

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

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AGENCY OFFICIALS
THROUGH SEPTEMBER 23, 2016¹

Chair of the Board of Directors (06/14/16 – 09/23/16)	Vacant
Chair of the Board of Directors (01/19/16 – 06/13/16)	Dr. Nicholas E. Panomitros, Esq.
Chair of the Board of Directors (06/23/15 – 01/18/16)	Vacant
Chair of the Board of Directors (07/01/14 – 06/22/15)	Mr. David Holland
Executive Director (Acting) (05/09/16 – 09/23/16)	Mr. Frank Kisner
Executive Director (05/07/16 – 05/08/16)	Vacant
Executive Director (09/28/15 – 05/06/16)	Mr. Mason Budelier
Executive Director (Acting) (01/20/15 – 09/27/15)	Mr. Diego Estrella
Executive Director (01/13/15 – 01/19/15)	Vacant
Executive Director (07/01/14 – 01/12/15)	Mr. Raul Recarey
Chief Financial Officer (05/09/15 – 09/23/16)	Vacant
Chief Financial Officer (Acting) (04/16/15 – 05/08/16)	Mr. Frank Kisner
Chief Financial Officer (10/10/14 – 04/15/15)	Mr. Drasko Petrusich
Chief Financial Officer (07/01/14 – 10/09/14)	Mr. Thomas Nowak
General Counsel (05/07/16 – 09/23/16)	Vacant
General Counsel (02/14/15 – 05/06/16)	Mr. Mason Budelier
General Counsel (07/01/14 – 02/13/15)	Ms. Kerri McBride
Director of Implementation Services (07/01/14 – 09/23/16)	Mr. Diego Estrella
Business and Client Support Analyst (07/01/14 – 09/23/16)	Mr. Frank Kisner
Policy, Privacy, and Compliance Mgr. (07/09/16 – 09/23/16)	Vacant
Policy, Privacy, and Compliance Mgr. (07/01/14 – 07/08/16)	Ms. Krysta Heaney-Huls

AGENCY OFFICIALS
ON AND AFTER SEPTEMBER 23, 2016¹

Director (Interim) (07/11/18 – Present)	Ms. Patricia R. Bellock
Director (Interim) (06/16/18 – 07/10/18)	Ms. Teresa Hursey
Director (09/23/16 – 06/15/18)	Ms. Felicia F. Norwood
Office of Fiscal Management Chief (09/23/16 – Present)	Mr. Jack Dodds
General Counsel (Acting) (02/23/18 – Present)	Mr. Christopher Gange
General Counsel ³ (02/01/18 – 02/22/18)	Vacant
General Counsel ³ (09/23/16 – 01/31/18)	Ms. Molly Zito

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BOARD MEMBERS
THROUGH SEPTEMBER 23, 2016²

Executive Director (Acting) (05/09/16 – 09/23/16)	Mr. Frank Kisner
Executive Director (05/07/16 – 05/08/16)	Vacant
Executive Director (09/28/15 – 05/06/16)	Mr. Mason Budelier
Executive Director (Acting) (01/20/15 – 09/27/15)	Mr. Diego Estrella
Executive Director (01/13/15 – 01/19/15)	Vacant
Executive Director (07/01/14 – 01/12/15)	Mr. Raul Recarey
Director (01/01/15 – 09/23/16)	Vacant
Director (07/01/14 – 12/31/14)	Dr. Bechara Choucair
Director (06/23/15 – 09/23/16)	Vacant
Director (07/01/14 – 06/22/15)	Mr. David Holland
Director (01/13/15 – 09/23/16)	Vacant
Director (07/01/14 – 01/12/15)	Mr. Roger Holloway
Director (07/01/14 – 09/23/16)	Dr. William E. Kobler
Director (01/13/15 – 09/23/16)	Vacant
Director (07/01/14 – 01/12/15)	Dr. Nancy Newby, Ph.D.
Director (07/01/14 – 09/23/16)	Vacant
Director (06/14/16 – 09/23/16)	Vacant
Director (07/01/14 – 06/13/16)	Dr. Nicholas E. Panomitros, Esq.
Director (07/03/15 – 09/23/16)	Vacant
Director (07/01/14 – 07/02/15)	Dr. Bruce Wellman

¹ The Authority, Office of the Governor, and the Department of Healthcare and Family Services entered into an interagency agreement on September 23, 2016, which, in practicality, ended the Authority's existence as an independent, standalone entity and reorganized the functions of the Authority into the Department of Healthcare and Family Services.

