2019

Annual Report

STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

Frank J. Mautino, Auditor General

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

March 1, 2020

The Honorable Members of the General Assembly
The Legislative Audit Commission
The Honorable JB Pritzker, Governor
Citizens of Illinois

Ladies and Gentlemen:

Enclosed is the Annual Report of the Auditor General's Office, submitted in compliance with Section 3-15 of the Illinois State Auditing Act.

The mission of the Auditor General's Office has been, and will continue to be, to present objective, balanced and independent audits. I believe this Annual Report reflects the Office's success in fulfilling that goal during calendar year 2019.

I would like to thank the members of the General Assembly, members and staff of the Legislative Audit Commission, and the staff of the Auditor General's Office, through whose efforts the reported accomplishments were made possible.

Yours truly,

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO

Auditor General

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Overview

Frank J. Mautino became Auditor General of the State of Illinois on January 1, 2016. Prior to his appointment as Auditor General, Mr. Mautino was a member of the Illinois House of Representatives, and served as a co-chairman of the Legislative Audit Commission.

As a constitutional officer, the Auditor General audits public funds of the State and reports findings and recommendations to the General Assembly and to the Governor. The establishment of the Auditor General under the Legislature is important. It ensures that the Legislature, which grants funds and sets program goals, will ultimately review program expenditures and results. Thus, agencies are accountable to the people through their elected representatives.

The Auditor General's Office performs several types of audits to review State agencies. Financial audits and Compliance examinations are mandated by law. They disclose the obligation, expenditure, receipt, and use of public funds. They also provide agencies with specific recommendations to help ensure compliance with State and federal statutes, rules and regulations.

Performance audits are conducted at the request of legislators to assist them in overseeing government. Programs, functions, and activities are reviewed according to the direction of the audit resolution or law directing the audit. The General Assembly may then use the audit recommendations to develop legislation for the improvement of government.

Information Systems audits are performed on the State's computer networks. They determine whether appropriate controls and recovery procedures exist to manage and protect the State's financial and confidential information.

Copies of all audits are made available to members of the Legislature, the Governor, the media, and the public. Findings include areas such as accounts receivable, computer security, contracts, expenditure control, leases, misappropriation of funds, personnel and payroll, property control, purchasing, reimbursements, telecommunications, and travel.

Audit reports are reviewed by the Legislative Audit Commission in a public hearing attended by agency officials. Testimony is taken from the agency regarding the audit findings and the plans the agency has for corrective action. In some cases, the Commission may decide to sponsor legislation to correct troublesome fiscal problems brought to light by an audit. All outstanding recommendations are reviewed during the next regularly scheduled audit of an agency or, if the Commission requests, a special interim audit may be conducted. ❖

OVERVIEW

Public Information

An audit and its supporting workpapers, unless confidential by, or pursuant to, law or regulation, are public documents once the report has been officially released to the Legislature, the public, and the press. These documents are available for review in our Springfield and Chicago offices.

The following information is also available by request:

- Late Filing Affidavits
- Emergency Purchase Affidavits

Information about the Auditor General is available on the Internet. This information includes report summaries and full report texts.

AUDITOR GENERAL

Public information is available by writing:

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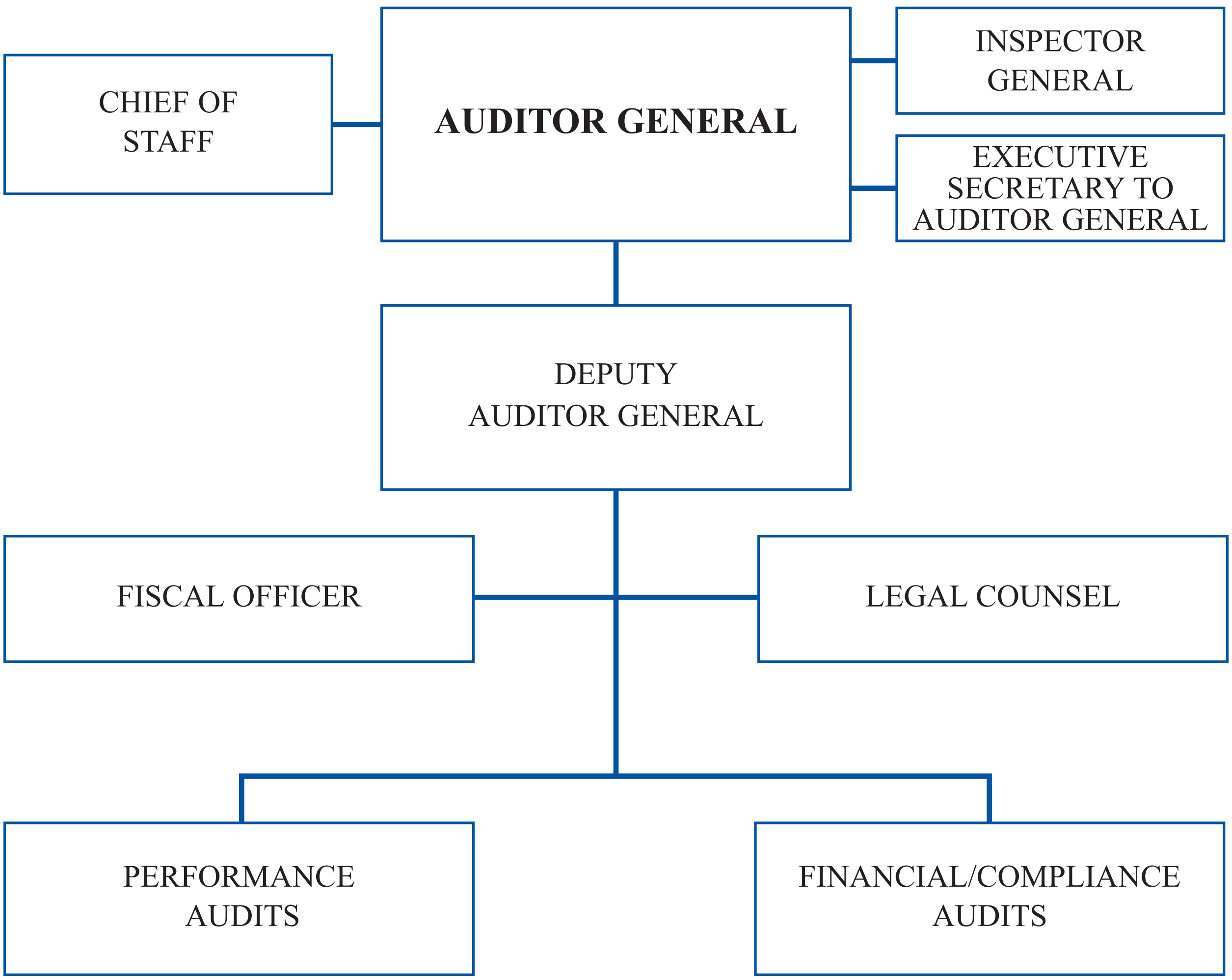
PUBLIC INFO.

Organizational Chart

As of December 31, 2019, there were 81 employees. Seventy-seven were located in the Springfield Office and four in the Chicago Office. ❖



ORGANIZATION

THE COMPLIANCE EXAMINATION PROGRAM

The Auditor General is required by the Illinois State Auditing Act to conduct, as is appropriate to the agency's operations, a financial audit and/or compliance examination of every State agency at least once every two years. These audits and examinations inform the public, the Legislature, and State officers about the obligation, expenditure, receipt, and use of public funds, and provide State agencies with specific recommendations to help ensure compliance with State and federal statutes, rules, and regulations.

The Financial/Compliance Audit Division conducted engagements at 77 agencies during the FY2018 audit cycle. These engagements encompassed compliance examinations, financial audits, and federal audits. Staff auditors conducted 25 of these audits. The remainder were performed by public accounting firms under the general direction and management of the Auditor General's audit managers.

The Illinois Constitution of 1970 revised and expanded the traditional financial audits conducted of State agencies to focus on compliance with legislative intent and proper performance of governmental operations, as well as financial accountability.

The financial/compliance program has a positive impact on the operations of State government because agencies implement many of the recommendations made in these reports. Financial and compliance reports are also reviewed by the Legislative Audit Commission, where legislators question agency directors about audit findings and the corrective action they plan to take. Legislators and their staffs also use these reports during appropriation hearings in the spring legislative session. To maximize the usefulness of audit information, the Office attempts to deliver audits as early as possible in the legislative session.

COMPLIANCE

Accountability

A number of reports issued since our last report had findings that were critically important from an accountability standpoint. A brief summary of some of these findings follows:

STATEWIDE FAILURE TO EXECUTE INTERAGENCY AGREEMENTS AND PERFORM ESSENTIAL PROJECT MANAGEMENT FUNCTIONS OVER PROVIDER ENROLLMENT IN THE MEDICAID PROGRAM

The **Department of Healthcare and Family Services** (HFS), the **Department of Human Services** (DHS), the **Department of Children and Family Services** (DCFS), and the **Department on Aging** (DoA) (collectively, the "Departments") failed to execute adequate internal controls over the implementation and operation of the State of Illinois' Illinois-Michigan Program Alliance for Core Technology system (IMPACT). Specifically, management of the Departments did not enter into interagency agreements (IA) defining each agency's roles and responsibilities, and did not perform essential project management functions over the implementation of IMPACT.

HFS' and Delegated Agencies' Roles
As set by the State of Illinois' State Plan under Title XIX of the *Social Security Act* (State Plan) (Section 1.1), the State's designated agency responsible for administering and supervising the administration of the Medicaid Program is HFS. However, Section 1.1 of the State Plan also allows for HFS to delegate specific functions to other State entities to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. During our testing, we identified the following delegated agencies, which we will refer to as HFS' Delegated Agencies, and examples of the Medicaid services they provide which utilize IMPACT for enrollment of their providers. DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery) services. DCFS administers the State's child welfare program which includes cooperating in the establishment of Medicaid eligibility for children who are wards of the State. DoA administers the State's programs for residents aged 60 and older, including Home and Community Based Services to Medicaid recipients who meet Community Care Program requirements.

Auditor Testing and Results
In order to determine if the Departments complied with federal and State laws, rules, and regulations when they developed, implemented, and operated IMPACT, we reviewed the Departments' applicable policies and procedures governing IMPACT. The testing identified the following material weaknesses in internal control:

• The Departments did not have current, formal written agreements defining the roles and responsibilities of HFS or its Delegated Agencies of the Medicaid Program.

• While DHS utilized IMPACT to formally approve providers for the purposes of granting payments of their Medicaid claims, it did not utilize IMPACT as its book of record or rely on it to verify the providers met certain federal requirements. In this instance, the book of record means the mandatory system designated by HFS to be used for the tracking of the State's activities, events, or decisions when approving or denying the enrollment of Medicaid providers. When we inquired of DHS as to why it did not retain the documentation within IMPACT to support its determination of enrollment, DHS management stated it chose to maintain the supporting documentation outside of IMPACT as it could not rely on IMPACT.

• When we inquired of DCFS and DoA as to what their processes were regarding the use of IMPACT, they both stated they did not use IMPACT after formally approving the providers for the purpose of granting payments of their Medicaid claims. They both believed HFS was doing the subsequent review of, and maintenance of, provider enrollment information for them. After asking HFS to confirm if DCFS' and DoA's statements were accurate, HFS management stated that was not the case and both DCFS and DoA had the responsibility to subsequently review their providers' eligibility for enrollment in the Medicaid program.

• The Departments implemented IMPACT despite the inability of IMPACT to allow Illinois officials to generate customary and usual system internal control reports, including such information as provider data, security measures, or updates made to IMPACT. The Departments must go through the third party service provider (TSP) in order to obtain any reports needed by the State.

