



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HUMAN SERVICES

**Financial Audit
 For the Year Ended June 30, 2020**

Release Date: June 30, 2021

FINDINGS THIS AUDIT: 13	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	9	12	2019	9, 10		
Category 2:	1	0	1	2018	11, 12		
Category 3:	0	0	0	2017	1, 2, 6, 7		
TOTAL	4	9	13	2015	5		
FINDINGS LAST AUDIT: 12							

SYNOPSIS

- **(20-01)** The Department does not have an adequate understanding of the suitability of the design of internal control or the operating effectiveness of internal control in place over all data recorded in its financial statements for transactions initiated by other State agencies and recorded in the Department's financial statements.
- **(20-05)** The Departments (DHS and HFS) lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES).
- **(20-06)** The Departments (DHS and HFS) did not maintain adequate internal control to ensure change documentation and applications for benefits and redeterminations of eligibility for benefits were reviewed and/or completed timely.
- **(20-11)** The Department failed to execute an interagency agreement (IA) with the Department of Healthcare and Family Services (HFS) establishing adequate internal controls over the operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT), and failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility and/or during the required monthly screenings for enrolled providers.
- **(20-13)** The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

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

**DEPARTMENT OF HUMAN SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2020**

FINANCIAL INFORMATION - Governmental Funds (in thousands)	FY 2020	FY 2019
REVENUES		
Program revenue: charges for service.....	\$ 48,358	\$ 53,718
Program revenue: operating grants.....	5,344,796	4,649,837
General revenue: taxes, interest and other.....	8,294	12,113
Total revenue.....	<u>5,401,448</u>	<u>4,715,668</u>
EXPENDITURES		
Health and social services.....	9,752,995	8,659,346
Debt service - principal.....	658	525
Debt service - interest.....	759	823
Capital outlays	2,379	38,810
Total expenditures.....	<u>9,756,791</u>	<u>8,699,504</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	4,955,884	4,669,316
Transfers in.....	156,650	148,273
Transfers out.....	(108,760)	(112,348)
Receipts collected & transmitted to the State treasury.....	(263,890)	(200,330)
Lapsed appropriation.....	(305,649)	(338,989)
Other.....	(18,386)	(66,556)
Total other sources (uses).....	<u>4,415,849</u>	<u>4,099,366</u>
Increase in fund balance.....	60,506	115,530
Fund balance, July 1 (as restated).....	382,599	268,271
(Decrease) for changes in inventories.....	638	(1,202)
Fund balance, June 30.....	\$ 443,743	\$ 382,599
SELECTED ACCOUNT BALANCES - June 30,		
Governmental Funds (in thousands)	FY 2020	FY 2019
ASSETS		
Cash and cash equivalents & investments.....	\$ 387,822	\$ 368,885
Due from other governments - federal & local.....	341,061	312,245
Loans, taxes and other receivables, net.....	147,620	134,559
Due from other Department and State funds.....	182,247	15,896
Inventories.....	7,730	6,742
Unexpended appropriations.....	542,071	584,069
Total assets.....	<u>\$ 1,608,551</u>	<u>\$ 1,422,396</u>
LIABILITIES		
Accounts payable and other liabilities.....	\$ 585,069	\$ 542,437
Unearned revenue.....	9,906	17,471
Due to other funds - State, federal, local & Department.....	396,184	364,052
Total Liabilities.....	<u>991,159</u>	<u>923,960</u>
DEFERRED INFLOWS OF RESOURCES	173,649	115,837
FUND BALANCE.....	443,743	382,599
TOTAL LIABILITIES AND FUND BALANCE.....	\$ 1,608,551	\$ 1,422,396
SECRETARY		
During Audit Period and Currently: Grace B. Hou		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**MEDICAL ASSISTANCE PROGRAM FINANCIAL
INFORMATION**

Department does not perform a sufficient review of transactions initiated by other State agencies

The Department of Human Services (Department) does not have an adequate understanding of the suitability of the design of internal control or the operating effectiveness of internal control in place over all data recorded in its financial statements for transactions initiated by other State agencies and recorded in the Department's financial statements.

During our testing of the financial statements, we noted the following:

Department could not provide documentation supporting expenditure reconciliations for its Federal MAP funds

- The Department could not provide documentation of the preparation or the Department's review of expenditure reconciliations for Federal Medical Assistance Program (MAP) funds (Funds 0120, 0142, 0211, 0365, 0502, 0509, and 0718) between amounts reported in the Department's Consolidated Accounting and Reporting System (CARS) and amounts reported in the Grant/Contract Analysis Forms (Form SCO-563s) provided to the Office of Comptroller (IOC) which support the receivable calculation for financial reporting. The amount per the Form SCO-563s (totaling approximately \$377.4 million for total reimbursable costs "TRC" for CFDA 93.767 and 93.778) is a computed amount (a formula), essentially the amount needed to achieve the reported receivable balance provided by the Department of Healthcare and Family Services (HFS), a separate State agency. The Department does not retain a reconciliation between what is reported on the Form SCO-563s (claimable expenditures) and within CARS (all expenditures) for each fund. Additionally, there is no documentation maintained by the Department to support the calculation and methodology used by HFS in preparing the federal receivable amount.

