a timely manner to substantiate whether MDLs should be issued by ICJIA within six months. Lastly, ICJIA should add to their warrant description the ALN associated with each disbursement.

Views of ICJIA Officials:

ICJIA accepts this finding but notes that some of the conditions found were addressed as part of its response to the SFY20 State Single Audit. For example, ICJIA now includes the ALN on federal fund disbursements, but only started after the SFY20 State Single Audit noted that ICJIA was not doing so in mid SFY21.

ICJIA continues to develop and refine its risk assessments in order to ensure compliance with federal and state requirements. ICJIA redid and implemented an actionable risk assessment pilot program in SFY22 that is currently guiding the amount of audits completed; ICJIA has also supplemented audit activity with financial desk reviews in which ICJIA fiscal staff review financial documentation for a single reporting period for a select population of grants to make sure it backs up the amount reported in the financial report.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Criminal Justice Information Authority (ICJIA)
Federal Agency: U.S. Department of Justice (USDOJ)
Program Name: Crime Victim Assistance
ALN and Program Expenditures: 16.575 (\$75,998,000)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: Cannot be determined
Compliance Requirement: Reporting and Matching, Level of Effort, Earmarking
Finding 2021-027: *Inadequate Controls over Reports and Matching*
Type of Finding: Material Weakness and Material Non-Compliance
Condition Found:

ICJIA does not have adequate controls in place to ensure amounts reported on the federal financial status report (SF-425) and the annual Victims of Crime Act (VOCA) progress report are complete and accurate.

With regard to matching, we noted the total recipient share of expenditures of approximately \$15.1 million reported on the final SF-425 submitted for the Federal fiscal year 2017 did not agree to supporting documentation. Specifically, during our review of seven subrecipient matching contributions totaling approximately \$13.1 million of the match, we noted two matching contributions did not agree to the underlying expenditure reports submitted by subrecipients. As a result of these errors, the total recipient share of expenditures was understated by approximately \$17,000. The SF-425 control related to reviewing the manually inputted matching information for accuracy did not function at the correct precision level. In addition, there was no evidence of review of the annual VOCA progress report.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate prior to submission.

28 CFR 94.118 required subrecipients to contribute not less than 20% of the total cost of each project unless a waiver is applied.

Cause:

In discussing these conditions with ICJIA officials, they stated the current process for validating the fiscal expenditure data for both the SF-425 and annual VOCA progress reports is not operating at a sufficient level to ensure complete and accurate submission of financial status reports due to a lack of available data, automation, and resources. In addition, ICJIA officials indicated documentation of supervisory reviews of prepared reports was not retained due to the remote working environment.

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For the Year Ended June 30, 2021

Possible Asserted Effect:

Failure to establish adequate controls may result in inaccurate financial and/or progress reports which prevents the USDOJ from effectively monitoring the Crime Victim Assistance Program. In addition, non-compliance could occur with regard to required matching specified in the grant awards.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-019. (Finding Code 2021-027, 2020-019, 2019-058)

Statistical Sampling:

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

Recommendation:

We recommend ICJIA maintain documentation of the report reviews demonstrating reports are complete, accurate, and agree or reconcile to financial records. We also recommend the review of the matching information be enhanced to a greater precision level to address data input errors.

Views of ICJIA Officials:

ICJIA accepts this finding but notes that sufficient controls for SF-425 review were implemented as part of its response to the SFY20 State Single Audit in late SFY21. ICJIA also accepts that the VOCA progress report review was not documented in SFY21, but notes that an electronic review process implemented after the transition to remote work will demonstrate sufficient review moving forward.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Criminal Justice Information Authority (ICJIA)
Federal Agency: U.S. Department of Justice (USDOJ)
Program Name: Crime Victim Assistance
ALN and Program Expenditures: 16.575 (\$75,998,000)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: None
Compliance Requirement: Reporting
Finding 2021-028: Failure to Report Subaward Information Required by FFATA
Type of Finding: Material Weakness and Material Non-Compliance
Condition Found:

ICJIA failed to report subaward amendment information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Crime Victim Assistance (CVA) program.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

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

For 18 FFATA reports reviewed, four had amendments that were required to be reported. ICJIA did not report any amendment information. ICJIA does not have adequate controls in place to ensure the subaward amendment information reported is complete and accurate for initial and amended subawards.

ICJIA passed through approximately \$72,946,000 to subrecipients of the CVA program during the year ended June 30, 2021.

Criteria or Requirement:

In accordance with 2 CFR 170.200, Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation. Consistent with the Federal Acquisition Regulation (FAR) threshold for subcontract reporting, OMB raised the reporting threshold for subawards that equal or exceed \$30,000.

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For the Year Ended June 30, 2021

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include complying with FFATA.

Cause:

In discussing these conditions with ICJIA officials, they stated they were not aware amendments were required to be reported under FFATA.

Possible Asserted Effect:

Failure to report subaward amendments in accordance with FFATA results in noncompliance with federal requirements.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-028)

Statistical Sampling:

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

Recommendation:

We recommend ICJIA establish procedures and controls to identify awards and amendments subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

Views of ICJIA Officials:

ICJIA agrees with this finding. Staff were only aware that original designation amounts and performance period parameters were required, not subsequent adjustments. Staff understood that once submissions were made, they were locked by DOJ for their purposes, negating the need for updates. Staff could not find specific directives in any FFATA reporting instructions involving these issues.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Criminal Justice Information Authority (ICJIA)

Federal Agency: U.S. Department of Justice (USDOJ)

Program Name: Crime Victim Assistance

ALN and Program Expenditures: 16.575 (\$75,998,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Compliance Requirement: Matching, Level of Effort, Earmarking

Finding 2021-029: Failure to Maintain Adequate Documentation for Earmarking Requirements

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

ICJIA did not maintain adequate documentation to substantiate the earmarking requirements of the Crime Victim Assistance (CVA) Program were met during the federal fiscal year 2017.

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 child abuse, domestic and family violence, and sexual assault. 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.