• Based on testing of the documented procedures governing IMPACT, the auditors noted the following:

- the procedures only addressed the actions that should have been taken by HFS and did not include the procedures to be followed or taken by the Delegated Agencies,
- the procedures contained contradictory provisions, and
- the procedures did not depict the actual actions taken by HFS staff during the examination period.

• The Departments failed to establish and maintain adequate general information technology controls over IMPACT.

• The Departments had inadequate project management over the implementation of IMPACT. According to the Intergovernmental Agreements, Amendments, and Statements of Work signed between HFS and the TSP, who maintains and hosts IMPACT, the TSP was to provide HFS various deliverables throughout the implementation of the project for its timely review and approval. During testing of the deliverables required to be provided, the auditors noted the following:

- HFS did not receive 9 of the 60 (15%) required deliverables,
- For 39 of the 51 (76%) deliverables received, there was no supporting documentation to demonstrate HFS had approved them, and
- One of the 51 (2%) deliverables received, the Provider Enrollment (PE) Implementation Plan, was noted as "draft." As a result, HFS does not have supporting documentation to show it received and approved the "final" version of the deliverable. The purpose of the PE Implementation Plan was to define the overall approach for the implementation of the PE module of IMPACT.

• As a result of inadequate project management, the Departments did not implement adequate security controls over IMPACT.

•The Departments did not design and establish an adequate internal control structure over provider enrollment determination *such that sufficient and appropriate evidence, maintained in a paperless format, existed to support each provider met various compliance requirements at the time when the Departments determined each provider's eligibility.* Further, management at the Departments failed to adequately monitor manual provider enrollment determinations, as (1) staff did not consistently document their review of the provider applications in accordance with HFS' Process Checklists and (2) HFS did not establish a system of supervisory reviews of work performed by staff.

We recommended management of the Departments execute detailed IAs which define the roles and responsibilities of each agency regarding the Medicaid Program. The IAs should sufficiently address necessary procedures to enforce monitoring and accountability provisions over IMPACT as required by the Code of Federal Regulations, the State Plan, and the Act so the enrollment of providers offering services to recipients of the Medicaid program is carried out in an effective, compliant, efficient, and economical manner. We further recommended the Departments obtain and review/approve the remaining deliverables from the TSP and, in the future, the Departments should establish adequate controls over project management for the development and implementation of major projects, such as IMPACT.

HFS officials accepted the recommendation and stated it will update interagency agreements to include the roles and responsibilities of each agency.

FAILURE TO PERFORM ESSENTIAL PROJECT MANAGEMENT FUNCTIONS OVER THE INTEGRATED ELIGIBILITY SYSTEM (IES)

The **Department of Healthcare and Family Services** (HFS) and the **Department of Human Services** (DHS) (collectively, the "Departments") did not adequately execute internal controls over the implementation and operation of the State of Illinois' Integrated Eligibility System (IES) Phase II. Specifically, management of the Departments did not perform adequate project management functions over the implementation of IES Phase II.

IES was developed to consolidate and modernize eligibility functions and to comply with the Affordable Care Act of 2010. Phase II of IES was placed into service on October 25, 2017.

In order to determine if the Departments had complied with Federal and State laws, rules, and regulations when the Departments developed, implemented, and operated IES Phase II, we tested the Departments' applicable policies and procedures governing IES Phase II. Our testing identified the following:

• The Departments did not have current, formal written agreements, policies, or procedures defining the roles and responsibilities of HFS, DHS, and Department of Innovation and Technology (DoIT) regarding the operation of IES.

• During our analysis and review of IES Phase II data, 128 individuals were identified in which each individual's Social Security number had been overwritten when a data update was done after the conversion to IES Phase II.

• During our review of the Departments' User Acceptance Test Plan (Plan) which was used to implement IES Phase II into production, we noted the Plan did not document the Departments' controls over all aspects of the Departments' user testing. Specifically, the Plan did not address controls governing the Departments' Adverse Action Testing and the Requirements Traceability Matrix (RTM) Scripts for Test Scripts for Technology.

• The Departments' review and approval of required contract deliverables for the implementation of IES Phase II were inadequate.

• The Departments implemented IES Phase II even though IES Phase II did not take into consideration information being retained by a third party service provider (TSP) that was sending and accepting redetermination paperwork and reporting functions for the State.

• DHS waived the requirement for the Supplemental Nutrition Assistance Program's December 2017, January 2018, and February 2018 Mid-Point reports (MPRs).

• The Departments failed to establish and maintain adequate general information technology controls. Specifically, we noted the Departments did not implement adequate security or change management controls over IES.

• The Departments had insufficient review and documentation of recipient eligibility determinations.

Additionally, from the Fall of 2018 through the Spring of 2019, the auditors made several requests to the Departments for essential documentation relating to the testing of IES Phase II's project management, systems development, and contractual requirements in order to assess the risk of material misstatements to Departments' financial statements. In July 2019, the Departments finally provided sufficient supporting documentation regarding the above in order for us to provide an unmodified opinion.

We recommended (1) the Departments cooperate fully with the U.S. Department of Agriculture, Food and Nutrition Services and Federal Centers for Medicare & Medicaid Services to timely implement all corrective actions necessary to alleviate the potential for future acts of material noncompliance, (2) the Departments execute written agreements, policies, and procedures defining the roles and responsibilities of HFS, DHS, and DoIT regarding the operation of IES for each of the applicable human service programs, (3) the Departments should obtain, review, and approve the remaining deliverables from the development vendor and, in the future, the Departments should take action to establish adequate controls over project management for the development and implementation of major projects, such as IES, and (4) the Departments should provide accurate and timely responses to auditor requests.

DHS accepted the recommendation and stated it defers to HFS for any oversight to the Corrective Action Plan with the Federal CMS mentioned in the audit report. Further, DHS stated it will (1) continue to work with FNS in the efficient and effective administration of the Supplemental Nutrition Assistance Program, (2) work to execute written agreements, policies, and procedures defining the operational roles and responsibilities of HFS, DHS, and DoIT staff regarding the operation of IES for each of the applicable human service programs, (3) create Corrective Action Plans to address each deficiency, and (4) continue to work cooperatively to respond accurately and timely to auditor requests.

NONCOMPLIANCE WITH THE SCHOOL CODE ON HEROIN AND OPIOID DRUG PREVENTION PILOT PROGRAM

The **Illinois State Board of Education** (Agency) did not develop and establish a heroin and opioid drug prevention pilot program or comply with reporting requirements in relation to the program.

The Agency and the **Department of Human Services** (DHS) were required to develop and establish a 3-year heroin and opioid drug prevention pilot program by January 1, 2017. The Agency assumed DHS would lead the development of the 3-year program and therefore, never acted on developing this program.

We recommended the Agency, in conjunction with the Department of Human Services, develop and establish the heroin and opioid drug prevention pilot program and begin submitting the required annual reports to the General Assembly.

The Agency agreed with the finding and stated they will work with DHS regarding the viability of a pilot program in conjunction with other funded substance use prevention programs already administered by DHS within schools.

INADEQUATE CONTROLS OVER TAXES RECEIVABLE

The **Illinois Department of Employment Security** (Department) did not have adequate controls over their taxes receivable, which caused a misstatement in the Department's draft financial statements. As a result of the inaccuracies noted during testing, the gross taxes receivable balance was adjusted by $10,323,207.

During testing of accounts receivable, we requested the Department provide their population of taxes receivable as part of our testing of the Department's financial statements. However, the Department did not provide documentation demonstrating the completeness of the population. Due to these conditions, we were unable to conclude the Department's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530). As a result of this condition, the auditors had to perform significant additional procedures relating to the balance of taxes receivable.

Our testing specifically noted:

- The Department did not post interest to employer accounts for the month of June 2018. This resulted in the receivable being understated by $1,711,049.

- The Department included accounts which had been written off, but remained in the taxes receivable balance. This resulted in the receivable being overstated by $3,406,515.

- The Department incorrectly placed the Stop Debit Write Off indicator on employer accounts. This indicator stops the debit write off process for the account or period. These accounts should have been included in taxes receivable, causing it to be understated by $3,798,901.

• The Department determined there were accounts that should have been written off; however, they were not. As a result, taxes receivable was overstated by $12,426,642.

We recommended the Department develop appropriate controls to ensure all transactions are properly recorded and presented in its financial statements.

The Department accepted the finding and stated they have made corrections to address identified issues.

NEED TO IMPROVE CONTROLS OVER PROPERTY AND EQUIPMENT

The **Department of State Police** (Department) did not exercise adequate control over the recording and reporting of its State property and equipment. Some of the items we noted follow:

• 36 of 60 (60%) items listed as lost or missing could possibly have confidential information stored on them.

• The Department was unable to reconcile differences noted between the Expenditures by Quarter Report and the Agency's Report on State Property (C-15) Reports.

• The Department's property records did not agree to the C-15 Reports filed with the Office of the State Comptroller.

• 25 of 81 (31%) vouchers, totaling $14,940,093, included items that were not added to the Department's inventory records.

• 34 of 60 (57%) items, totaling $9,378,665, were added to the Department's inventory records between 1 and 989 days late.

• 12 of 60 (20%) items, totaling $767,456, were deleted from the Department's inventory records between 40 and 423 days after the disposal date.

• Annual Certifications of Inventory could be inaccurate based upon failure to perform reconciliations of the Department's property records.

• 34 of 60 (57%) items, totaling $118,769, were reported on the Annual Certifications of Inventory as being unable to be located.

• 11 of 17 (65%) Accounting for Leases-Lessee Forms (SCO560), totaling $262,729, included maintenance cost in the rent per period input on the SCO-560 form.

• 12 of 60 (20%) items located within the Department were not found on the Department's property records.

• The Department's property control manual does not reference the services that the Public Safety Shared Services Center performs for the Department.

We recommended the Department develop procedures to immediately assess if a computer may have contained confidential information whenever it is reported lost, stolen, or missing during the annual physical inventory, and document the results of the assessment. We also recommended the Department ensure all equipment is accurately and timely recorded or removed from the Department's property records and ensure accurate reports are submitted to the Comptroller. Further, we recommended the Department update its property control manual and continue to strengthen controls over the recording and reporting of its State property and equipment by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements.

Department management concurred with the finding and recommendation and stated the Public Safety Shared Services Center (PSSSC) has been responsible for the Department's property control since its formation in 2008. Department management also stated the Department returned the property control and several other functions from the PSSSC to the Department in 2019 and are currently increasing staff in the property control area to address these matters.

WEAKNESSES IN THE FINANCIAL ACCOUNTING FOR, AND INACCURATE AND INADEQUATE RECORDKEEPING OF PROPERTY

The **Department of Corrections** (Department) did not maintain accurate and adequate property records and did not timely and accurately record all capital asset information in its financial records. Some of the errors noted by the auditors include:

• The Department started operations of the Joliet Treatment Center in October 2017 using the facility from the Department of Juvenile Justice (DJJ), but did not record in the property records the land, buildings and improvements or renovations for those facilities totaling $26 million.

• Property records were not timely updated for additions and capitalized transfers totaling $15.9 million.

• The Department did not include capitalized transfers from the Capital Development Board in electronic or manual property records. As a result, transfers totaling $3.8 million were not reported in the proper fiscal years and the related depreciation and accumulated depreciation were understated.

• The Department did not consistently apply its capitalization policy.

• Unreconciled differences between property additions and expenditures totaled $11.8 million in Fiscal Year 2018.

• The completeness and accuracy of property totaling $191.7 million at one Center could not be determined.