Department does not monitor payments submitted or liabilities calculated by HFS on behalf of the Department

- During testing of expenditures and liabilities, we determined that the Department is not monitoring or reviewing the payments submitted by HFS, or the liabilities calculated by HFS, on behalf of the Department and reported in the Department's financial statements. When HFS submits a request for payment to the IOC, a summary file is also sent to the Department which goes through an interface and is recorded into CARS. An employee in the Department's Fiscal Services Bureau reconciles the payments between CARS and the IOC before accepting them into CARS. Although the Department has documented

their understanding of how transactions for DHS programs are processed within HFS, the Department was not able to provide auditors with documentation of their monitoring performed over the amounts reported in the Department's financial statements. Additionally, we noted Department management is placing reliance on the internal control over the applicable HFS system application based on information obtained during HFS' State Compliance Examination for the two years ended June 30, 2017, which is outdated for transactions processed during FY2020. Currently, the Department receives summarized information from HFS and records the transactions into CARS and the GAAP packages without performing sufficient procedures to determine the accuracy of the information. (Finding 1, pages 78-79)

We recommended the Department assume more responsibility for the transactions and balances reported in its financial statements that are initiated/estimated by other State agencies, including the following: entering into an interagency agreement (IA) with HFS that details the responsibilities of each agency with regards to initiating, processing and recording transactions, and how the sufficiency of internal control over Department transactions will be monitored (i.e. annual internal audit, SOC 1 Type 2 audit, or other), and, once an IA is executed, on a regular basis, the Department should determine if the control system and related monitoring agreed to through the IA, is sufficient to prevent and detect significant financial statement errors. The sufficiency of internal control should be monitored each time there is a major change to MAP/CHIP programs or IT systems used for those programs. We also recommended expenditure and accrual amounts provided by HFS in connection with year-end reporting of Federal MAP receivables should be reconciled to CARS or agreed to reports and source data compiled by HFS.

Department accepted recommendation

The Department accepted the recommendation and stated it will review current internal controls on Federal Medical Assistance Program transactions and balances reported in its financial statements that are initiated and estimated by other State agencies and seek improvements.

INADEQUATE CONTROLS OVER ELIGIBILITY DETERMINATIONS AND REDETERMINATIONS

Inadequate internal controls over eligibility determinations

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES).

The Departments' Integrated Eligibility System (IES) is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, redetermination, Mid-Point Reports and maintenance items, in order to determine eligibility and make payments for the State's human service programs.

21.7% of cases tested did not have adequate documentation of proper certification

In order to conclude if the determination of eligibility was proper, we selected a sample of 60 cases (30 new applications and 30 redeterminations) and tested whether the cases were properly certified (approved or denied) based on non-financial, financial and timeliness criteria. Our testing considered all the documentation contained within the case file, including the scanned documentation supporting caseworker overrides required prior to certification. In 13 of the 60 cases tested (21.7%), we noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification. (Finding 5, pages 90-93)

We recommended the Departments work together to implement additional controls to ensure appropriate documentation of eligibility is obtained at the time of certification and retained in IES, complete certifications of applications and redeterminations timely and correct IES application errors.

DHS accepted the recommendation

DHS accepted the recommendation and stated it will review current guidelines and quality checks for maintaining accurate and thorough case records as well as training resources on proper entry of income. DHS also stated statewide processing management will be utilized to review and assign outstanding requests coming due to certification.

UNTIMELY PROCESSING OF APPLICATIONS FOR BENEFITS, REDETERMINATIONS OF ELIGIBILITY FOR BENEFITS AND ELIGIBILITY CHANGE DOCUMENTATION

Applications and redeterminations were not reviewed and approved or denied within mandated timeframes

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") did not maintain adequate internal control to ensure change documentation and applications for benefits and redeterminations of eligibility for benefits were reviewed and/or completed timely.

As part of our audit procedures, we tested the Departments' compliance with the federal time requirements for approving or denying applications, conducting redeterminations, and working any changes communicated by recipients for the SNAP, TANF, and Medical programs.

- For change documentation (a/k/a maintenance) – When a recipient encounters a change in their situation, which

Backlog of 70,466 change documents as of June 30, 2020

may have an impact on eligibility, the recipient is to notify the Departments of such change. As of June 30, 2020, the Departments had a backlog of 70,466 cases in which information had been received; however, not reviewed. Because the information had not been reviewed, the Departments did not know the program(s) which might be impacted. As such, we were unable to determine the timeliness of processing the information.

Backlog of 35,931 applications as of June 30, 2020

- For initial applications – At June 30, 2020, the Departments had a backlog of 20,511 medical applications, 4,208 SNAP applications, and 2,223 TANF applications, for which the determination of eligibility to receive benefits was not completed timely. Additionally, there were 8,989 applications in which the applicant did not specify the program; therefore, we were unable to determine the timeliness of the application.