During our testing of the Victims of Crime Act (VOCA) progress report for the federal fiscal year ended September 30, 2017 (filed in State fiscal year 2021), we noted ICJIA reported the following amounts for each of the earmarking requirements:

| Earmarking Requirement | 2017-VA-GX-0048 | |
|------------------------------|-----------------|------------|
| | Dollars | Percentage |
| Child Abuse | \$8,359,939 | 12% |
| Domestic and Family Violence | 30,382,113 | 42% |
| Sexual Assault | 16,684,993 | 23% |
| Underserved | 4,860,831 | 7% |

ICJIA has not established appropriate internal controls to ensure earmarking requirements are met in accordance with federal requirements, specifically for the underserved victims’ requirement.

Criteria or Requirement:

According to 28 CFR 94.104(a) through (c), the State Administering Agency shall allocate a minimum of ten percent of each year’s Victim of Crime Act grant to each of the three priority categories of victims including sexual assault, spousal abuse, and child abuse, and previously underserved victims of violent crime.

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

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program compliance requirements. Effective internal controls should include implementing procedures to ensure earmarking requirements are met.

Cause:

In discussing these conditions with ICJIA officials, they stated a lack of staff resources combined with competing priorities for the limited resources did not allow for adequate monitoring of the earmarking requirements to ensure expenditures were incurred by the subrecipients.

Possible Asserted Effect:

Failure to meet earmarking requirements results in noncompliance with federal requirements.

Repeat Finding:

A similar finding was reported in a prior year audit as finding number 2019-055. (Finding Code 2021-029, 2019-055)

Statistical Sampling:

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

Recommendation:

We recommend ICJIA implement procedures to ensure earmarking requirements are met by the State.

Views of ICJIA Officials:

ICJIA agrees with this finding. After extensive review of the priority funding amounts for Grant Number 2017-VA-GX-0048, it has been determined that ICJIA was not compliant with the 10% threshold for underserved populations.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Labor (USDOL)

Program Name: COVID-19 – Unemployment Insurance

ALN and Program Expenditures: 17.225 (\$3,643,128,000 for PUA)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Eligibility for Unemployment Insurance– PUA

Finding 2021-030: *Inadequate Process over Determining Appropriate Benefit Amounts for the Pandemic Unemployment Assistance Program*

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDES inaccurately calculated the weekly benefit amount (WBA) for certain claimants of the Pandemic Unemployment Assistance (PUA) program during the year ended June 30, 2021. In addition, IDES did not establish adequate internal controls over its third-party service organization who administered the Unemployment Framework for Automated Claim & Tax Services (uFACTS) system used to determine eligibility for the PUA program.

The PUA program was established by the Coronavirus Aid, Relief, and Economic Security Act (CARES) enacted on March 27, 2020. The main provisions of the PUA program include providing up to 39 weeks of benefits to qualifying individuals who were otherwise able to work and available for work within the meaning of applicable state law, except that they were unemployed, partially unemployed, or unable or unavailable to work due to COVID-19 related reasons, as defined in the CARES Act. Benefit payments under PUA were retroactive, for weeks of unemployment, partial unemployment, or inability to work due to COVID-19 reasons starting on or after January 27, 2020 and through December 26, 2020. The Continued Assistance Act, enacted on December 27, 2020, provided an additional 11 weeks of benefits to qualifying individuals (increasing the duration from 39 to 50 weeks). Further, the American Rescue Plan Act (ARP), enacted on March 11, 2021, provided an additional 29 weeks of benefits to qualifying individuals, increasing the duration from 50 to 79 weeks.

Given the segregation of duties issues identified in finding 2021-031, uFACTS was not able to be relied on for control testing of PUA transactions. IDES has automated controls within uFACTS to validate weekly self-certifications for unemployment and monitoring of period of performance, including cutoff when maximum benefits have been issued. Therefore, controls over eligibility for PUA were not able to be tested.

During our compliance testing of 70 claimants receiving PUA beneficiary payments, we noted that for the last six months of the fiscal year (January 1, 2021 – June 30, 2021), IDES used an outdated WBA pay chart table to calculate the WBA for PUA claimants, resulting in underpayments to some PUA claimants. Specifically, on January 1, 2021, IDES continued to use the calendar year 2020 WBA pay chart table, when the calendar year 2021 WBA pay chart table should have been used, which increased the WBA amounts for those claimants receiving a WBA of \$484 and above as of December 31, 2020. Two sampled items had a WBA of \$484 on January 1, 2021 which should have been adjusted to \$505.

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In addition, during our testing we identified 3 data entry errors in the PUA system which resulted in the incorrect WBA being calculated and paid to PUA claimants. The data entry errors were caused by the case worker selecting an incorrect workflow which noted "Claimant sent only proof of employment. Assign minimum PUA WBA." Specifically, 3 claimants had monetary wages in the PUA system which would suggest a higher WBA, ranging from \$235 to \$400 instead of the minimum \$198 WBA that each claimant received. As a result of these errors, IDES performed an internal review and determined that a total of 181 claimants had their WBA calculated incorrectly (and thus were underpaid) due to incorrect monetary workflow selections.

Criteria or Requirement:

Unemployment Insurance Program Letter (UIPL) No. 16-20, Change 4, issued on January 8, 2021, updated the definition of a PUA covered individual per Sec. 2102, Pandemic Unemployment Assistance (a)(3) as one who provides a self-certification that the individual is otherwise able to work and available for work within the meaning of applicable state law, except the individual is unemployed, partially unemployed, or unable or unavailable to work for a variety of COVID-19 related reasons such as diagnosed with COVID-19, self-quarantine, or place of employment is closed due to COVID-19. Additionally, individuals who are paid on or after December 27, 2020, must submit proof of documentation substantiating employment, self-employment, or the planned commencement of employment or self-employment and proof of identity.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure adequate monitoring controls over the PUA program are implemented, including oversight controls over its third-party service organization including user access provisioning, segregation of duties, and change management over uFACTS. In addition, effective internal controls should include procedures to ensure accurate weekly benefit amounts are calculated and paid to PUA claimants.