• 3,568 equipment items, totaling $3,367,855 were missing or unlocated during Fiscal Year 2018.
We recommended the Department strengthen its procedures over property and equipment to ensure accurate and timely recordkeeping and accountability for all State assets. We also recommended the Department incorporate internal review procedures within its property reporting function that ensure the capital asset information is complete and properly recorded and accounted for to permit the preparation of reliable information and reports to the Illinois Office of the Comptroller.

The Department accepted our recommendation and stated it will work to improve its oversight over property record keeping and capital assets reporting.

WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The **Department of Central Management Services**' (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the State Comptroller contained errors in the determination of certain year-end account balances and omission of a required disclosure.

A few of the errors we noted during the audit of the period ending June 30, 2018 financial statements follow:

• The Department overstated liabilities in the Workers' Compensation Revolving Fund by $1.076 million due to the duplicate recognition of a claim award in Fiscal Year 2018 that had been previously recognized in the prior fiscal year. The Department deemed this error immaterial and did not revise the applicable financial statements.

• The Department understated liabilities in the Workers' Compensation Revolving Fund by $1.352 million due to the exclusion of significant lapse period payroll data as well as all of the payroll data for one agency from the data used in actuarial calculations. The Department deemed this error immaterial and did not revise the applicable financial statements.

• The Department failed to disclose commitments of $8.1 million in the State Garage Revolving Fund at

June 30, 2018 related to vehicles ordered but not received as of that date. The Department revised the notes to the financial statements to include this disclosure.

• The Department improperly reported $3.982 billion of bond proceeds received as a reduction of expenditures rather than as transfers-in. The Department reclassified the $3.982 billion received from expenditures to transfers-in for the June 30, 2018 financial statements.

We recommended the Department implement procedures and training measures throughout the Department to ensure required financial information is prepared and submitted to those responsible for financial reporting in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure complete, accurate, and reliable financial information is prepared and submitted to the Office of the State Comptroller (IOC). We also recommended these procedures address all elements of the Department's financial reporting process including, but not limited to, reconciliation of accounting records used for transaction recording and reporting, supervisory review of supporting spreadsheets for data accumulation, the preparation of management estimates, consideration of required financial statement disclosures, and conformity to GAAP for infrequent or uncommon transactions.

The Department stated they continue to strive to ensure accurate and timely GAAP reporting and they will continue to collaborate with the IOC during its GAAP reporting process.

INADEQUATE INTERNAL AUDIT FUNCTION

The **Department of Insurance** (Department) failed to adhere to provisions in the Fiscal Control and Internal Auditing Act (Act).

The Act requires the Department as a designated State agency to have a Chief Internal Auditor appointed by the agency head and to maintain a full-time program of internal auditing. In addition, the Act also states "[a]gencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services" (30 ILCS 10/2001 (b)).

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois' State Programs of Internal Auditing. The audit report's conclusions and recommendations and the legislation that became the Act demonstrated an understanding that agencies which are not required to have their own full-time program of internal auditing could obtain internal auditing assistance from an agency such as the Department of Central Management Services (CMS). In other words, each designated State agency must have a full-time program of internal auditing and each State agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from CMS.

In 2003, by Executive Order (2003-10) the Governor transferred the internal auditors from the various State agencies and consolidated them into a bureau at CMS. In 2009, the General Assembly unanimously rejected this consolidation of internal audit authority in CMS and directed that the internal auditors and their functions be returned to their respective designated State agencies (P.A. 96-795, effective July 1, 2010).

On January 15, 2018, the Department entered into an agreement with CMS' Bureau of Internal Audit to provide the Department with internal auditing services. As of the end of our fieldwork (February 11, 2019), CMS' Chief Internal Auditor was acting as Chief Internal Auditor for eight State agencies (CMS, Agriculture, Corrections, Financial and Professional Regulation, Human Rights, Insurance, Labor, and Illinois Finance Authority).

During testing, we noted the following:

• The Department's Director has not appointed an individual to fill the Department's chief internal auditor position. This position was vacated on

May 31, 2017, 395 days prior to the end of the examination period on June 30, 2018. The Act (30 ILCS 10/2002(a)) requires the Director to appoint a chief internal auditor.

• The Department and CMS did not obtain the Governor's approval for CMS to provide professional internal auditing services to the Department. The Civil Administrative Code of Illinois (20 ILCS 405/405-293(a)) states that CMS "is responsible for providing professional services for or on behalf of State agencies for all functions transferred to the Department by Executive Order No. 2003-10. . ." Since the part of Executive Order 2003-10 related to internal audit was reversed by P.A. 96-795 this portion of the Section is not applicable in the circumstances. The Section goes on to state that CMS may "with the approval of the Governor, provide additional services to or on behalf of State agencies." "Additional services" is not defined and no approval for CMS to provide internal auditing services specifically to the Department, a designated State agency under the Act, was obtained from the Governor.

• While testing the Expenses and Support Cost section of the intergovernmental agreement between the Department and CMS, we requested the Department provide us with sufficient and appropriate audit evidence related to costs of the Department's internal audit function from January 15, 2018, through the end of the examination period on June 30, 2018. We requested the documentation to substantiate (1) the authorization of CMS to use the Department's appropriation for processing payroll as allowed for under the intergovernmental agreement, and (2) that CMS only charged the Department for payroll services of CMS internal auditors who provided internal audit functions to the Department. The Department was unable to provide us with the documentation requested. Specifically, we noted the following internal control deficiencies:

– It does not appear the Department is monitoring the current costs of its internal audit function. As a result, we were unable to audit the cost of the Department's internal audit function to ensure the Department is accurately reimbursing CMS payroll costs as stipulated by the intergovernmental agreement.

– The Department granted CMS authorization through its intergovernmental agreement to charge the Department's appropriations for payroll costs associated with CMS' rendering of professional internal audit services to the Department; however, it is not the Department's nor CMS' intent to process any vouchers against the Department's appropriations. As a result, we believe there is a significant internal control risk with potentially delegating a State's appropriation authority unnecessarily.

Failure to establish a full-time internal audit program in accordance with the requirements of the Act – where the chief internal auditor develops a deep understanding of the Department's functions and processes, oversees, and performs audits of the Department's major systems of internal accounting and administrative controls on a periodic basis, and oversees and reviews major new and modifications to information systems prior to implementation – weakens the Department's ability to assess its overall internal control environment and represents noncompliance with State law. Further, the establishment of the Department's internal audit function by interagency agreement hinders the operational autonomy intended by the General Assembly for internal auditors. Department management cannot terminate an appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with CMS at any time for any reason. Failure to obtain the approval of the Governor for expanding the professional services provided to the Department by CMS limits governmental oversight and represents noncompliance with the Code. Failure to adequately track internal audit costs and be able to provide the auditors with adequate cost support related to the Department's internal audit function results in the auditors being unable to determine the Department's compliance with the Act. Finally, granting CMS authorization to expend the Department's payroll appropriations weakens the Department's overall internal control environment and represents noncompliance with State law.

We recommended the following: 1) the Department's Director appoint a chief internal auditor and ensure a full-time program of internal auditing is in place and functioning at the Department; 2) if another agency is to be relied upon to supplement internal audit functions at the Department, the Department should obtain written approval of the Governor for these services and ensure such services are provided in accordance with the Act's requirements; 3) the Department implement policies and procedures to track internal audit costs, maintain documentation which adequately documents the costs of the Department's internal audit function, and ensure other agencies providing services to the Department are only reimbursed for allowable costs; and 4) the Department should not grant another agency the authority to process payroll against the Department's appropriations unnecessarily or without implementing and documenting proper controls.

The Department accepted the recommendation and noted it will work with CMS to develop a responsive, effective, and sustainable long-term solution for the chief internal auditor appointment, obtain written approval from the Governor's Office to supplement internal audit functions, track the costs associated with the audit services and develop a plan to review the costs for reimbursement of federal monies, and revise the intergovernmental agreement to remove the portion on processing payroll.

The auditors commented that although the Department indicated it will work with CMS to revise the intergovernmental agreement under which CMS' Chief Internal Auditor acts as the Chief Internal Auditor for the Department, as well as for numerous other agencies through other intergovernmental agreements, the auditors do not believe this arrangement meets the requirements of the Fiscal Control and Internal Auditing Act and, as a result, we requested a formal, written opinion from the Attorney General's Office on the matter.

In Opinion No. 19-001, issued in August 2019, the Attorney General agreed with the auditors, concluding that "multiple designated State agencies may not appoint the same individual as their chief internal auditor through the execution of an intergovernmental agreement."

NONCOMPLIANCE WITH STATUTORY MANDATES

The **Department of Commerce and Economic Opportunity** (Department) did not comply with various statutory mandates.
Following are a few items the auditors noted during testing:

• The Department did not develop an engineering excellence program during the examination period. The Department is also mandated to adopt rules for the engineering excellence program.

• The Department did not administer the Illinois Renewable Fuels Development Program during the examination period when the Illinois Renewable Fuels Development Program was the responsibility of the Department.

• The Department did not comply with the Civil Administrative Code of Illinois (20 ILCS 605/605-205) (Code) which states the Department shall provide for liaison between the State and regional and local planning agencies and departments; perform state-wide planning as provided by law; provide assistance, counsel, and advice to local and regional planning agencies when so requested; and conduct research into local government problems as ordered by the Director.

• The Department maintained the website to help persons wishing to create new businesses or relocate businesses to Illinois as required by the Civil Administrative Code of Illinois (20 ILCS 605/605-1007) (Code); however, when we examined the website during fieldwork, we noted the links to the hearing instrument dispenser license and the Illinois Environmental Protection Agency website were broken as of the date of testing. Also, the Department did not send requests to other State agencies to report any applicable application form changes during the examination period. The Code also requires the Department to contact all agencies to obtain business forms and other information for the website. Those agencies were to respond to the Department before July 1, 2016.

We recommended the Department seek or allocate resources to comply with its statutory requirements or seek a legislative remedy as appropriate.

Department officials accepted our recommendation and stated they would continue to take steps to ensure compliance with these requirements or, where appropriate, the Department is seeking statutory changes.

FINANCIAL REPORTING PROCESS

Northern Illinois University's (University) internal controls over financial reporting are not sufficient to prevent material misstatements.
During our audit of the significant balances comprising the University's financial statements, we noted the following:

I. Errors and Deficiencies Related to Capital Asset Recognition and Reporting

During testing over the University's balance of construction project expenditures capitalized as construction-in-progress as of June 30, 2018 (totaling $57,908,960 prior to any audit adjustments), we noted six projects, totaling $9,098,946, which were completed and placed in-service, but not appropriately transferred to a depreciable asset. It was determined that each of these projects were completed during the fiscal years ended June 30, 2013, 2014, or 2015.

The result of these errors in the University's financial records as of June 30, 2018, were as follows:

• Overstatement of capital assets, construction-in-progress totaling $9,099,000;
• Understatement of capital assets, buildings totaling $7,714,000;
• Understatement of capital assets, land improvements totaling $1,223,000;
• Overstatement of net position, unrestricted totaling $162,000;
• Understatement of accumulated depreciation totaling $1,548,000; and
• Overstatement of net position, net investment in capital assets totaling $1,548,000.

The University recorded an audit adjustment to correct this matter in the financial statements as of and for the year ended June 30, 2018.

During the fiscal year 2018 audit, University officials made us aware of an asset impairment totaling $1,396,000, recognized in the University's financial statements for the fiscal year ending June 30, 2018. Although the University appropriately identified a residence hall (Lincoln Hall) in need of an impairment analysis, an impairment trigger occurred during fiscal year 2014, which should have prompted the University to perform an impairment test at that time.