² The Illinois Health Information Exchange and Technology Act (20 ILCS 3860/15(a)) states the Authority's Board of Directors shall consist of an Executive Director and an additional eight directors appointed by the Governor with the advice and consent of the Senate.

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AUTHORITY OFFICES

The Authority's office was located at:

James R. Thompson Center
100 W. Randolph Street, Suite 4-750
Chicago, Illinois 60601

The Department of Healthcare and Family Service's administrative offices are located at:

201 S. Grand Avenue East
Springfield, Illinois 62763

2200 Churchill Road
Springfield, Illinois 62702

401 S. Clinton Street
Chicago, Illinois 60607

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200
TTY: (800) 526-5812

July 20, 2018

Honorable Frank J. Mautino
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

Auditor General Mautino:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Health Information Exchange Authority. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Illinois Health Information Exchange Authority's compliance with the following assertions during the two-year period ended June 30, 2016. Based on this evaluation, we assert that during the two years ended June 30, 2016, the State of Illinois, Illinois Health Information Exchange Authority has materially complied with the assertions below.

- A. The State of Illinois, Illinois Health Information Exchange Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Health Information Exchange Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Illinois Health Information Exchange Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Health Information Exchange Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- D. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Health Information Exchange Authority on behalf of the State or held in trust by the State of Illinois, Illinois Health Information Exchange Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

In addition, we are aware of the following noncompliance matters which occurred during the period subsequent to June 30, 2016, which requires disclosure by management under the attestation standards established by the American Institute of Certified Public Accountants (AT-C § 205.48). These matters include the following conditions:

- 1) The State of Illinois, Illinois Health Information Exchange Authority entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.
- 2) The State of Illinois, Illinois Health Information Exchange Authority had excess cash within the Health Information Exchange Fund.
- 3) The State of Illinois, Illinois Health Information Exchange Authority did not exercise adequate internal control over its financial activities.

Yours very truly,

State of Illinois, Department of Healthcare and Family Services
on behalf of the State of Illinois, Illinois Health Information Exchange Authority

SIGNED ORIGINAL ON FILE

Patricia R. Bellock, Director

SIGNED ORIGINAL ON FILE

Jack Dodds, Chief Financial Officer

Christopher Gange, General Counsel (Acting)

In addition, we are aware of the following noncompliance matters which occurred during the period subsequent to June 30, 2016, which requires disclosure by management under the attestation standards established by the American Institute of Certified Public Accountants (AT-C § 205.48). These matters include the following conditions:

- 1) The State of Illinois, Illinois Health Information Exchange Authority entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.
- 2) The State of Illinois, Illinois Health Information Exchange Authority had excess cash within the Health Information Exchange Fund.
- 3) The State of Illinois, Illinois Health Information Exchange Authority did not exercise adequate internal control over its financial activities.

Yours very truly,

State of Illinois, Department of Healthcare and Family Services
on behalf of the State of Illinois, Illinois Health Information Exchange Authority

Patricia R. Bellock, Director

Jack Dodds, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Christopher Gange, General Counsel (Acting)

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COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes contains an adverse opinion on compliance and identifies material weaknesses in internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Findings	26	21
Repeated findings	12	*
Prior recommendations implemented or not repeated	9	*

* Effective February 7, 2014, the Illinois Health Information Exchange Authority became a stand-alone entity. Previously, the Illinois Health Information Exchange Authority operated as a part of the Office of Health Information Technology (OHIT), a unit of the Office of the Governor. As such, comparative data for periods prior to February 7, 2014, is not available.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2016-001	15	Failure to Fulfill the Authority’s Primary Mission	Material Weakness and Material Noncompliance
2016-002	17	Inadequate Decommissioning Plan	Material Weakness and Material Noncompliance
2016-003	19	Inadequate Control over the Destruction of Data	Material Weakness and Material Noncompliance