Cause:

In discussing these conditions with IDES officials, they stated the reason for incorrect workflow elections was a result of data entry error by case workers, the use of an outdated WBA payment chart after January 1, 2021 was an oversight to update the PUA system, and the uFACTS inadequate system design was a result of the expedited timeframe of the PUA program implementation in order to provide beneficiary payments to claimants as quickly as possible during the pandemic.

Possible Asserted Effect:

Failure to establish adequate processes and internal controls may result in noncompliance with program regulations, payments to ineligible recipients, and under/over payments to eligible recipients.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2020-022. (Finding Code 2021-030, 2020-022)

Statistical Sampling:

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

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For the Year Ended June 30, 2021

Recommendation:

With the end of the PUA program in September 2021, we recommend IDES issue supplemental payments for all the impacted individuals as a result of the incorrect workflow elections and use of the outdated WBA payment chart.

Views of IDES Officials:

The WBA maximum increase has been successfully programmed, tested and claimants have been paid as of January 14, 2022. The incorrect workflow choice issue was found to have affected slightly more than 180 claimants, all of whom have been identified. Discussions are ongoing between IDES and the contractor to put a correction in place.

IDES has completed a corrective action plan from the FY20 audit finding. The plan includes developing appropriate business controls and requiring the third-party contractor to develop and document appropriate IT controls, along with proving segregation of duties with developers unable to migrate changes into production.

Due to the timing of the FY20 audit process, these improvements were not in place for the duration of the current audit year. In addition to the changes mentioned, a contract is in place for the third-party provider to have a SOC 1, type 2 covering the FY22 usage of the program.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Employment Security (IDES)
Federal Agency: U.S. Department of Labor (USDOL)
Program Name: COVID-19 – Unemployment Insurance
ALN and Program Expenditures: 17.225 (\$3,643,128,000 for PUA)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: None
Compliance Requirement: Eligibility
Finding 2021-031: Inadequate Controls over Determining Eligibility for the Pandemic Unemployment Assistance Program
Type of Finding: Material Weakness

Condition Found:

IDES did not establish adequate internal controls over its third-party service organization who administered the Unemployment Framework for Automated Claim & Tax Services (uFACTS) system used to determine eligibility for claimants under the Pandemic Unemployment Assistance (PUA) program.

The PUA program was established by the Coronavirus Aid, Relief, and Economic Security Act (CARES) enacted on March 27, 2020. The main provisions of the PUA program include providing up to 39 weeks of benefits to qualifying individuals who were otherwise able to work and available for work within the meaning of applicable state law, except that they were unemployed, partially unemployed, or unable or unavailable to work due to COVID-19 related reasons, as defined in the CARES Act. Benefit payments under PUA were retroactive, for weeks of unemployment, partial unemployment, or inability to work due to COVID-19 reasons starting on or after January 27, 2020 and through December 26, 2020. The Continued Assistance Act, enacted on December 27, 2020, provided an additional 11 weeks of benefits to qualifying individuals (increasing the duration from 39 to 50 weeks). Further, the American Rescue Plan Act (ARP), enacted on March 11, 2021, provided an additional 29 weeks of benefits to qualifying individuals, increasing the duration from 50 to 79 weeks.

IDES hired a third-party service organization to administer the uFACTS system. Specifically, the following was noted with regard to general information technology controls (GITC):

Segregation of Duties (SOD) – Controls were not in place to restrict access to migrate program or configuration changes into the production environment for the PUA system. For application changes, we were unable to determine that SOD was enforced on the application level and no supporting evidence was available to demonstrate segregation of duties.

Given the segregation of duties issues identified above, no further testing of the GITC environment was performed and uFACTS was not able to be relied on for control or compliance testing of PUA transactions.

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Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure adequate monitoring controls over the PUA program are implemented, including oversight controls over its third-party service organization including user access provisioning, segregation of duties, and change management over uFACTS.

Cause:

In discussing these conditions with IDES officials, they stated the reason for the uFACTS inadequate system design was a result of the expedited timeframe of the PUA program implementation in order to provide beneficiary payments to claimants as quickly as possible during the pandemic.

Possible Asserted Effect:

Failure to establish adequate processes and internal controls may result in noncompliance with program regulations and payments to ineligible recipients.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2020-023. (Finding Code 2021-031, 2020-023)

Statistical Sampling:

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

Recommendation:

We recommend IDES review its current procedures and consider any changes necessary to ensure adequate monitoring internal controls are established and implemented relating to the PUA program, including oversight controls over its third-party service organization to address adequate segregation of duties over uFACTS.

Views of IDES Officials:

IDES accepts the repeat audit finding and has completed a corrective action plan from the FY20 audit finding. The plan includes developing appropriate business controls and requiring the third-party contractor to develop and document appropriate IT controls, along with proving segregation of duties with developers unable to migrate changes into production.

Due to the timing of the FY20 audit process, these improvements were not in place for the duration of the current audit year. In addition to the changes mentioned, a contract is in place for the third-party provider to have a SOC 1, type 2 covering the FY22 usage of the program.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Employment Security (IDES)
Federal Agency: U.S. Department of Labor (USDOL)
Program Name: Unemployment Insurance
ALN and Program Expenditures: 17.225 (\$5,859,656,000 for non-COVID)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: \$54,696
Compliance Requirement: Reporting
Finding 2021-032: Inadequate Process for Preparing ETA 2208A Special Report
Type of Finding: Significant Deficiency and Non-Compliance
Condition Found:

IDES does not have an adequate process in place to ensure the ETA 2208A special reports prepared for the Unemployment Insurance (UI) program are complete and accurate.

On a quarterly basis, IDES is required to report information on staff years worked and paid by program category on the *ETA 2208A – Quarterly UI Above-Base* (ETA 2208A) report. The information required to be reported includes UI program staff year usage (Section A), regular contingency entitlement certification (Section B), trade above-base entitlement certification (Section C), and additional benefits above-base entitlement certification (Section D). Key line items required for testing include items one through seven in Section A.