An internal memo regarding the future use of Lincoln Hall was issued in August 2013 by University management stating that academic and academic-related services would be relocated to other campus facilities beginning with the 2013-2014 academic year because the Lincoln Hall facilities are dated and demand for housing is significantly less than other residential options.

The result of this error is a likely understatement of accumulated depreciation and an overstatement of net position in the University's fiscal year 2014 financial statements. The result of this error is a likely overstatement of opening net position as of July 1, 2017 totaling $1,396,000. The University did not record an audit adjustment to correct this matter in its fiscal year 2018 financial statements as it was not considered to be material to the users of the financial statements.

II. Errors and Deficiencies Related to Inter-Entity Transactions

During testing over the University's implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB), specifically as to whether the Northern Illinois University Foundation (the Foundation), the Northern Illinois University Alumni Association (the Alumni Association), and the Northern Illinois Research Foundation (the Research Foundation) (collectively, the University

Related Organizations, or UROs) should be allocated a portion of the University's share of its net OPEB liability, it was determined that the UROs, discretely presented component units of the University, were not preparing their financial statements under the appropriate financial reporting framework.

The UROs, non-profit corporations and separate legal entities from the University, do not meet the definition of a governmental entity under accounting principles generally accepted in the United States of America and should prepare their financial statements in accordance with financial reporting standards issued by the Financial Accounting Standards Board (FASB). Historically, the UROs have prepared their financial statements in accordance with financial reporting standards issued by GASB. The Foundation and the Alumni Association changed their financial reporting framework and prepared financial statements in accordance with financial reporting standards issued by FASB for the year ended June 30, 2018, for inclusion in the University's financial statements as discretely presented component units. The Research Foundation chose to continue presentation of their financial statements in accordance with financial reporting standards issued by GASB.
During the Foundation's process to convert its finacial records to accommodate the change in its financial reporting framework, the Foundation identified 24 gift accounts with gift dates occurring from 1983 through 2018 totaling $3,347,000 previously considered to be resources owned by the Foundation and included in its net assets, which should have been reported as resources owned by the University and included in the University's net position. The Foundation recorded audit adjustments to recognize a liability for the resources owned by the University in the gift accounts mentioned above.

The result of this error in the University's financial records as of June 30, 2018, were as follows (amounts rounded to 000's):
• Understatement of due from component units totaling $3,347,000;
• Understatement of net position (beginning balance) totaling $3,093,000;
• Understatement of private gifts, grants, and contracts totaling $248,000;
• Understatement of non-operating revenues totaling $115,000; and
• Understatement of operating expenses totaling $109,000.

The University recorded an audit adjustment to correct this matter in the financial statements as of and for the year ended June 30, 2018.

III. Errors and Deficiencies Related to Revenue Recognition

During testing over the University's process to estimate its allowance for doubtful student accounts and implementation of corrective actions related to a prior year finding, we noted the University has not fully implemented planned corrective actions over this area.

During the prior year audit, we noted the University's process to estimate its allowance for doubtful student accounts included assumptions over collection rates that had been used and unchanged since fiscal year 2009, and were not considered reasonable given the conditions noted during the prior year audit. An audit adjustment totaling $8.5 million was proposed and recorded for the fiscal year ended June 30, 2017.

The University's corrective action plan related to the prior year condition was to utilize the accounts receivable analysis developed during the prior year audit and to perform collections analysis to determine if an adjustment to its allowance for doubtful student accounts is necessary.

We noted that the University did update their overall estimate for its allowance for doubtful student accounts; specifically, the University updated percentages applied to its aging buckets (Current: 1%; 1-180 days past due: 45%; 181-364 days past due: 75%; 365+ days past due: 80%).

We also noted the University did contract with a consultant to assist with analyzing collections. The University, however, was unable to complete its analysis over collection trends to support its current allowance estimate for doubtful student accounts for the preparation of its fiscal year 2018 financial statements. No audit adjustments were proposed in relation to the University's estimate for its allowance for doubtful student accounts reported in its statement of net position as of June 30, 2018.

We recommended the University continue to improve its controls over financial reporting to ensure amounts reported within the University's annual financial statements are accurate and presented in accordance with accounting principles generally accepted in the United State of America.

University officials accepted the finding.

INADEQUATE CONTROLS OVER MONITORING GRANT AGREEMENT REQUIREMENTS

The **Illinois Criminal Justice Information Authority** (Authority) did not exercise adequate controls over the monitoring of grant agreements under its purview during the examination period.

During our grant agreement detail testing of 60 grants, some of the deficiencies we noted were as follows:

- Indirect Cost Rate proposals were not on file,
- Corrective Action Plans for Sites at Risk of not Meeting Reduction Goals were not on file,
- Progress reports from the grantees were not dated,
- No disclosures of lobbying activities for subawards were on file,
- Subcontractor agreements were not on file,
- Timekeeping procedures were not on file, and
- Grant agreements were signed by the Authority and the grantee after the start of the grant period. The grant agreements were signed between 7 and 193 days late.

We recommended the Authority ensure all reporting requirements are adhered to and ensure grant agreements are approved prior to the effective date of the agreement.

The Authority agreed with the recommendation and stated it has updated its grant policies and will continue to conduct ongoing training for its staff. In addition, the Authority stated they are now using the Grant Accountability and Transparency portal.

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AUDITOR GENERAL

STATEWIDE SINGLE AUDIT UPDATE

The purpose of the Statewide Single Audit is to fulfill the State mandate in accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 44 Illinois State agencies expended federal financial assistance in FY2018.

The schedule of expenditures of federal awards reflects total expenditures of $28.996 billion for the year ended June 30, 2018. Overall, the State participated in 334 different federal programs; however, 10 of these programs or program clusters accounted for 89.3% of the total federal award expenditures.

FEDERAL AGENCIES PROVIDING FEDERAL FUNDING
For the year ended June 30, 2018

U.S. Department	*Millions*
Health & Human Services	$ 15,500.7
Education	5,360.9
Agriculture	4,005.2
Labor	2,078.7
Transportation	1,517.9
All Others	533.2
Total Federal Award Expenditures	**$ 28,996.6**

Source: FY2018 State of Illinois Single Audit Report

Overall, 11 State agencies accounted for approximately 98.8% of all federal dollars spent during FY2018.

SUMMARY OF FEDERAL SPENDING BY STATE AGENCY
For the year ended June 30, 2018

Agency	*Millions*
Healthcare and Family Services	$ 13,257.3
Human Services	4,724.1
Student Assistance Commission	3,815.8
Board of Education	2,215.7
Employment Security	1,925.0
Transportation	1,513.4
Children & Family Services	401.9
Commerce & Economic Opportunity	352.7
Public Health	265.6
Environmental Protection Agency	101.9
Emergency Management Agency	80.2
All Others	343.0
Total Federal Spending	**$ 28,996.6**

Source: FY2018 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.

Our audit testing focused primarily on the 28 major programs expending about $27.7 billion in federal awards.

Our report contained 80 findings related to 15 State agencies. ❖

The Performance Audit Program

Performance audits are conducted at the request of legislators to assist them in their oversight function. Based on the scope specified in the resolution or the law requesting the audit, State agencies' programs, functions, and activities are reviewed. The audits determine if the services are provided as intended by the General Assembly and directly impact and improve agency operations.

The General Assembly uses performance audit information to develop legislation, to deal with budgetary issues, and to direct agencies to improve programs. Some audits produce immediate changes. For example, the 2019 performance audit of the *Department of Children and Family Services Investigations of Abuse and Neglect* identified several issues related to investigations of child abuse and neglect. Legislation was passed in the Spring of 2019 (Public Act 101-0528) to establish a process by which both unfounded reports and indicated reports of abuse and neglect undergo further review. In addition, the Department is required to file reports about these reviews with the General Assembly. The audit also highlighted issues with the Department's child abuse hotline. Subsequently, a State Senator requested a review of the hotline. The Department contracted with the University of Illinois' Children and Family Research Center which conducted the review and issued a report in November 2019 that included 11 recommendations to the Department.

In other instances, significant changes may not be seen for several years. The length of time it takes to see changes is due to the process of transforming the audit findings and recommendations into legislative bills and converting bills into law; additionally, once a law is implemented, the effects may not be apparent for some time.

The National State Auditors Association (NSAA) established the Excellence in Accountability Awards Program in 2003 to recognize outstanding performance audits and special projects. Performance audits performed by the Office of the Auditor General (OAG) have received five NSAA awards in past years:

- *2014 Neighborhood Recovery Initiative audit* (Honorable Mention)*;*
- *2012 Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Act;*
- *2007 Performance Audit of the Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace;*
- *2004 Management and Program Audit of the Rend Lake Conservancy District; and*
- *2003 Management Audit of the Illinois State Toll Highway Authority.*

Another national organization, the National Legislative Program Evaluation Society (NLPES) also has an Impact Award that is given annually to audits that demonstrate significant dollar savings, program improvements, or impact from a legislative and public perspective. The OAG has received the NLPES award for many audits as well:

- *2018 Performance Audit of Medicaid Managed Care Organizations;*
- *2016 Program Audit of the College of DuPage;*
- *2014 Neighborhood Recovery Initiative Audit;*
- *2012 Management Audit of the College Illinois! Prepaid Tuition Program's Administrative Operations;*
- *2012 Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Act;*
- *2011 Management Audit of the State's Financial Reporting System;*
- *2010 Program Audit of the Covering ALL KIDS Health Insurance Program;*
- *2009 Management and Program Audit of the Illinois State Police's Division of Forensic Services;*
- *2008 Performance Audit of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process;*
- *2007 Performance Audit of the Mass Transit Agencies of Northeastern Illinois;*
- *2006 Management Audit of the Flu Vaccine Procurement and the I-SaveRx Program;*
- *2004 Management and Program Audit of the Rend Lake Conservancy District;*

The Performance Audit Program (cont.)

- *2003 Management Audit of the Illinois State Toll Highway Authority;*
- *2002 Management Audit of Agency Use of Internet User Tracking Technology;*
- *2001 State Board of Education and Other State Agencies Providing Funding to Illinois' Regional Offices of Education;*
- *2000 Management Audit of Child Support State Disbursement Unit;*
- *1999 Management Audit of the Pilsen Little Village Community Mental Health Center; and*
- *1998 Management Audit of Tuition and Fee Waivers.* ❖

Performance Audits Completed in 2019

The Auditor General released six performance audits and three reviews in 2019. The performance audits released are listed below. Performance audits released in 2019 included 43 recommendations for improvement.

In addition, the Performance Audit Division had the responsibility for 35 audits of Regional Offices of Education (ROEs) and 3 Intermediate Service Centers (ISCs) which covered Fiscal Year 2018. The FY18 ROE audits released in 2019 contained a total of 52 recommendations for improvement.

MEDICAID ELIGIBILITY DETERMINATIONS FOR LONG-TERM CARE

The Illinois Public Aid Code at 305 ILCS 5/11-5.4 (enacted by Public Act 100-380 and amended by Public Act 100-665) required the Office of the Auditor General to conduct a performance audit of Medicaid eligibility determinations for long-term care (LTC). The audit was to review and evaluate:

- Compliance with federal regulations on timeliness of eligibility determinations;
- The accuracy and completeness of the monthly report required by the Illinois Public Aid Code;
- The efficacy and efficiency of the application processing approach used for making eligibility determinations, including the role of the Integrated Eligibility System, compared to the prior application processing approach; and
- Any issues affecting eligibility determinations related to the Department of Human Services (DHS) completing Medicaid eligibility determinations instead of the designated single State Medicaid agency in Illinois, the Department of Healthcare and Family Services (HFS).