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<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2016-004	22	Noncompliance with the State Records Act	Material Weakness and Material Noncompliance
2016-005	25	Inaccurate Financial Records	Material Weakness and Material Noncompliance
2016-006	28	Inadequate Control over Expenditures	Material Weakness and Material Noncompliance
2016-007	33	Inadequate Control over Receipts	Material Weakness and Material Noncompliance
2016-008	36	Inadequate Control over Receivables	Material Weakness and Material Noncompliance
2016-009	38	Inadequate Control over Reconciliations	Material Weakness and Material Noncompliance
2016-010	40	Inadequate Segregation of Duties	Material Weakness and Material Noncompliance
2016-011	42	Failure to Establish a Quorum at Board Meetings	Material Weakness and Material Noncompliance
2016-012	44	Inadequate Control over Formulating Contracts	Material Weakness and Material Noncompliance
2016-013	47	Inadequate Control over a Grant	Material Weakness and Material Noncompliance
2016-014	51	Inadequate Control over Equipment	Material Weakness and Material Noncompliance
2016-015	55	Inadequate Control over SOC Reports	Significant Deficiency and Noncompliance
2016-016	57	Unnecessary Purchases	Significant Deficiency and Noncompliance

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<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2016-017	59	Failure to Pay for Office Space	Significant Deficiency and Noncompliance
2016-018	60	Inadequate Control over Public Health Node Payments	Significant Deficiency and Noncompliance
2016-019	62	Inadequate Control over a Vendor Credit	Significant Deficiency and Noncompliance
2016-020	63	Inadequate Control over Interagency Agreements	Significant Deficiency and Noncompliance
2016-021	66	Inadequate Control over Personal Services	Significant Deficiency and Noncompliance
2016-022	69	Inadequate Control over Travel	Significant Deficiency and Noncompliance
2016-023	72	Inadequate Security and Control over Confidential Information	Significant Deficiency and Noncompliance
2016-024	73	Lack of Due Diligence to Ensure Computer Security	Significant Deficiency and Noncompliance
2016-025	75	Inadequate Control over Signature Cards	Significant Deficiency and Noncompliance
2016-026	76	Lack of Board Members	Noncompliance
PRIOR FINDINGS NOT REPEATED			
A	78	Inaccurate Fee Assessments	
B	78	Lack of Controls over Contract Payments	
C	78	Improper Payroll Payments	
D	79	Failure to Maintain Controls over Terminated Participants	

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<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDINGS NOT REPEATED			
E	79	Failure to Adopt Rules Related to Fees and Charges	
F	79	Failure to Adopt Procedures Related to Uncollectible Receivables	
G	80	Failure to Develop Personnel Policies	
H	80	Lack of Effective Project Management	
I	80	Failure to File Required Information with the Comptroller	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department of Healthcare and Family Services personnel, on behalf of the Illinois Health Information Exchange Authority, at an exit conference on July 17, 2018. Attending were:

Department of Healthcare and Family Services

Patricia R. Bellock, Director (Interim)
Chris Kantas, Deputy Director
Shawn McGrady, Chief of Staff
Frank Kisner, Bureau of Collections Assistant Manager
Jamie Nardulli, Chief Internal Auditor
Tom Gentry, Fiscal Operations Bureau Chief (Acting)
Amy Lyons, Audit Liaison
Mike Casey, Finance Division Administrator
Keith Burklow, Federal Finance Bureau Chief

Office of the Auditor General

Daniel J. Nugent, CPA, Senior Audit Manager
Kathy Lovejoy, CPA, CISA, Senior Information Systems Audit Manager
Brian Metzger, CISA, Information Systems Supervisor

The responses to the recommendations were provided by Ms. Patricia R. Bellock, Director (Interim), in a correspondence dated July 20, 2018.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Illinois Health Information Exchange Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2016. The management of the State of Illinois, Illinois Health Information Exchange Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Health Information Exchange Authority's compliance based on our examination.