During our testwork of two quarterly ETA 2208A reports, we noted the June 30, 2021 report included inaccurate amounts reported for a key line item in Section A. Specifically, the amount reported in the Claims Activity program category (line item 1) for the 6/21 QTD PE column was reported as \$470.47 when the amount that should have been reported was \$472.47. As a result of this error, the net dollar entitlement was overstated by \$54,696 as the reported amount was \$14,026,213 when the amount should have been \$12,971,517. As of September 29, 2021, IDES had not revised the report with the USDOL.

Criteria or Requirement:

According to ET Handbook No. 336, 18th edition, IDES is required to submit quarterly UI above-base reports (known as ETA 2208A reports) by the first day of the second month after the quarter of reference.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure the completeness and accuracy of information reported in required special reports.

Cause:

In discussing these conditions with IDES officials, they stated the discrepancies are a result of a currently manual process to compile the reports with data from multiple systems.

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Possible Asserted Effect:

Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-032)

Statistical Sampling:

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

Recommendation:

We recommend IDES review its procedures for preparing special reports required for the UI program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL.

Views of IDES Officials:

IDES accepts this audit finding and will implement an audit procedure to address the accuracy of the report.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

| | |
|--------------------------------------|---|
| State Agency: | Illinois Department of Employment Security (IDES) |
| Federal Agency: | U.S. Department of Labor (USDOL) |
| Program Name: | Unemployment Insurance |
| ALN and Program Expenditures: | 17.225 (\$5,859,656,000 for non-COVID) |
| Award Numbers: | Various – see table of award numbers |
| Federal Award Year: | Various – see table of award numbers |
| Questioned Costs: | Cannot be determined |
| Compliance Requirement: | Special Tests and Provisions – UI Program Integrity – Overpayments |
| Finding 2021-033: | <u>Failure to Implement UI Program Integrity and Overpayment Reduction Requirements</u> |
| Type of Finding: | Material Weakness and Material Non-Compliance |
| Condition Found: | |

IDES did not implement Federal requirements to improve program integrity and reduce overpayments.

The State is required to establish written procedures for: (1) identifying overpayments, (2) classifying overpayments into categories based on the reason the overpayment occurred (i.e. employer error, non-response from employers, beneficiary fraud, etc.), and (3) establishing appropriate methods for following up on each category of overpayment. In establishing these procedures, the State is required to enter into three agreements prior to commencing recoveries. The first agreement permits the State to offset State unemployment insurance (UI) from Federal UI overpayments (Cross Program Offset and Recovery Agreement). The second agreement permits the State to recover overpayments from benefits being administered by another State (Interstate Reciprocal Overpayment Recovery Agreement). The third agreement permits the State to utilize the Treasury Offset Program to recover overpayments that remain uncollected one year after the debt was determined to be due. Additionally, the State is (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) prohibited from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

During our test work, we noted that while IDES has developed the written procedures relative to overpayments and has entered into the required agreements described in the previous paragraph, the written procedures did not address the requirement to impose a monetary penalty on fraud overpayments. Additionally, we noted the policies do not address the prohibition of providing employers relief resulting from an employer failing to provide timely or adequate information.

Criteria or Requirement:

42 U.S.C. 503(a)(11)(A) requires states to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayment. In addition, 26 U.S.C. 3303(f)(1)(A) prohibits states from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

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26 U.S.C. 3304(a)(4)(D) and 42 U.S.C. 503(g)(1) require states to recover overpayments through offset against unemployment compensation (UC) payments. In addition, 42 U.S.C. 503(m) requires states to utilize the Treasury Offset Program for overpayments that remain uncollected one year after the debt was determined to be due.

In addition, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure program integrity and overpayment reduction requirements are implemented.

Cause:

In discussing these conditions with IDES officials, they stated although the 15% fraud penalty was implemented and is supported by Illinois statute, the fraud penalty was not incorporated into existing overpayment procedures due to oversight. Also, IDES had identified a process to implement the prohibition on non-charging due to employer fault and was scheduled to roll it out beginning in fiscal year 2021, but the roll-out was deferred by historic claim surges due to the pandemic.

Possible Asserted Effect:

Failure to implement federal requirements could result in noncompliance with laws, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2020-024. (Finding Code 2021-033, 2020-024, 2019-063, 2018-052, 2017-053, 2016-061, 2015-056)

Statistical Sampling:

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

Recommendation:

We recommend IDES develop and implement written procedures to improve UI program integrity and reduce overpayments that incorporate the required monetary penalty on fraud overpayments and prohibit providing relief to employers who fail to provide timely and adequate responses to information requests.

Views of IDES Officials:

IDES accepts this finding. Written procedures regarding the 15% penalty have been incorporated into established procedure(s) covering overpayments. In 2023, IDES will implement its identified process on the prohibition of non-charging due to employer fault.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Employment Security (IDES)
Federal Agency: U.S. Department of Labor (USDOL)
Program Name: Unemployment Insurance
ALN and Program Expenditures: 17.225 (\$5,859,656,000 for non-COVID)
Award Numbers: Various – see table of award numbers
Federal Award Year: Various – see table of award numbers
Questioned Costs: None
Compliance Requirement: Special Tests and Provisions – UI Benefit Payments
Finding 2021-034: Failure to Complete UI BAM Case File Reviews
Type of Finding: Material Weakness and Material Non-Compliance
Condition Found:

IDES did not complete the Benefit Accuracy Measurement (BAM) case file reviews in accordance with USDOL requirements for the Unemployment Insurance (UI) program.