Key findings of the audit include the following:

- Auditors reviewed data consisting of 39,146 long-term care applications received in calendar years 2015 through 2017. However, due to issues with the data, calculating timeliness for the population of applications was not possible. Therefore, auditors selected a sample of applications for testing.
- For the 61 applications tested, the applications were, on average, 69 days overdue. Twelve of 61 applications (20%) had an eligibility determination within the required timeline, 14 applications (23%) were between 2 and 26 days overdue, and the remaining 35 applications (57%) were overdue by more than 30 days.
- HFS and DHS do not track extensions in a manner that makes it easy to identify the dates of the extensions or the number of extensions that have been granted for each case. As a result, the timeliness of pending applications will appear worse than it actually is. Testing showed that processing times for 28 of 61 applications (46%) could have been shortened by up to 60 days by subtracting extension days from eligibility determination processing time.
- Long-term care reports were not being posted on both the DHS and HFS websites on a monthly basis as required, did not always contain all elements required by statute, and were not

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accurate due to issues with the source data and a potential overstatement of the number of days applications are pending.

- While it is difficult to ascertain the efficiency and efficacy of the task-based process compared to the caseworker-based process, the decision to switch to the task-based approach appeared to be based upon business process research and reasonable assumptions. The switch was complicated by the concurrent implementation of the Integrated Eligibility System.

The audit contained a total of eight recommendations to HFS, HFS Office of the Inspector General, and DHS.

LEGIONNAIRES' DISEASE AT THE QUINCY VETERANS' HOME

On February 15, 2018, Senate Resolution Number 1186 was adopted and directed the Office of the Auditor General to conduct a performance audit of the Illinois Department of Veterans' Affairs' (IDVA) management of the Legionnaires' disease outbreaks at the Quincy Veterans' Home. The audit found:

- In addition to the 57 legionella cases at the Quincy Veterans' Home in 2015, there were numerous residents and staff sick during the first legionella outbreak; in total, 220 residents and staff were sick in August and September 2015.
- Although there was confirmation of a second case of Legionnaires' disease at the Home on August 21, 2015, there was limited notification or specific procedures provided to the nursing staff necessary to protect residents or employees until guidelines for water restrictions were provided on August 27, 2015.
- Auditors determined that the Quincy Veterans' Home did not have documentation to support increased monitoring of residents until after the residents exhibited the onset of the Legionnaires' disease symptoms. Although Home officials stated that skilled care residents were monitored every four hours and independent care residents were monitored twice daily beginning on August 22, 2015, there was no documentation to support that a directive was provided to the nursing staff or whether it was followed.
- The Illinois Department of Public Health (IDPH) did not go on-site at Quincy Veterans' Home until midday on Monday, August 24th. That was nearly three days (approximately 67 hours) after the 2nd case was confirmed late in the afternoon on August 21st. The site visit focused on one building where the two confirmed cases were located.
- On Wednesday, August 26th, five days after the identification of the initial outbreak, IDPH officials met with Quincy Veterans' Home officials and found that the "central hot water tank may be associated with [the] outbreak." It was learned that hot water tank number 2 was out of service since the beginning of July 2015 due to a valve issue and was unheated until it was cycled back into service on August 6, 2015. Following that discovery, IDPH began recommending water restrictions and remediation of the potable water system.
- During the 2015 outbreak, auditors determined that there was limited communication between IDPH and the Quincy Veterans' Home staff. IDPH officials often did not know the seriousness of the problem at the Quincy Veterans' Home.
- As of June 30, 2018, the State has expended $9,625,718 for legionella remediation at the Quincy Veterans' Home since the initial outbreak in August 2015.
- In December 2015, the Centers for Disease Control and Prevention (CDC) recommended point-of-use filter installation on all fixtures fed from the potable hot-water system. Filters were not installed on all fixtures other than the showers until after the February 2018 outbreak, in April 2018.
- The response by IDVA to the February 2018 outbreak was more timely and informative than after the other three outbreaks in 2015, 2016, and 2017.

The audit report contained four recommendations. Two of the recommendations were directed to both the Department of Veterans' Affairs and the Department of Public Health. One recommendation was directed specifically to the Department of Public Health and one to the Department of Veterans' Affairs.

THE PROCUREMENT AND ADMINISTRATION OF THE CONTRACT WITH MORNEAU SHEPELL

On October 26, 2017, the Illinois House of Representatives adopted House Resolution Number 522, which directed the Auditor General to conduct a performance audit of the procurement and administration of the contract with Morneau Shepell.

In November 2015, the State conducted an aggressively timed procurement for a Custom Benefit Solution in hopes of achieving $500 million in annual savings through increased health insurance premiums to members and retirees and the implementation of 21additional health plan options. As of December 4, 2018, over 1,000 days since the Custom Benefit Solution was awarded to Morneau Shepell, the State had yet to produce any additional health plans or achieve the anticipated savings. The State incurred $27.7 million in total costs associated with the Custom Benefit Solution procurement, through September 30, 2018.

The previous Governor's Office developed the idea for what became the Custom Benefit Solution based on labor contract negotiations. The audit found that the Custom Benefit Solution:

- originally, in a document dated October 23, 2015, was to be a "private exchange;"
- was advertised on November 4, 2015, but received only one bid;
- was awarded January 28, 2016, to Morneau Shepell; and
- contract was executed on May 3, 2016 – 96 days after the award announcement, for an estimated $94 million over a 10-year period.

The Department of Central Management Services (CMS) failed to provide all relative information to evaluators of the solicitation, did not obtain conflict of interest disclosures for all individuals involved in the project, and did not maintain meeting minutes for evaluator meetings.

The aggressive timeline for the procurement and implementation of the Custom Benefit Solution caused a number of problems:

- CMS did not conduct a cost-benefit analysis of the project due to the aggressive timeline. A Department of Innovation and Technology (DoIT) official indicated that DoIT could have developed the product that the State was paying Morneau Shepell to provide.
- CMS did not include a Business Enterprise Program goal in the solicitation due to a concern it would slow the procurement.
- The Go-Live of September 30, 2016, was 2-4 months prior to what Morneau Shepell proposed. This resulted in multiple performance issues for the Custom Benefit Solution and CMS' consideration to rebid the project a year after Go-Live.

The Morneau Shepell contract contained performance guarantees for which CMS allowed, by contract, self-reporting by Morneau Shepell to determine compliance. CMS capped the fee reductions on missing guarantees to four per month. Our analysis showed that for the original data submitted on the guarantees, as many as seven monthly and ten quarterly guarantees were missed. Morneau Shepell did not submit all written corrective action plans, in violation of the contract, for 17 of the first 24 months of the project. We also found 24 instances where CMS could have considered a breach of contract, as outlined in the Request for Proposals, for missing performance metrics. However, CMS did not include that breach of contract language in the executed contract.

This audit report contained nine recommendations directed to the Department of Central Management Services.

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THE DEPARTMENT OF CHILDREN AND FAMILY SERVICES INVESTIGATIONS OF ABUSE AND NEGLECT

On June 25, 2017, the Illinois House of Representatives adopted House Resolution Number 418 which directed the Auditor General to conduct a performance audit of the Department of Children and Family Services (Department) to review and assess the Department's protocols for investigating reports of child abuse and neglect. The resolution specifically required the audit to include a review of abuse and neglect investigations conducted by the Department in FY15, FY16, and FY17.

In this audit for the three-year period FY15-FY17, we reported that:

- The number of abuse and neglect investigations increased significantly, going from 67,732 in FY15 to 75,037 in FY17 or 10.8 percent. Within the three-year timeframe there was a notable spike in FY16 to 78,572 investigations. The increase in investigations between FY15 and FY16 represents an increase of 16.0 percent.
- The hotline is unable to take calls as they are received, resulting in call backs. The number of call backs increased substantially during FY15-FY17, from 39.6 percent of total calls in FY15 to 55.7 percent in FY17.
- Investigator caseloads were not in compliance with the B.H. Consent Decree. For FY15-FY17, 78.7 percent of investigators (729 of 926) had at least 1 month during the audit period in which they received more than 15 new assignments.
- Indication rates (the percentage of cases where there was credible evidence that the incident occurred) decreased during FY15-FY17, from 28.3 percent in FY15 to 24.8 percent in FY17.
- The Department did not always follow procedures in conducting investigations.
- The overall timeliness of completion for investigations declined significantly over the three-year period FY15-FY17. In FY15, 7.6 percent of investigations were not completed within 60 days. For FY17, 12.4 percent of investigations were not completed within 60 days.
- Investigators did not always accurately document that they assessed the need for services by completing the Level of Intervention field in the Department's information system known as SACWIS. Of indicated investigations sampled, 16 investigations (10.7%) had no Level of Intervention listed (services recommended). Further, 39 indicated investigations (26.0%) had "No Service Needed" as the Level of Intervention. Additionally, of the investigations sampled, for 64 (42.7%) we found that the Level of Intervention was inaccurate.
- For 65.3 percent of indicated investigations sampled, there was a lack of documentation regarding whether any services were received by the families involved and the duration of those services. The Department could not provide basic information for Intact Family Service cases, such as referral forms, to document that a formal referral for services was made.

The audit report contained a total of 13 recommendations to the Department of Children and Family Services.

CMS MULTIPLE CHOICE EXAMS

On May 10, 2018, the Illinois House of Representatives adopted House Resolution Number 816 which directed the Auditor General to conduct a performance audit of the Department of Central Management Services (CMS) to review and assess CMS automated multiple choice exams for specific position titles listed in the audit resolution. All of the 75 position titles listed in the audit resolution fall under automated testing, Group A titles, or titles that are continuously tested. The resolution specified that the audit include a review of whether those automated multiple choice exams are biased against minority exam takers, either in their content or in their results.

Key findings of the audit include the following:

- Only a small percentage of applicants who apply are hired. During calendar years 2015 through

2018, 226,229 applicants took exams. Of these exams, only 2,585 (1.1%) resulted in an applicant being hired (during the same time period).

- To determine if the automated multiple choice exams are biased against minority exam takers, we examined the process CMS uses to establish and monitor the exams. Bias as it relates to exams and testing is difficult to define and quantify. CMS generally follows the *Uniform Guidelines on Employee Selection Procedures* (29 CFR 1607), which are designed to prevent discriminatory practices, in conducting content validity studies on exams. CMS also conducts thorough statistical analyses to ensure an exam is testing the items it is intended to test. The statistical analyses include reliability testing, correlation analysis, and discrimination index analysis to identify potentially ineffective questions.
- Despite these efforts to ensure tests are fair and afford all applicants an equal opportunity to compete for State jobs, there is a disparity in test grades among different races and ethnic groups for reasons unknown.
- Compared to their ratio of applications and passing grades, White applicants had a high ratio of A grades while Black or African American applicants had a low ratio of A grades. State agencies are required to hire from the group of candidates that received the highest passing grade. If a certain ethnic group is receiving less A grades than other ethnic groups, that ethnic group will not be represented as well in the hiring pool.
- CMS officials could not easily identify which position titles had received a content validity study and could not provide the content validity study for one of ten titles tested. Content validity studies are one of the three types of validity studies outlined in the *Uniform Guidelines* which employers can use to validate employment tests.
- The CMS Test Development Section does not have written policies or procedures for developing exams or for conducting validity studies and statistical analyses of these exams.

The audit report contained a total of four recommendations to the Department of Central Management Services.

COVERING ALL KIDS HEALTH INSURANCE PROGRAM (FISCAL YEAR 2017)

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act (215 ILCS 170/63) directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30th thereafter. This ninth annual audit (FY17) followed up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. HFS and DHS agreed with all five recommendations in the audit report.