Backlog of 881 SNAP/TANF redeterminations as of June 30, 2020

- For redeterminations - As of June 30, 2020, DHS had not timely redetermined the eligibility of 881 SNAP and/or TANF recipients to continue receiving benefits upon receipt of redetermination information from the recipient. In addition, DHS had received redetermination information from 1,145 SNAP and/or TANF recipients; however, due to a defect within IES, the date the information was received was not documented. Because the received date was missing, we were unable to determine the timeliness of these redeterminations. (Finding 6, page 94-96)

We were unable to determine timeliness of 1,145 backlogged redeterminations

We recommended the Departments work together to implement controls to comply with the requirement that applications are reviewed and approved or denied within 45 or 30 days, as applicable, and the Departments establish appropriate controls to both monitor the progress of eligibility redeterminations and ensure those redeterminations occur timely along with any change documentation received.

DHS accepted the recommendation

DHS accepted the recommendation and stated statewide processing management will be utilized to review and assign outstanding requests coming due to certification.

INSUFFICIENT REVIEW AND DOCUMENTATION OF PROVIDER ENROLLMENT DETERMINATIONS AND FAILURE TO EXECUTE INTERAGENCY AGREEMENT

The Department of Human Services (DHS) failed to execute an interagency agreement (IA) with the Department of Healthcare and Family Services (HFS) establishing adequate internal

Failure to establish and implement controls over IMPACT

controls over the operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT), and failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility and/or during the required monthly screenings for enrolled providers.

Insufficient review of enrollment determinations

HFS' and DHS' 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 allows for HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery) services.

Departments did not have IAs defining roles and responsibilities

Auditor Testing and Results

Interagency Agreements

The auditors noted DHS did not enter into or have an existing IA with HFS defining each agencies' roles and responsibilities as they related to IMPACT during fiscal year 2020.

DHS did not utilize IMPACT as book of record

Detail Sample Testing of DHS Providers

During testing, the auditors determined DHS did not utilize IMPACT as the official book of record or rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services to Medicaid recipients.

3% of provider files tested did not have contain an executed Waiver

Further, in order to determine if DHS provider applications were approved in accordance with DHS program specific federal and State laws/rules/regulations, the auditors requested DHS to provide them with a population of its approved providers, identified in IMPACT as DHS providers as of June 30, 2020. From the population provided by DHS, the auditors selected a sample of 60 approved applications for detailed testing. During the detailed testing of the 60 provider files, the auditors noted two (3%) providers did not have an executed Waiver Program Provider Agreement. The two providers were part of the Department of Rehabilitation Services (DRS) Home Services Program (HSP).

DHS did not follow-up on provider eligibility discrepancies identified during monthly screenings

Further, on a monthly basis, IMPACT conducts monthly screenings of provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. During the detailed testing of the 60 provider files, the auditors determined DHS personnel did not consistently follow up on

discrepancies identified in IMPACT during the monthly screenings. (Finding 11, page 106-108)

We recommended DHS management work with HFS to ensure all provider applications are properly reviewed, approved, and the documentation is maintained documented within IMPACT. In addition, we recommended DHS work with HFS to execute a detailed interagency agreement which documents specific roles and responsibilities as they relate to IMPACT. Lastly, we recommended DHS implement internal controls to ensure notifications regarding issues with its programs' providers are being received from HFS and addressed expeditiously.

DHS accepted the recommendation

DHS accepted the recommendation and stated it will work with HFS to ensure provider applications and documentation are thoroughly reviewed at the initial enrollment and at revalidations. DHS also stated an interagency agreement was drafted on April 1, 2020 and is in the process of being finalized and DHS will implement dedicated inboxes to ensure that provider issues received from HFS are expeditiously addressed.

LACK OF CENSUS DATA RECONCILIATIONS

The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data reconciliation not performed

During testing, we noted the Department had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data. (Finding 13, pages 112-113)

We recommended the Department work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

Department accepted recommendation

The Department agreed with the recommendation and stated it will work with CMS and SERS to develop an ongoing reconciliation process. In addition, the Department stated it will generate discrepancy reports to be analyzed by Department Payroll Staff and a plan to correct such discrepancies will be developed by partnering with SERS and CMS staff.

OTHER FINDINGS

The remaining findings pertain to the lack of adequate controls over service providers, revenue not being recorded in the correct fund, errors in computing the allowance of doubtful accounts, insufficient internal controls over changes to IES and

recipient data, inadequate access review procedures for IES, inadequate disaster recovery controls over the IES, insufficient detailed agreement with the Department of Innovation & Technology, inadequate interagency agreement over IES, and inadequate general information technology controls over IMPACT. We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Department of Human Services as of and for the year ended June 30, 2020 are fairly stated in all material respects.

This financial audit was performed by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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