The Payment Integrity Information Act (PIIA) of 2019 codified the requirement for valid statistical estimates of improper payments. State Workforce Agencies (SWAs) are required by 20 CFR 602.11(d) to operate and maintain a quality control system. The BAM program is USDOL's quality control system designed to assess the accuracy of UI benefit payments and denied claims, unless the SWA is exempted from such requirement (20 CFR 602.22). The program estimates error rates, that is, numbers of claims improperly paid or denied and dollar amounts of benefits improperly paid or denied, by projecting the results from investigations of statistically sound random samples to the universe of all claims paid and denied in a state. Specifically, the SWA's BAM unit is required to draw a weekly sample of payments and denied claims, complete prompt, and in-depth investigations to determine if the administration of the unemployment compensation (UC) program is consistent with state and federal law (20 CFR 602.21(d)). DOL has promulgated investigational requirements and instructions in its ET Handbook (the Handbook) No. 395, pursuant to 20 CFR 602.30(a). The Handbook states that for paid cases, a minimum of (1) 70% of cases must be completed within 60 days of the week-ending date of the batch, (2) 95% of cases must be completed within 90 days of the week-ending date of the batch, and (3) 98% of cases for the calendar year must be completed within 120 days of the ending date of the calendar year. In addition, a minimum of 480 cases must be complete during the calendar year.

During our test work of paid claims, we noted that IDES did not achieve the required percentage of case reviews within the required timeframes. Specifically, for batch range 202027 – 202126, IDES failed to meet the 60-day time lapse standard of 70 percent complete as only 48.43 percent of case reviews were complete. Additionally, IDES failed to meet the 90-day time lapse standard of 95 percent complete as only 58.66 percent of case reviews were complete. Further, we noted that IDES did not notify USDOL of the failed case completion percentage requirements nor receive a waiver of the requirements from USDOL. Lastly, IDES did not meet the 480 completed case requirement, as only 479 cases were completed during the calendar year.

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Criteria or Requirement:

According to 20 CFR 602.11(d), State Workforce Agencies (SWAs) are required to operate and maintain a quality control system. In addition, 20 CFR 602.11(a) requires States to provide such methods of administration as will reasonably ensure prompt and full payment of unemployment benefits to eligible claimants, and collection and handling of income for the State unemployment fund, with the greatest accuracy feasible. In addition, according to ET Handbook No. 395, 5th Edition, IDES is required to submit BAM case file data to USDOL when case files are completed.

Further, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal control should include adequate review of the progression of quarterly BAM testing.

Cause:

In discussing these conditions with IDES officials, they noted there are only two BAM investigators who are responsible for most of the case reviews. Due to time constraints, leaves of absence, and competing priorities, the investigators were not able to complete the reviews within the required timeframe.

Possible Asserted Effect:

Failure to complete BAM case file reviews timely prevents the USDOL from effectively monitoring the State of Illinois UI program and results in noncompliance with program regulations.

Repeat Finding:

A similar finding was reported in the prior year audit as number 2020-025. (Finding Code 2021-034, 2020-025)

Statistical Sampling:

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

Recommendation:

We recommend IDES review its procedures for completing BAM case file reviews to ensure they are completed in accordance with program regulations. Effective internal controls should include establishing and maintaining adequate controls to ensure the BAM case file reviews are completed in accordance with required timeframes established by USDOL.

Views of IDES Officials:

IDES accept this finding and has instituted plans to change how we ask for and receive the information. For some time, we have conducted the claimant interview by phone. This helps to limit rebuttals and allows us to get accurate information that may be missing upon sending the questionnaire. Gathering information from the employers has proved to be a challenge at times. We have changed our process to rely more on emails to employers to obtain the required forms. This has proven successful. IDES has created a way for the investigators to show in real time how their case is developing. The use of share point was put in place, but its use was not being enforced. Enforcement began in late 2020.

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In addition, IDES management has approved additional work hours for staff to complete cases as well as began the outreach process to onboard new staff to fill vacant positions in the BAM unit.

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For the Year Ended June 30, 2021

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: U.S. Department of Homeland Security (HLS)

Program Name: COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs

ALN and Program Expenditures: 97.050 (\$1,261,433,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: None

Compliance Requirement: Allowable Costs/Cost Principles, Eligibility, and Period of Performance

Finding 2021-035: Inadequate Controls over Determining Eligibility for Lost Wages Assistance Payments

Type of Finding: Significant Deficiency

Condition Found:

IDES did not establish adequate internal controls over its third-party service organization who administered the Unemployment Framework for Automated Claim & Tax Services (uFACTS) system used to determine eligibility for the Pandemic Unemployment Assistance (PUA) program. Eligibility for PUA also determined eligibility for the Presidential Declared Disaster Assistance to Individuals and Households – Other Needs Program known as Lost Wages Assistance (LWA).

The LWA program was a supplemental Federal Emergency Management Agency (FEMA) program effective from August 1, 2020 to September 5, 2020. Eligible recipients were those who received a weekly PUA payment in excess of \$100.

Given the segregation of duties issues identified in finding 2021-031, uFACTS was not able to be relied on for control testing of PUA transactions. IDES has automated controls within uFACTS to validate weekly self-certifications for unemployment and monitoring of period of performance, including cutoff when maximum benefits have been issued. Therefore, controls over allowability, eligibility, and period of performance for LWA were not able to be tested. For compliance, 31 PUA participants were tested and no noncompliance was noted with regard to their eligibility to receive an additional LWA payment.

Criteria or Requirement:

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure adequate monitoring controls over the PUA program are implemented, including oversight controls over its third-party service organization including user access provisioning, segregation of duties, and change management over uFACTS.

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Cause:

In discussing these conditions with IDES officials, they stated the reason for the uFACTS inadequate system design was a result of the expedited timeframe of the PUA program implementation in order to provide beneficiary payments to claimants as quickly as possible during the pandemic.

Possible Asserted Effect:

Failure to establish adequate internal controls may result in noncompliance with program regulations and payments to ineligible recipients.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-035)

Statistical Sampling:

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

Recommendation:

With the end of the LWA program in September 2020 and the PUA program in September 2021, we recommend IDES continue to work with FEMA to finalize the LWA program.

Views of IDES Officials:

The finding regarding uFACTS design has been discussed in the specific finding 2021-031 on that issue.

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For the Year Ended June 30, 2021

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: COVID-19 – Airport Improvement Program

ALN and Program Expenditures: 20.106 (\$508,551,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Reporting

Finding 2021-036: Failure to Report Subaward Information Required by FFATA

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IDOT failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Airport Improvement Program (AIP).