- A. The State of Illinois, Illinois Health Information Exchange Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Health Information Exchange Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Illinois Health Information Exchange Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Health Information Exchange Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Health Information Exchange Authority on behalf of the State or held in trust by the State of Illinois, Illinois Health Information Exchange Authority have been properly and legally administered, and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Illinois Health Information Exchange Authority complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Health Information Exchange Authority complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Health Information Exchange Authority's compliance with specified requirements.

As described in items 2016-001 through 2016-026 in the accompanying schedule of findings, the State of Illinois, Illinois Health Information Exchange Authority did not comply with the specified requirements listing in the first paragraph of this report. Items 2016-001 through 2016-014 are each considered to represent material noncompliance with the specified requirements. Items 2016-015 through 2016-026 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constitute material noncompliance. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Health Information Exchange Authority to comply with the requirements listed in the first paragraph of this report.

In our opinion, because of the significance and pervasiveness of the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Health Information Exchange Authority did not comply, in all material respects, with the specified requirements listed in the first paragraph of this report during the two years ended June 30, 2016.

The State of Illinois, Department of Healthcare and Family Services' responses, on behalf of the State of Illinois, Illinois Health Information Exchange Authority, to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Department of Healthcare and Family Services' responses, on behalf of the State of Illinois, Illinois Health Information Exchange Authority, were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Illinois Health Information Exchange Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Health Information Exchange Authority's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Health Information Exchange Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Health Information Exchange Authority's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2016-001 through 2016-014 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2016-015 through 2016-025 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Department of Healthcare and Family Services' responses, on behalf of the State of Illinois, Illinois Health Information Exchange Authority, to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Department of Healthcare and Family Services' responses, on behalf of the State of Illinois, Illinois Health Information Exchange Authority, were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2016, and June 30, 2015, in Schedules 1 through 5 and the Analysis of Operations Section is presented for purposes of additional analysis. Because of the significance of the matters described in items 2016-001 through 2016-014 in the accompanying schedule of findings, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
July 20, 2018

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Failure to Fulfill the Authority’s Primary Mission)

The Illinois Health Information Exchange Authority (Authority) no longer operates the Illinois Health Information Exchange (ILHIE).

During testing, we noted the Authority had completely decommissioned and shut down the ILHIE by June 30, 2016. Further, it does not appear the Authority has an adequate plan for its future operations.

The ILHIE consisted of two distinct components. The first component, ILHIE Direct, was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. While the Authority and its predecessors never capitalized the cost of this development, we estimated ILHIE Direct’s cost as, at least, \$3,154,811. The second component, the Public Health Node (PHN), received data transmissions from healthcare providers to validate datasets and support the transmission of datasets in a “meaningful use” format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the Department of Public Health. Again, while the Authority and its predecessors never capitalized the cost of this development, we estimated the PHN’s cost as, at least, \$1,719,462.

The Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10) tasks the Authority with promoting, developing, and sustaining health information exchange efforts by establishing the ILHIE and fostering the widespread adoption of electronic health records and participation in the ILHIE.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe the Authority’s dwindling resources and position in the healthcare marketplace made it increasingly clear to the Authority’s management and the Authority’s Board of Directors that the Authority had failed to create a sustainable health information exchange that could connect approximately 38,000 physicians and 200 hospitals throughout the State.

Failure to operate the ILHIE impedes the Authority from fulfilling its primary statutory mission and represents noncompliance with the Illinois Health Information Exchange and Technology Act. (Finding Code No. 2016-001)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, develop and operate the ILHIE, or seek a legislative remedy.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-001. **FINDING** (Failure to Fulfill the Authority's Primary Mission) (continued)

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted and potential remedies will be considered.

Please note: The Department of Healthcare and Family Services is responding to the findings contained within this audit due to the transfer of the Authority's management duties under an Interagency Agreement effective September 23, 2016. HFS did not have management responsibility for the Authority during the period covered by this audit.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
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For the Two Years Ended June 30, 2016

2016-002. **FINDING** (Inadequate Decommissioning Plan)

The Illinois Health Information Exchange Authority (Authority) failed to adopt a comprehensive decommissioning plan for the Illinois Health Information Exchange (ILHIE) which completely addressed the destruction of personally-identifiable information and health data of individuals within the ILHIE.