- In FY17, there were 104,856 enrollees at any point in EXPANDED ALL KIDS and the total cost of services provided was $103.1 million.
- The total number of recipients as of June 30th was 67,776 in FY16 and 66,353 in FY17. In FY17, the number of citizen/documented immigrants slightly increased while the number of undocumented immigrants slightly decreased.
- Of the 33,531 recipients that required an annual redetermination of eligibility in FY17, we found 2,411 (7%) were not redetermined annually as required.
- In FY17, 134 recipients received 740 services totaling $166,338 after the month of their 19th birthday. Additionally, there were 428 individuals who appeared to be enrolled with more than one identification number.
- HFS and DHS did not identify the correct citizenship status for 4,949 recipients, and as a result, the State lost an estimated $2.9 million in federal matching Medicaid funds in FY17. The State also lost federal matching Medicaid funds in FY15 and FY16 – for an estimated total of $8.1 million lost in federal reimbursement over the last three fiscal years. This issue has been reported since the FY09 ALL KIDS audit.
- We tested 40 initial eligibility cases and 40 redetermined cases in FY17. We found 43 percent of initial cases, and 23 percent of redetermined cases, were coded as "undocumented" even though we found evidence supporting citizenship or documented immigrant status. We also found the following documentation problems:

– HFS and DHS were missing at least one piece of required documentation in 50 percent of the initial eligibility cases reviewed in FY17. Of these cases, 18 percent were missing documentation to verify residency, 35 percent were missing documentation to verify birth/age, and 8 percent were missing documentation to verify one month's income.
– HFS and DHS were missing at least one piece of required documentation in 73 percent of the redetermined cases reviewed in FY17. Of these cases, 33 percent were missing documentation to verify residency, 63 percent were missing documentation to verify birth/age, and 20 percent were missing documentation to verify one month's income.

- The recommendation on policies covering orthodontic treatment was partially repeated in FY17. We found that HFS should review the membership requirements for the Dental Policy Review Committee and more effectively monitor the recipients receiving care under the Managed Care Organization part of the program to ensure these recipients are receiving the same access to care as the recipients under the fee-for-service part of the program.

The audit report contained a total of five recommendations. Three recommendations were directed to both HFS and DHS. Two recommendations were directed just to HFS.

REGIONAL OFFICES OF EDUCATION AUDITS

In addition to other duties, the Auditor General has the responsibility for annual audits of the financial statements of the regional superintendent of schools of each educational service region in the State.

There were a total of 38 Fiscal Year 2018 audits conducted: 35 of Regional Offices of Education (ROEs) and 3 of Intermediate Service Centers (ISCs). Our Office arranged for auditing firms to perform these audits under the general direction and management of the Auditor General's audit managers.

The FY18 ROE audits released in 2019 contained a total of 52 recommendations for improvement. Most of the recommendations dealt with the ROEs not having sufficient internal controls including controls over their financial reporting processes. ❖

PERFORMANCE AUDITS IN PROGRESS

DEPARTMENT OF HUMAN SERVICES' PROCESS FOR SELECTING INDEPENDENT SERVICE COORDINATION AGENCIES

On May 30, 2019, House Resolution Number 214 was adopted and directs the Auditor General to conduct a management audit of the Department of Human Services' (DHS) process for selecting Independent Service Coordination (ISC) agencies for the Fiscal Year commencing July 1, 2019. The Resolution contained five specific determinations:

- Whether all aspects of the competitive funding process were conducted in accordance with applicable laws, rules, regulations, and policies;
- Whether the evaluative criteria guiding DHS' selection of ISC agencies were adequate and uniformly applied;
- Whether decisions concerning the selection of successful bidding agencies were adequately supported and documented;
- Whether decisions concerning the resolution of protests were adequately supported and documented; and
- Whether the competitive funding process was adequately planned to allow reasonable time frames for response by bidding agencies, review of responses by DHS, and implementation of the transition of ISC services from unsuccessful to successful bidding agencies.

DEPARTMENT OF CHILDREN AND FAMILY SERVICES' LGBTQ YOUTH IN CARE

On May 31, 2019, Senate Resolution Number 403 was adopted and directs the Auditor General to conduct a performance audit of the Department of Children and Family Services' compliance with its obligations to protect and affirm children and youth who are lesbian, gay, bisexual, transgender, questioning, or queer. The Resolution specifically requires the audit to include, examining the operations and management of the Department of Children and Family Services and its contractors to perform their duties in accordance with the Foster Children's Bill of Rights Act (20 ILCS 521/1) and Appendix K to Procedures 302 "Support and Well-Being of Lesbian, Gay, Bisexual, Transgender and Questioning (LGBTQ) Children and Youth" as follows:

- The Department of Children and Family Services' implementation of and adherence to Appendix K to Procedure 302 and the Foster Children's Bill of Rights;
- The Department of Children and Family Services' contractors' implementation of and adherence to Appendix K of Procedure 302 and the Foster Children's Bill of Rights;
- How and with what frequency the Department of Children and Family Services and its contractors' employees are trained on sexual orientation, gender identity, and the requirements of Appendix K, and whether the training is sufficient to demonstrate appropriate application to fieldwork;
- How employee and contract oversight ensure accountability and corrective actions;
- The method by which the Department of Children and Family Services assesses, monitors, and acts to make certain its contracted providers have adopted LGBTQ-affirming, nondiscrimination policies that are at least as extensive as Appendix K, including policies providing for employee discipline up to and including termination and for conduct in violation of the non-discrimination policy;
- The methods by which information about youth gender-identity is sought, the format and locations in which this information is maintained, and the practices utilized for privacy protections;
- Actions taken by the Department of Children and Family Services and its contractors in licensing to require foster parents' commitment to provide care and homes that are affirming of all children and youth, regardless of sexual orientation or gender identity;
- The process by which the Department of Children and Family Services ensures that children or youth who identify as lesbian, gay, bisexual, transgender, questioning or queer are matched with placements that are affirming of those youths' sexual orientation and gender identity; and
- The current gap in placement and service capacity to meet needs and efforts made to recruit homes affirming of lesbian, gay, bisexual, transgender and questioning or queer children and youth.

The Resolution further requires that the audit include the following determinations as they pertain to children (up to the age of 21) in the care of the Department of Children and Family Services in calendar years 2017 and 2018:

- Whether youth in care are made aware of their rights and know how to report violations of these rights, the experiences of youth who have reported violations, recommendations made by youth in care to improve their ability to meaningfully exercise their rights, and how the Department of Children and Family Services incorporates such recommendations in policy development;
- The number of youth in care identifying as (a) lesbian, (b) gay, (c) bisexual, (d) transgender, (e) questioning, (f) gender non-conforming, (g) another minority sexual orientation or gender identity, or (g) more than one of the aforementioned identifications during the review period;

- For each youth in subsection (2), the length of stay in out-of-home care, case permanency goals, frequency of sibling visitation, as applicable;
- For each youth in subsection (2), the number, type, and duration of each placement designated foster home, group home, residential treatment center, detention or correctional setting, psychiatric hospital, transitional living program, or shelter home; whether and how the youth in care participated in placement planning and determination; whether and how gender identity was considered for placement selection and whether the youth was placed according to their gender identity (as opposed to their sex assigned at birth as reflected on their birth certificate; reasons for placement disruptions, if applicable;
- For each youth in subsection (2), the number of each incident categorized as running away, contact with police or the justice system, crisis hospitalization, hospitalization beyond medical necessity, reported victim of assault, school-related disciplinary infractions, school-related bullying or harassment, removal from a placement at the request of a provider or caregiver, removal from a placement at the request of the youth, subject of abuse or neglect allegations while in out-of-home care, detained in a correctional setting beyond release due to lack of identified placement;
- Whether the youth in subsection (2) were provided opportunities to engage in normalcy activities (e.g., participation in activities typical of their peer and age group) consistent with their gender identity;
- Whether the data findings for subsections (1), (3), (4), (5), (6) differ from that of the general population of youth in care or whether the data differs based on the geographic placement of the youth in care;
- The number of providers designated as clinically appropriate to provide housing or services to youth who identify as lesbian, gay, bisexual, transgender, or questioning available to youth in care and the number of youth utilizing those providers for services or supports;
- The number of transgender youth in care who have requested (whether formally or informally) transition-related hormone therapy or consultation services regarding this treatment; the number of youth the Department of Children and Family Services did not refer for treatment, the qualifications of staff making the determination, and justification; the number of youth who received their requested care and whether this was delivered by a qualified provider; and the length of time from the youth's request to a service referral being made to referral resulting in service delivery; and information regarding barriers to service access, bureaucratic hierarchy and hurdles, and efforts made to address these issues; and
- The number of youth in care in need of treatment for gender dysphoria and how this need is identified; the number of youth the Department of Children and Family Services did not refer for treatment, the qualifications of staff making the determination, and justification; the number of youth receiving this care and whether it was provided by a qualified clinician; the length of time from need being identified to service referral being made to referral resulting in service delivery; and information regarding barriers to service access, bureaucratic hierarchy and hurdles, and efforts made to address these issues.

The audit resolution has a total of 19 determinations which, when broken down, contain 63 individual objectives or questions that must be answered.

DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY'S EDGE TAX CREDIT PROGRAM

On June 1, 2019, House Resolution Number 381 was adopted and directs the Office of the Auditor General to conduct a performance audit of the Department of Commerce and Economic Opportunity's (DCEO) Economic Development for a Growing Economy (EDGE) Tax Credit Program. The Resolution contained five specific determinations:

- Whether DCEO is administering the EDGE program in accordance with applicable laws, rules, policies, and procedures;
- Whether DCEO is adequately monitoring EDGE recipients;

- Whether DCEO has implemented the changes required under P.A. 100-511;
- Whether DCEO is regularly assessing the effectiveness of the EDGE program; and
- Whether the EDGE tax incentives in Illinois are similar to programs in surrounding states.

The Resolution also requires the audit to include an analysis of the amount of tax credits approved and number of jobs created or retained.

COVERING ALL KIDS HEALTH INSURANCE PROGRAM (Fiscal Year 2018)

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] and directed the Auditor General to annually audit the ALL KIDS program. This will be the **10th annual audit** and will cover FY18. The focus of this audit will be on "EXPANDED ALL KIDS," which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (children whose family income was greater than 200% of the federal poverty level or who were undocumented immigrants).

This FY18 audit will follow up on the Department of Healthcare and Family Services' and the Department of Human Services' actions to address prior audit findings. There were five audit recommendations made in the FY17 audit report. The FY18 audit report will follow-up on all five recommendations.

Public Act 101-0272, effective August 9, 2019, amended the Covering ALL KIDS Health Insurance Act. This Act requires the Auditor General to perform an audit of the Program on or before June 30, 2022 and every 3 years thereafter (rather than annually). Therefore, upon the completion of this FY18 audit, the ALL KIDS audit will change from being performed annually to being performed every three years.

REGIONAL OFFICES OF EDUCATION

Since 2002, the School Code (105 ILCS 5/2-3.17a) has required the Auditor General's Office to conduct annual audits of the financial statements of all accounts, funds, and other moneys in the care, custody, or control of the regional superintendent of schools of each educational service region in the State. For Fiscal Year 2019, a total of 38 audits are to be performed. ❖

OAG Fraud Hotline

The Auditor General's Office is required by law [30 ILCS 5/2-15, added by P.A. 97-261, effective August 5, 2011] to operate a toll-free fraud hotline for the public to report allegations of fraud in the executive branch of State government. The hotline went into operation at the beginning of January 2012.

The toll free number is 1-855-217-1895. The hotline is available 24 hours a day, 7 days a week. Live operators are generally available Monday-Friday from 8:00 a.m. to 4:00 p.m. (CST).