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

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

IDOT passed through approximately \$506,046,000 to subrecipients of the AIP program during the year ended June 30, 2021.

Criteria or Requirement:

In accordance with 2 CFR 170.200, Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation. Consistent with the Federal Acquisition Regulation (FAR) threshold for subcontract reporting, OMB raised the reporting threshold for subawards that equal or exceed \$30,000.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include complying with FFATA.

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Cause:

In discussing these conditions with IDOT officials, IDOT stated missing FFATA reporting was due to staffing transition combined with a lack of appropriate staffing resources.

Possible Asserted Effect:

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal requirements.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-036)

Statistical Sampling:

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

Recommendation:

We recommend IDOT establish procedures to identify awards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

Views of IDOT Officials:

IDOT agrees with this finding.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: U.S. Department of Transportation (USDOT)

Program Name: COVID-19 – Airport Improvement Program

ALN and Program Expenditures: 20.106 (\$508,551,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Compliance Requirement: Reporting

Finding 2021-037: Inaccurate information included in annual SF-425 reporting package

Type of Finding: Significant Deficiency and Non-Compliance

Condition Found:

IDOT failed to correctly report information required in the annual SF-425, *Federal Financial Report*, for the Airport Improvement Program (AIP).

The annual report includes information on each individual grant issued. For two awards (3-17-0085-040 and 3-17-0065-032), the SF-425 total expenditures agreed to the client's transaction ledger for amounts paid but did not agree to the interim SF-271, *Outlay Report and Request for Reimbursement for Construction Program Report*, which is provided with the SF-425 report. Creation of each SF-271 and SF-425 is a manual process of reconciling amounts between the source and the two reports. For the 3-17-0085-040 award, two payments were correctly included in the SF-425 report but not the supporting interim SF-271 report in the amount of \$43,091. For the 3-17-0065-032, the SF-425 amount of \$4,897,809 agreed to payments made against the award at the time the report was filed but the amount reported on the corresponding interim SF-271 was incorrect. The annual SF-425 was correct but the supporting documents required in the SF-425 reporting package were incorrect.

Criteria or Requirement:

The Federal Aviation Administration's Office of Airports AIP Grant Payment and Sponsor Financial Reporting Policy (Policy), section 9 financial reporting, dated October 2020, requires sponsors to submit certain financial reports to summarize grant expenditures and the status of project funds in accordance with 2 CFR 200.327. The Policy specifies these financial reports must be collected outside of the Delphi eInvoicing system, as Delphi eInvoicing is limited to grant payments and does not currently provide the full capabilities to manage financial reporting requirements. In addition, Appendix H to the SF-425 instructions, states the SF-425, filed by sponsors to report outlays and program income on a cash or accrual basis, must be submitted annually for each open grant and is due 90 days after the end of each federal fiscal year. Appendix H also states the SF-425 must be submitted as a final financial report during closeout in accordance with 2 CFR 200.327 and 2 CFR 200.343.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include reviewing reports prepared for accuracy.

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For the Year Ended June 30, 2021

Cause:

In discussing these conditions with IDOT officials, IDOT stated the preparation of the reports is a manual process and the difference was due to human error.

Possible Asserted Effect:

Failure to reconcile the SF-425 report to the supporting interim SF-271 can lead to inaccurate reporting of expenditures incurred.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-037)

Statistical Sampling:

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

Recommendation:

We recommend IDOT be more precise in the review control to ensure the SF-425 agrees to the supporting detail of the interim SF-271 reports.

Views of IDOT Officials:

IDOT agrees with this finding.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: U.S. Treasury Department (TREAS)

Program Name: COVID-19 – Coronavirus Relief Fund

ALN and Program Expenditures: 21.019 (\$2,573,382,000)

Award Numbers: Various – see table of award numbers

Federal Award Year: Various – see table of award numbers

Questioned Costs: Cannot be determined

Compliance Requirement: Reporting

Finding 2021-038: Inadequate Review of Quarterly Financial Progress Reports

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IEMA is responsible for filing the statewide Coronavirus Relief Fund (CRF) reports by utilizing self-reported data from each agency. There is no statewide process to validate completeness of each quarterly report.

The State of Illinois delegated the statewide reporting for CRF to IEMA. IEMA's process includes instructing each agency with CRF expenses to complete the Treasury reporting template. IEMA then consolidates the templates to create a consolidated report to file with Treasury. There is no process to verify the agency templates include all the expenditures for the quarter, nor is there a year-end process to reconcile the four quarters to the Schedule of Expenditures of Federal Awards.

Criteria or Requirement:

Reporting was outlined by Treasury in their July 2, 2020 memorandum (OIG-CA-20-021), *Coronavirus Relief Fund Reporting and Record Retention Requirements*. The memorandum's quarterly reporting section states each prime recipient of Coronavirus Relief Fund payments shall report COVID-19 related costs into the GrantSolutions portal, and data required to be reported includes, but is not limited to, the following:

1. the total amount of payments from the Coronavirus Relief Fund received from Treasury;
2. the amount of funds received that were expended or obligated for each project or activity;
3. a detailed list of all projects or activities for which funds were expended or obligated, including:
 - a. the name of the project or activity;
 - b. a description of the project or activity; and
4. detailed information on any loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient that are greater than \$50,000.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include processes to validate the completeness of reports.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Cause:

In discussing these conditions with IEMA officials, they stated that each State agency was responsible for ensuring the accuracy and completeness of reports. While IEMA could provide some guidance and feedback, the State agencies were ultimately responsible for reviewing and submitting their own data to ensure compliance with the US Treasury OIG reporting requirements.

Possible Asserted Effect:

Failure to ascertain the financial progress reports are complete could result in inaccurate reporting to Treasury.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-038)

Statistical Sampling:

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

Recommendation:

We recommend IEMA work with the Governor's Office of Management and Budget (GOMB) to reconcile the financial progress reports to final CRF costs incurred through December 2021. Any adjustments should be included in the final financial progress report.