During testing, we noted the Authority and its vendor approved the ILHIE's decommissioning plan on May 6, 2016, which was to document the "process and procedures to cease delivery of services". During our review of the plan and its implementation, we noted the following:

- While the vendor developing the ILHIE on the Authority's behalf had contracted with several subcontractors, the decommissioning plan did not require the subcontractors to provide either (1) a certification ILHIE data held by the subcontractor had been properly destroyed or (2) a certification the subcontractor did not maintain any ILHIE data. As a result, the Authority does not have any assurance three of five (60%) subcontractors working on the ILHIE project are not holding personally-identifiable information and health data of individuals within the ILHIE. (For problems noted during our examination of the certifications provided by the other two subcontractors, please see Finding 2016-003).
- The plan was approved 188 days after the final destruction of ILHIE Direct services on October 31, 2015, and 310 days after the vendor began shutting down ILHIE Direct on July 1, 2015. As a result, the vendor and the Authority had not documented its plan for the destruction of ILHIE Direct data or developed a certification process for documenting the destruction of ILHIE Direct data. Further, the final decommissioning plan did not address ILHIE Direct's requirements for the destruction of data and requirements for a certification the data had been destroyed.
- The decommissioning plan requires the vendor to maintain certain protected health information for six years after the final decommissioning of the ILHIE. However, we noted the decommissioning plan does not address the destruction of this data or develop a certification process for documenting the destruction of this data.

The Illinois Health Information Exchange and Technology Act (20 ILCS 3860/5) states one purpose of the ILHIE was "to protect and keep health information secure." Further, the Personal Information Protection Act (Act) (815 ILCS 530/30) requires the Authority to properly dispose of information. Specifically, the Act states, "Any State agency that collects personal data that is no longer needed or stored at the agency shall dispose of the personal data or written material it has

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2016-002. **FINDING** (Inadequate Decommissioning Plan) (continued)

collected in such a manner as to ensure the security and confidentiality of the material.”

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believed these exceptions were due to oversight.

Failure to implement proper controls over the destruction of personal information and health data may result in unauthorized access and subjects the State to an increased risk of litigation. (Finding Code No. 2016-002)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all of the ILHIE’s data is adequately protected from disclosure and secure until it can be verified as destroyed.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-003. **FINDING** (Inadequate Control over the Destruction of Data)

The Illinois Health Information Exchange Authority (Authority) did not ensure data on the Illinois Health Information Exchange (ILHIE) was properly destroyed.

The ILHIE, which was fully decommissioned by June 30, 2016, consisted of two distinct components. The first component, ILHIE Direct, was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. ILHIE Direct services were suspended on July 1, 2015, and the Authority's decommissioning plan required data related to ILHIE Direct to be destroyed by October 31, 2015. The second component, the Public Health Node (PHN), received data transmissions from healthcare providers to validate datasets and support the transmission of dataset in a "meaningful use" format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the State of Illinois, Department of Public Health. The PHN's services were suspended by June 30, 2016.

During our review of the Authority's decommissioning process, we noted the following:

- The Authority was unable to provide documentation any media handled by three of the vendor's five subcontractors (60%) had been properly destroyed.
- The Authority received documentation from two of the vendor's five subcontractors regarding the ILHIE Direct's data on December 16, 2015, and January 5, 2016. We noted neither of the subcontractors provided a listing with the serial number of each computer or other equipment item sanitized, the name of the overwriting software used, and the name, date, and signature of the person who performed the overwriting process. In addition, we found the following:
 - One of the two noted subcontractors stated it was still holding data and that any Protected Health Information (PHI) was encrypted. We were unable to determine what had happened with this data after the subcontractor's e-mail on January 5, 2016.
 - We noted discrepancies in the reporting of destroyed media by one of the two subcontractors. In the subcontractor's December 16, 2015, submission, they reported 380 tapes had been destroyed, while the *ILHIE Backups on Removable Media Report* indicated 363 of 393 tapes had been destroyed by the subcontractor. We were unable to reconcile this discrepancy.