In addition to calling the toll-free number, other options have been established for the public to report allegations of fraud. The public may also:

- Complete the Fraud Reporting Form on-line located on the OAG web-site (www.auditor.illinois.gov);
- E-mail a description of the allegation to: OAG.Hotline@illinois.gov;
- Contact the Auditor General via telecommunications device for the disabled (TTY) at 1-888-261-2887; or
- Send a written report via the U.S. Postal Service to the following address:
  Fraud Hotline, Auditor General's Office,
  740 E. Ash St., Springfield, IL 62703.

Individuals reporting alleged fraud to the hotline may remain anonymous. However, if the individual chooses not to be identified, the Office's ability to follow up on the allegation may be limited.

More information regarding the reporting of fraud allegations can be found at the Fraud Hotline section of the OAG website. Jurisdiction of the Fraud Hotline does not include the legislative or judicial branches of government, nor units of local government. Other resources the public may use to report fraud if it is outside of the jurisdiction of the OAG can also be found on the website. Even if the Auditor General's Office does not have jurisdiction over the allegation, our hotline manager will try to direct the caller to another State, federal, or local agency that may be able to help.

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THE INFORMATION SYSTEMS AUDIT PROGRAM

AUDITOR GENERAL

Computers are an integral part of State government, processing billions of dollars in financial transactions each year and helping control the operations of State agencies. Since financial transactions and confidential information are processed using computers, audits of information system activities are necessary to ensure that computer processing is secure and accurate.

TESTING CONTROLS AND SYSTEMS

The Auditor General's office plans to continue to emphasize the review of information system controls at State agencies. In 2019, we reviewed the following agencies:

Department of Commerce and Economic Opportunity, Department of Corrections, Department of Healthcare and Family Services, Department of Human Services, Department of Innovation & Technology, Department of Juvenile Justice, Department of Revenue, Department of Veterans' Affairs, Governors State University, Illinois Community College Board, Illinois Gaming Board, Illinois Housing Development Authority, Illinois State University, Illinois Student Assistance Commission, Legislative Information System, Office of the Comptroller, Southern Illinois University, State Board of Education, State Fire Marshal, and **University of Illinois.**

To enhance the control environment, the Auditor General has emphasized the review of networks and the security and control of confidential information. These reviews have focused on the necessity of establishing consistent and effective security policies and programs, performing comprehensive risk assessments, and implementing comprehensive security techniques on all computer systems. ❖

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Thirteen agencies: **Chicago State University, Department of Corrections, Department of Healthcare and Family Services, Department of Human Services, Department of Juvenile Justice, Department of Natural Resources, Department of Revenue, Department of State Police, Department of Veterans' Affairs, Governors State University, Illinois Gaming Board, Illinois State University,** and **Northeastern Illinois University** had not established adequate controls for securing their computer resources. We recommended that these agencies evaluate their computer environments and ensure adequate security controls and policies exist to safeguard computer resources.

Five agencies: **Department of Corrections, Department of Financial and Professional Regulation, Department of Natural Resources, State Fire Marshal,** and **Southern Illinois University** had not completed all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards. We recommended that these agencies at least annually, assess each program accepting credit card payments, review and validate its environment, and ensure agreements with service providers are current and maintained.

Eight agencies: **Department of Corrections, Department of Healthcare and Family Services, Department of Human Services, Department of Innovation & Technology, Department of State Police, Department of Transportation, Illinois Gaming Board,** and **Environmental Protection Agency** had not implemented an effective change management processes to ensure changes to computer applications were properly approved, tested, and documented. We recommended that these agencies develop and implement change management standards to ensure adequate oversight of all changes to computer applications.

Nine agencies: **Department of Corrections, Department of Healthcare and Family Services, Department of Human Services, Department of Innovation & Technology, Department of Veterans' Affairs, Office of State Treasurer, Southern Illinois University, University of Illinois,** and **Western Illinois University** did not perform and document internal control reviews of all external data processing related service providers. We recommended that these agencies obtain or perform independent reviews of internal controls associated with service providers at least annually.

Nine agencies: **Department of Corrections, Department of Innovation & Technology, Department of Juvenile Justice, Department of Natural Resources, Department of State Police, Department of Veterans' Affairs, Illinois Gaming Board, Northeastern Illinois University,** and **Northern Illinois University** had not adequately developed or tested recovery plans to provide for continuation of critical computer operations in the event of a disaster. We recommended that these agencies develop and test disaster contingency plans.

Two agencies: **Department of Healthcare and Family Services** and **Department of Human Services** failed to adequately execute internal controls over the State of Illinois' Integrated Eligibility System (IES). Specifically, management of the Departments did not perform adequate project management functions over the implementation of IES Phase II. We recommended that the Departments take action to establish adequate controls over project management for the development and implementation of major projects, such as IES.

Four agencies: **Department of Children and Family Services, Department of Healthcare and Family Services, Department of Human Services,** and **Department on Aging** failed to execute adequate internal controls over the implementation and operation of the State of Illinois' Illinois-Michigan Program Alliance for Core Technology system (IMPACT). Specifically, the Departments did not establish and maintain general information technology controls over IMPACT which was developed to document and monitor provider enrollment for those providers offering services to recipients of the Medicaid Program administered throughout the State of Illinois. We recommended the Departments implement adequate internal control over the implementation and design of IMPACT, including regular reviews of user access

INFO. SYSTEMS

rights, reviews of edit checks on data integrity, disaster recovery activities, and change management procedures.

The **Department of Innovation & Technology** did not establish adequate controls to ensure project management over the State's Enterprise Resource Planning System (ERP). The Department embarked on the ERP project in order to deliver a modern, integrated IT platform across finance, human capital management and procurement for all State agencies. We recommended the Department establish controls to ensure project management over the State's ERP.

The information systems audit staff also reviewed and tested the systems and procedures at the State's central computer facility operated by the Department of Innovation & Technology. The Department provides IT services, general controls, and application controls for approximately 101 user agencies.

We released a Service Organization Control (SOC) Report regarding the Department's control environment.

The SOC Report contained an adverse opinion as a result of:

- The Department's Description of System contained inaccuracies and omissions.
- The controls stated in its Description of System were not suitably designed to provide reasonable assurance that the control objectives would be achieved.
- The controls stated in its Description of System were not operating effectively.

As a result of this adverse opinion, auditors of these user agencies will likely modify the agency-level risk assessments to accommodate the additional risk to agencies and perform additional procedures to properly address these risks.

Agency officials generally concurred with our recommendations concerning these issues. ❖

Other Office Responsibilities

Annual Audit Advisory

Every year, the Auditor General's Office distributes an Illinois Audit Advisory to all State agencies for the purpose of sharing information that may make their operations more efficient and effective, and increase compliance with State law. Copies of this audit advisory are available on our website at: www.auditor.illinois.gov.

Comptroller's Accounting System Review

The Auditor General is required by law to annually review the Comptroller's Statewide accounting system. This review is accomplished through the Office's audit of the State Comptroller, and by ensuring that all agency audits are performed in accordance with the Auditor General's Audit Guide.

In addition, the Auditor General annually reviews the State Comptroller's pre-audit function. Pre-audit is the primary control over expenditure voucher processing. The State Comptroller pre-audits financial transactions to determine if they are proper and legal.

Peer Review

Peer review is an external quality control review conducted every three years by audit professionals from across the United States who are selected by the National State Auditors Association. The peer review helps to ensure that our procedures meet all required professional standards, comply with Government Auditing Standards, and produce reliable products for the agencies we audit.

The September 2017 peer review of the Auditor General's audit processes resulted in an unmodified (clean) opinion. Additionally, the peer review team did not note any deviations from professional standards that would have required a written letter of comments. Our prior peer reviews, conducted from 1996 to the present, likewise resulted in unmodified opinions. Our next peer review is slated for 2020.

State Actuary

Public Act 97-694, effective June 18, 2012, directed the Auditor General to "contract with or hire an actuary to serve as the State Actuary." Among its duties, the State Actuary is required to "review assumptions and valuations prepared by actuaries retained by the boards of trustees of the State-funded retirement systems" and "issue preliminary reports...concerning proposed certifications of required State contributions submitted to the State Actuary by those boards." [30 ILCS 5/2-8.1 (a) and (b)] In addition, Public Act 100-465, effective August 31, 2017, added a similar requirement for the State Actuary to review the Public School Teachers' Pension and Retirement Fund of Chicago. [40 ILCS 5/17-127(e)]

Through a competitive proposal process, the Auditor General awarded a contract in August 2012 to Cheiron, a full-service actuarial and consulting firm. Cheiron issued its preliminary reports to the public retirement systems in December 2019. As required by statute, the Auditor General submitted a written report to the General Assembly and Governor on December 27, 2019, documenting the initial assumptions and valuations prepared by the actuaries retained by the boards of trustees of the State-funded retirement systems, the State Actuary's preliminary reports, and the responses of each board to the State Actuary's recommendations.

The report is available in its entirety on our website at www.auditor.illinois.gov. ❖

Continuing Professional Education and Training Requirements

The U.S. Government Accountability Office established Government Auditing Standards (the Yellow Book) for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services.

The Yellow Book standard relating to competence specifies that management must assign auditors to conduct the engagement who collectively possess the competence needed to address the engagement objectives and perform their work in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of continuing professional education (CPE) every 2 years. A minimum 24 hours of that CPE should be directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates. The remaining 56 CPE hours should be in subject matter that directly enhances auditors' professional expertise to conduct engagements. Auditors should complete at least 20 hours of CPE in each year of the 2-year period.

Auditors hired or assigned to a GAGAS engagement after the beginning of the 2-year CPE period may complete a prorated number of CPE hours. Also, auditors who charge less than 20 percent of their time annually to engagements conducted in accordance with GAGAS but are not involved in planning, directing, or reporting on the engagement need only comply with the 24-hour requirement.

The most recently completed 2-year period for CPE requirements as measured by the Office of the Auditor General was January 1, 2017, through December 31, 2018. All auditors, audit directors, and information specialists required to meet the CPE standards were in compliance for this 2-year period and are in compliance with current CPE requirements.

Additionally, the Office of the Auditor General is a registered sponsor with the Illinois Department of Financial and Professional Regulation, and complies with the rules of the Illinois Public Accounting Act.

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TRAINING

Claims Due the State and Methods of Collection

As required by law [30 ILCS 205/2 (k)], the Office of the Auditor General is reporting that there were no outstanding claims administered by the Office that were due and payable to the State as of December 31, 2019. The accounts receivables generated by our Office primarily represent billings to other State agencies for reimbursement of audit costs. Reimbursements for federal single audits are deposited into the General Revenue Fund. Reimbursements for audits not associated with federal single audits are deposited or transferred to the Audit Expense Fund. If normal collection methods fail, we request assistance from the Office of the Attorney General. To date we have never used the services of a private collection agency.

Summary of Appropriations and Expenditures

The Office of the Auditor General was funded by appropriations from the General Revenue Fund and Audit Expense Fund for Fiscal Year 2019 (July 1, 2018 to August 31, 2019, including lapse period).