Views of IEMA Officials:

IEMA accepts the recommendation. IEMA will work with the Governor's Office of Management and Budget (GOMB) to establish reporting procedures for CRF expenditures that implement controls to ensure the completeness and accuracy of the reports.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

State Agency: Illinois Emergency Management Agency (IEMA)
Federal Agency: U.S. Department of Homeland Security (USHLS)
Program Name: COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

ALN and Program Expenditures: 97.036 (\$585,680,000)

Award Numbers: Various – See schedule of award numbers

Federal Award Year: Various – See schedule of award numbers

Questioned Costs: None

Compliance Requirement: Reporting

Finding 2021-039: Failure to Timely Report Accurate Subaward Information Required by FFATA

Type of Finding: Material Weakness and Material Non-Compliance

Condition Found:

IEMA failed to timely report accurate information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Public Assistance program.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

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

During our testwork of 43 subawards, we noted the following exceptions:

| FFATA Non-compliance Exceptions | | | | |
|---|---|--------------------------|---|---|
| Transactions Tested | Subaward or Amendment not reported | Report not timely | Subaward amount or obligation date incorrect | Subaward missing key elements (report month incorrect) |
| 43 | 0 | 30 | 1 | 0 |
| Dollar Amount of Tested Transactions | Subaward or Amendment not reported | Report not timely | Subaward amount or obligation date incorrect | Subaward missing key elements (report month incorrect) |
| \$29,599,998 | N/A | \$7,215,445 | \$197,435 | N/A |

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For the Year Ended June 30, 2021

IEMA management reviewed the FFATA reports for completeness and accuracy but evidence of the review was not available. IEMA subrecipient expenditures under the federal programs for the year ended June 30, 2021 were approximately \$191,843,000.

Criteria or Requirement:

In accordance with 2 CFR 170.200, Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation. Consistent with the Federal Acquisition Register (FAR) threshold for subcontract reporting, OMB raised the reporting threshold for subawards that equal or exceed \$30,000.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include appropriate documentation to support the control.

Cause:

In discussing these conditions with IEMA officials, they stated the reports were filed late due to the transition of the responsibility from the Chief Accountability Office to the program area in March 2021. For controls, IEMA stated program personnel were not aware of the need to document their reviews by someone other than the preparer.

Possible Asserted Effect:

Failure to report subawards in accordance with FFATA could result in noncompliance with federal requirements.

Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-039)

Statistical Sampling:

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

Recommendation:

We recommend IEMA report required subaward information in accordance with the FFATA timeline. Further, IEMA should maintain adequate documentation to evidence review of the FFATA reports in accordance with policy.

Views of IEMA Officials:

IEMA accepts the recommendations. IEMA has been reporting FFATA information timely since March 2021 when the reporting function was moved from the Chief Accountability Officer to the program area. IEMA is in the process of formalizing policies and procedures that will require documentation of review prior to submitting the reports.

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For the Year Ended June 30, 2021

State Agency: Illinois Emergency Management Agency (IEMA)
Federal Agency: U.S. Department of Homeland Security (USHLS)
Program Name: COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
ALN and Program Expenditures: 97.036 (\$585,680,000)
Award Numbers: Various – See schedule of award numbers
Federal Award Year: Various – See schedule of award numbers
Questioned Costs: None
Compliance Requirement: Reporting
Finding 2021-040: Inadequate Review of Public Assistance Quarterly Progress Reports
Type of Finding: Material Weakness
Condition Found:

IEMA failed to adequately document the review process to validate completeness and accuracy of quarterly reporting. IEMA is responsible for filing the quarterly progress reports (QPR) that are due from recipients on all open large projects 30 days after the end of each calendar quarter.

Federal Emergency Management Agency (FEMA) sends a QPR template for IEMA to complete each quarter with the corresponding deadline noted. Once received, IEMA compiles the QPR data based on information submitted against each large project. IEMA management reviews the compiled QPR for completeness and accuracy but evidence of the review was not available.

Criteria or Requirement:

44 CFR 206.204 requires the recipient to submit progress reports to the FEMA regional administrator quarterly. The FEMA regional administrator and recipient shall negotiate the date for submission of the first report. Such reports will describe the status of those projects on which a final payment of the Federal share has not been made to the recipient and outline any problems or circumstances expected to result in noncompliance with the approved grant conditions.

2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include appropriate documentation to support the control.

Cause:

In discussing these conditions with IEMA officials, they stated program personnel were not aware of the need to document their reviews by someone other than the preparer.

Possible Asserted Effect:

Failure to establish adequate reporting controls may result in inaccurate reports, preventing FEMA from effectively monitoring the program.

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Repeat Finding:

A similar finding was not reported in the prior year audit. (Finding Code 2021-040)

Statistical Sampling:

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

Recommendation:

We recommend IEMA review its procedures for preparing QPR required by FEMA and maintain adequate documentation to evidence review of the QPR in accordance with policy.

Views of IEMA Officials:

IEMA accepts the recommendation. IEMA will ensure that evidence of supervisory review is obtained prior to submission of the reports.