FY 2019 - FINAL

	Appropriation	*Expended*	*Balance*
GRF Operations:			
Personal Services	$5,687,000	$5,686,639	$361
Social Security	$417,000	$413,496	$3,504
Contractual Services	$607,000	$599,148	$7,852
Commodities	$1,000	$628	$372
Paper and Printing	$0	$0	$0
Equipment	$9,500	$5,700	$3,800
EDP	$27,000	$26,416	$584
Telecommunications	$57,000	$53,985	$3,015
Operation of Automotive Equipment	$1,500	$430	$1,070
GRF Operations Total	**$6,807,000**	**$6,786,442**	**$20,558**
Audit Expense Fund:			
Audits/Studies/Invest.	**$28,540,611**	**$24,589,291**	**$3,951,320**

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING
JUNE 30, 2018, AND DECEMBER 31, 2018.
(Released on or before December 31, 2019)

F = Financial Audits   C= Compliance Attestation Examinations   S = Single Audits

AGENCY	*F*	*C*	*S*	*DATE RELEASED*
Attorney General		X		01-29-19
Capital Development Board	X	X		02-27-19
Chicago State University	X			01-23-19
Chicago State University		X	X	03-07-19
Comptroller - Fiscal Officer	X	X		12-27-18
Comptroller - Non-Fiscal Officer		X		06-20-19
Department on Aging		X		08-22-19
Department of Central Management Services	X			04-25-19
Department of Central Management Services – *University Benefit Schedule*		X		12-12-18
Department of Central Management Service – *Teacher Health Insurance Security Fund*	X			04-25-19
Department of Central Management Service – *Teacher Health Insurance Security Fund – Special Report*	X			07-23-19
Department of Central Management Services – Local Gov't Health Insurance Reserve Fund	X			04-25-19
Department of Central Management Services – *Community College Health Insurance Security Fund*	X			04-25-19
Department of Central Management Services – *Community College Health Ins. Security Fund – Special Report*	X			07-23-19
Department of Central Management Services *(Deferred Compensation Plan)*	X			06-20-19
Department of Central Management Services – *State Employee's Group Insurance Program*		X		06-25-19
Department of Children and Family Services	X			08-22-19
Department of Children and Family Services		X		08-22-19
Department of Commerce and Economic Opportunity		X		04-04-19
Department of Corrections	X			04-25-19
Department of Corrections		X		09-18-19
Department of Employment Security	X			06-04-19
Department of Financial and Professional Regulation		X		06-20-19
Department of Healthcare and Family Services	X			08-22-19
Department of Human Services	X			08-22-19
Department of Innovation & Technology (DoIT)		X		07-09-19
Department of Insurance		X		04-18-19
Department of Juvenile Justice				*
Department of Military Affairs				*
Department of Natural Resources – Capital Asset Account	X			01-31-19
Department of Natural Resources		X		07-09-19
Department of Revenue	X			05-23-19
Department of Revenue		X		08-15-19
Department of State Police		X		05-23-19
Department of State Police – Statewide 911 Fund & Wireless Carrier		X		05-23-19
Department of Transportation	X			03-26-19

AGENCY	F	C	S	DATE RELEASED
Department of Transportation		X		07-18-19
Department of Veterans' Affairs		X		06-20-19
Drycleaner Environmental Response Trust Fund Council		X		07-09-19
Eastern Illinois University	X			03-26-19
Eastern Illinois University		X	X	03-26-19
Environmental Protection Agency		X		07-02-19
Environmental Protection Agency – Water Revolving Fund	X			12-19-18
Environmental Protection Trust Fund Commission		X		07-02-19
Executive Ethics Commission		X		11-13-19
General Assembly Retirement System	X			01-23-19
General Assembly Retirement System		X		04-18-19
Governors State University	X			01-29-19
Governors State University		X	X	03-19-19
Illinois Community College Board				*
Illinois Conservation Foundation	X	X		02-06-19
Illinois Finance Authority	X			12-27-18
Illinois Gaming Board – Gaming Fund	X			12-27-18
Illinois Gaming Board		X		03-21-19
Illinois Joining Forces Foundation	X	X		12-11-19
Illinois Housing Development Authority	X			01-29-19
Illinois Housing Development Authority		X	X	06-20-19
Illinois Mathematics and Science Academy	X	X		02-06-19
Illinois Mathematics and Science Academy Fund	X			02-06-19
Illinois Power Agency	X			09-11-19
Illinois Power Agency		X		*
Illinois Racing Board	X			06-04-19
Illinois State Board of Investment	X			12-27-18
Illinois State Board of Investment		X		03-28-19
Illinois State Toll Highway Authority (12/31)	X	X		07-09-19
Illinois State University	X	X	X	01-23-19
Illinois Student Assistance Commission	X			05-23-19
Illinois Student Assistance Commission – Including Golden Apple Scholars of Illinois AUP		X		05-23-19
Illinois Student Assistance Commission - Prepaid Tuition	X			05-23-19
Illinois Workers' Comp. Comm. - Self Insurer's Fund	X			05-16-19
Joint Committee on Administrative Rules		X		10-09-19
Judges' Retirement System	X			01-23-19
Judges' Retirement System		X		04-18-19
Judicial Inquiry Board		X		04-09-19
Law Enforcement Training Standards Board				*
Legislative Ethics Commission		X		01-29-19
Legislative Information System		X		08-15-19
Lottery	X			01-29-19
Metro East Police District (12/31)		X		09-11-19
Northeastern Illinois University	X			01-29-19
Northeastern Illinois University		X	X	03-14-19
Northern Illinois University	X			03-07-19

AGENCY	F	C	S	DATE RELEASED
Northern Illinois University		X	X	03-28-19
Office of the Legislative Inspector General		X		01-29-19
Pollution Control Board		X		07-02-19
Prisoner Review Board		X		*
Procurement Policy Board		X		07-18-19
Property Tax Appeal Board		X		10-09-19
Railsplitter Tobacco Settlement Authority	X	X		03-07-19
Roseland Community Medical District Commission (12/31)		X		09-11-19
Secretary of State	X			05-16-19
Sex Offender Management Board		X		04-18-19
Southern Illinois University	X			03-21-19
Southern Illinois University		X	X	03-28-19
Southwestern Illinois Development Authority		X		07-18-19
State Appellate Defender		X		04-04-19
State's Attorneys Appellate Prosecutor		X		7-18-19
State Board of Education	X			04-04-19
State Board of Education		X		06-20-19
State Employees' Retirement System	X			01-23-19
State Employees' Retirement System		X		04-18-19
Report on Allocation of Pension Amounts	X			04-04-19
State Fire Marshal		X		12-18-19
State Police Merit Board		X		02-06-19
State Universities Retirement System	X			01-03-19
State Universities Retirement System		X		02-14-19
State Universities Retirement System – Report on Allocation of Pension Amounts	X			02-14-19
Statewide Financial Statement Audit	X			08-29-19
Statewide Single Audit - (Federal Funds)			X	08-29-19
Teachers' Retirement System	X			01-03-19
Teachers' Retirement System		X		04-18-19
Teachers' Retirement System – Report on Allocation of Pension Amounts	X			03-12-19
Treasurer – Achieving a Better Life Experience Program (ABLE)	X			01-31-19
Treasurer - College Savings Program	X			03-07-19
Treasurer - Fiscal Officer	X	X		02-06-19
Treasurer - Illinois Funds	X			01-31-19
Treasurer - Securities Lending Program		X		11-14-18
University of Illinois	X			01-23-19
University of Illinois		X	X	03-07-19
Western Illinois University	X			01-23-19
Western Illinois University		X	X	03-19-19

**Report not released as of December 31, 2019*

AUDITS

Regional Office of Education and Intermediate Service Center Financial Audits

FOR THE PERIOD ENDING JUNE 30, 2018
F = Financial Audits   S = Single Audits

AGENCY	*F*	*S*	*DATE RELEASED*
ROE #01: Adams, Brown, Cass, Morgan, Pike, Scott Counties	X		03-26-19
ROE #03: Bond, Christian, Effingham, Fayette, Montgomery Counties	X		05-23-19
ROE # 04: Boone, Winnebago Counties			*
ROE # 08: Carroll, Jo Daviess, Stephenson Counties			*
ROE # 09: Champaign, Ford Counties	X		02-14-19
ROE # 11: Clark, Coles, Cumberland, Douglas, Edgar, Moultrie, Shelby Counties	X		05-23-19
ROE # 12: Clay, Crawford, Jasper, Lawrence, Richland Counties	X		05-09-19
ROE # 13: Clinton, Jefferson, Marion, Washington Counties			*
ROE # 16: DeKalb County	X		09-11-19
ROE # 17: Dewitt, Livingston, Logan, McLean Counties	X		04-04-19
ROE # 19: DuPage County			*
ROE # 20: Edwards, Gallatin, Hamilton, Hardin, Pope, Saline, Wabash, Wayne, White Counties	X		05-16-19
ROE # 21: Franklin, Johnson, Massac, Williamson Counties	X	X	11-21-19
ROE # 24: Grundy, Kendall Counties	X		10-09-19
ROE # 26: Fulton, Hancock, McDonough, Schuyler Counties	X		10-24-19
ROE # 28: Bureau, Henry, Stark Counties	X	X	04-18-19
ROE # 30: Alexander, Jackson, Perry, Pulaski, Union Counties			*
ROE # 31: Kane County	X		05-30-19
ROE # 32: Iroquois, Kankakee Counties	X	X	07-02-19
ROE # 33: Henderson, Knox, Mercer, Warren Counties	X		04-04-19
ROE # 34: Lake County			*
ROE # 35: LaSalle, Marshall, Putnam Counties	X		05-30-19
ROE # 39: Macon, Piatt Counties	X		05-09-19
ROE # 40: Calhoun, Greene, Jersey, Macoupin Counties	X		11-21-19
ROE # 41: Madison County	X		08-22-19
ROE # 44: McHenry County	X		04-18-19
ROE # 45: Monroe, Randolph Counties	X	X	05-30-19
ROE # 47: Lee, Ogle, Whiteside Counties			*
ROE # 48: Peoria County	X		06-20-19
ROE # 49: Rock Island County	X		05-09-19
ROE # 50: St. Clair County	X	X	08-28-19
ROE # 51: Menard, Sangamon Counties			*
ROE # 53: Mason, Tazewell, Woodford Counties	X		03-21-19
ROE # 54: Vermilion County	X		02-14-19
ROE # 56: Will County	X	X	08-28-19
Intermediate Service Center #01: North Cook	X		08-28-19
Intermediate Service Center #02: West Cook			*
Intermediate Service Center #04: South Cook	X		08-22-19

**Report not released as of December 31, 2019*

Performance Audits, Inquiries, & Special Reports

Audits in Progress

- Department of Commerce and Economic Opportunity's EDGE Tax Credit Program
- Department of Children and Family Services' LGBTQ Youth in Care
- Management Audit of Department of Human Services' Process for Selecting Independent Service Coordination Agencies
- Covering All Kids Health Insurance Program

12/19 State Actuary's Report: The Actuarial Assumptions and Valuations of the Five State-Funded Retirement Systems

12/19 Department of Central Management Services Multiple Choice Exams

12/19 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust

11/19 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees

05/19 Department of Children and Family Services Abuse and Neglect Investigations

03/19 Morneau Shepell Contract

03/19 Quincy Veterans' Home

03/19 Medicaid Long-Term Care Eligibility Determination

03/19 Program Audit of the Covering All Kids Health Insurance Program

12/18 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust

12/18 State Actuary's Report: The Actuarial Assumptions and Valuations of the Five State-Funded Retirement Systems

11/18 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees

07/18 Performance Audit of the Department of Human Services' Oversight of the Community Integrated Living Arrangements (CILAs) Program

05/18 Performance Audit of the State's Leasing Decision

01/18 Performance Audit of Medicaid Managed Care Organizations

12/17 State Actuary's Report: The Actuarial Assumptions and Valuations of the Five State-Funded Retirement Systems

12/17 Program Audit of the Covering All Kids Health Insurance Program

12/17 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust

12/17 Program Audit of the Department of Human Services - Office of the Inspector General

11/17 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees

11/17 Health Facilities and Services Review Board and the Certificate of Need Processes

05/17 State Moneys Provided to the Kenwood Oakland Community Organization

Note: A full list of performance audits dating back to 1974 can be found on our website: www.auditor.illinois.gov.

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