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Schedule of Findings and Questioned Costs
Table of Award Numbers
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Name of Federal Program or Cluster (ALN):

SNAP Cluster (10.551/10.561):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|---------------------|---------------------|---------------------|
| 2019IQ750342 (2019) | 2019IS251442 (2019) | 2020IQ390342 (2020) | 2020IQ750342 (2020) |
| 2020IS251442 (2020) | 2020IS251942 (2020) | 2020IS252042 (2020) | 2020IS802642 (2020) |
| 2020IS803642 (2020) | 2021IQ750342 (2021) | 2021IS251442 (2021) | 2021IS251942 (2021) |
| 2021IS252042 (2021) | 2021IQ390342 (2021) | | |

Crime Victim Assistance (16.575):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|------------------------|------------------------|------------------------|
| 2017-VA-GX-0048 (2017) | 2018-V2-GX-0070 (2018) | 2019-V2-GX-0024 (2019) | 2020-V2-GX-0017 (2020) |

COVID-19 - Unemployment Insurance (17.225):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|---------------------|--|--|
| UI-27860-16-55-A-17 | UI-34056-20-55-A-17 | | |
| UI-31291-18-55-A-17 | UI-34494-20-60-A-17 | | |
| UI-32597-19-55-A-17 | UI-34713-20-55-A-17 | | |
| UI-32837-19-60-A-17 | UI-35646-21-55-A-17 | | |

Airport Improvement Program (20.106):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|---------------|---------------|---------------|
| 3-17-0065-036 | 3-17-SBGP-162 | 3-17-0065-038 | 3-17-0068-090 |
| 3-17-0000-010 | 3-17-SBGP-164 | 3-17-0080-068 | 3-17-0022-180 |
| 3-17-0025-096 | 3-17-0033-041 | 3-17-0088-088 | 3-17-0080-069 |
| 3-17-0088-083 | 3-17-0016-035 | 3-17-0146-039 | 3-17-0088-092 |
| 3-17-0068-089 | 3-17-0088-086 | 3-17-0088-090 | 3-17-0096-076 |
| 3-17-0033-040 | 3-17-0022-174 | 3-17-0088-089 | 3-17-0096-078 |
| 3-17-SBGP-157 | 3-17-0088-085 | 3-17-SBGP-168 | 3-17-0085-044 |
| 3-17-SBGP-158 | 3-17-0016-036 | 3-17-SBGP-170 | 3-17-0085-045 |
| 3-17-SBGP-160 | 3-17-0088-084 | 3-17-SBGP-171 | |
| 3-17-0096-073 | 3-17-0096-074 | 3-17-SBGP-173 | |
| 3-17-0016-034 | 3-17-0016-037 | 3-17-SBGP-174 | |
| 3-17-0080-066 | 3-17-0085-042 | 3-17-SBGP-175 | |
| 3-17-0146-035 | 3-17-0146-037 | 3-17-SBGP-176 | |
| 3-17-0085-040 | 3-17-0146-038 | 3-17-SBGP-177 | |
| 3-17-SBGP-161 | 3-17-SBGP-163 | 3-17-SBGP-178 | |
| 3-17-SBGP-159 | 3-17-SBGP-165 | 3-17-SBGP-179 | |
| 3-17-SBGP-156 | 3-17-SBGP-166 | 3-17-SBGP-180 | |
| 3-17-0146-036 | 3-17-SBGP-167 | 3-17-0146-042 | |
| 3-17-0006-070 | 3-17-SBGP-169 | 3-17-0006-075 | |
| 3-17-0068-090 | 3-17-0006-071 | 3-17-0068-094 | |
| 3-17-0025-098 | 3-17-0068-091 | 3-17-0068-096 | |

COVID-19 - Coronavirus Relief Fund (21.019)

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|--|--|--|
| no award number (2021) | | | |

COVID-19 - Coronavirus State and Local Fiscal Recovery Fund (21.027)

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|--|--|--|
| SLT-3381 | | | |

COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (93.323):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|----------------------------|----------------------------|--|
| 6NU50CK000559-01-04 (2021) | 6NU50CK000559-01-13 (2021) | 6NU50CK000559-02-08 (2021) | |

Temporary Assistance for Needy Families (93.558):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|-------------------|---------------------|--|
| 2001ILTANF (2020) | 2101ILTANF (2021) | 2101ILTANFC6 (2021) | |

COVID-19 - CCDF Cluster (93.575/93.596):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|-------------------|-----------------------|-------------------|
| 1801ILCCDF (2018) | 1901ILCCDF (2019) | 90YE0201-03-00 (2020) | 2001ILCCDF (2020) |
| 2101ILCCDF (2021) | 2101ILCC5 (2021) | 90YE0201-04-00 (2021) | 2101ILCDC6 (2021) |
| 2101ILCSC6 (2021) | | | |

Foster Care - Title IV-E (93.658):

| Award Number (Federal Fiscal Year/Award Year) | | | |
|--|-------------------|--|--|
| 2001ILFOST (2020) | 2101ILFOST (2021) | | |

STATE OF ILLINOIS
 Schedule of Findings and Questioned Costs
 Table of Award Numbers
 Year Ended June 30, 2021

Name of Federal Program or Cluster (ALN):

Adoption Assistance (93.659):

Award Number (Federal Fiscal Year/Award Year)

2001ILADPT (2020) 2101ILADPT (2021)

Social Services Block Grant (93.667):

Award Number (Federal Fiscal Year/Award Year)

G-1901ILSOSR (2019) 2001ILSOSR (2020) 2102ILSOSR (2021)

Children's Health Insurance Program (93.767):

Award Number (Federal Fiscal Year/Award Year)

1905IL5021 (2019) 2005IL5021 (2020) 2105IL5021 (2021)

Medicaid Cluster (93.775/93.777/93.778):

Award Number (Federal Fiscal Year/Award Year)

2005IL5ADM (2020) 2005ILIMPL (2020) 2005ILINCT (2020) 2005IL5MAP (2020)
 2005IL5ADM (2021) 2105ILIMPL (2021) 2105ILINCT (2021) 2005ILINCT (2021)
 2105IL5ADM (2021) 2105IL5MAP (2021)

Block Grants for Prevention and Treatment of Substance Abuse (93.959):

Award Number (Federal Fiscal Year/Award Year)

3B08TI010018-19S1 (2019) 3B08TI010018-19S2 (2019) 6B08TI083071-01M002 (2020) 6B08TI083071-01M003 (2020)
 6B08TI083071-01M004 (2020) 1B08TI083497-01 (2021) 1B08TI083445-01 (2021) 6B08TI083445-01M002 (2021)
 6B08TI083445-01M004 (2021)

COVID-19 - Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Award Number (Federal Fiscal Year/Award Year)

no award number (2021)

COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (97.050)

Award Number (Federal Fiscal Year/Award Year)

4489DRILSPLW