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2016-003. **FINDING** (Inadequate Control over the Destruction of Data) (continued)

In addition, we do not know where these remaining 13 to 30 tapes containing ILHIE data with the subcontractor:

- 1) are stored;
 - 2) whether these tapes are currently adequately secured, or,
 - 3) whether these tapes will be disposed of in accordance with the Personal Information Protection Act (815 ILCS 530/30) and the terms of the contract with the vendor.
- The Authority received an e-mail from its vendor stating they attested to the “full and complete destruction of all data with the physical destruction of all tapes and the overwriting at least 10 times of all on disk data” on August 17, 2016. We noted the vendor did not provide a listing with the serial number of each computer or other equipment item sanitized, the name of the overwriting software used, and the name, date, and signature of the person who performed the overwriting process.

The contract with the vendor (Section 2, Subsections M5 through M7) specifically stated the State was the owner of “all ILHIE data maintained on the ILHIE” and that prior to either the completion or termination of the contract, all data would be returned to the State or destroyed by the vendor. Under the contract with the vendor (Section 2, Subsection M7), the vendor was contractually obligated to clear the State’s data residing on its computer hardware or software (media) to prevent retrieval of the electronically-stored information. If the vendor achieved this by erasing and/or sanitizing the media, the vendor was to certify in writing the overwriting process had been achieved and provide the serial number of the computer or other equipment item, the name of the overwriting software used, and the name, date, and signature of the person who performed the overwriting process. If the vendor achieved this by physically destroying the media, the vendor was to certify in writing the method, date, and time of destruction.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believed these exceptions were due to oversight and human error.

Failure to obtain certification of the destruction of ILHIE’s data resulted in the Authority not having adequate assurance the data was properly destroyed and would not be inappropriately accessed after the destruction date. Further, the State remains exposed to potential legal risks from ILHIE data that was not destroyed in the hands of the vendor and its subcontractors. (Finding Code No. 2016-003)

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2016-003. **FINDING** (Inadequate Control over the Destruction of Data) (continued)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure the ILHIE's decommissioning process is finalized and all of the ILHIE's data is protected from disclosure and secure until it can be verified as destroyed.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-004. **FINDING** (Noncompliance with the State Records Act)

The Illinois Health Information Exchange Authority (Authority) failed to comply with the State Records Act, resulting in an improper destruction of the State's records.

During testing, we noted the following:

- The Authority did not submit lists or schedules of records with a proposal for the length of time each record series warrants retention by the Authority to the State Records Commission. In addition, the Authority's Executive Director did not appoint a records officer to liaison with the Secretary of State regarding the management of the Authority's records.

The State Records Act (5 ILCS 160/18) requires the Authority's Executive Director "submit to the Commission, in accordance with the regulations of the Commission, lists or schedules of records in his or her custody and his or her proposal for the length of time each record series warrants retention for administrative, legal or fiscal purposes after it has been created or received." Further, the State Records Act (5 ILCS 160/9) requires the Authority's Executive Director to appoint a records officer to cooperate with the Secretary of State in managing the Authority's records.

- The Illinois Health Information Exchange (ILHIE), which was fully decommissioned by June 30, 2016, consisted of two distinct components. The first component, ILHIE Direct, was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. The second component, the Public Health Node, received data transmissions from healthcare providers to validate datasets and support the transmission of dataset in a "meaningful use" format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the State of Illinois, Department of Public Health.

On October 31, 2015, the Authority's vendor developing and hosting the ILHIE destroyed the electronic records associated with ILHIE Direct without providing a copy of the records to the Authority. **The destruction of these records occurred with the knowledge and approval of the Authority's management.**

The State Records Act (5 ILCS 160/3(a)) states, "All records created or received by or under the authority of or coming into the custody, control, or possession of public officials of this State in the course of their public duties are the property of the State. These records may not be mutilated,

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2016-004. **FINDING** (Noncompliance with the State Records Act) (continued)

destroyed, transferred, removed, or otherwise damaged or disposed of, in whole or in part, except as provided by law.” Further, the Illinois Administrative Code (44 Ill. Admin. Code 4400.40(c)) provides that 30 days prior to the disposal or destruction of any records, the Authority must submit a Records Disposal Certificate to the Chair of the State Records Commission and only proceed with the disposal of the records after receiving an approved certificate from the Chair of the State Records Commission.

Further, the contract between the State and the vendor to develop and host the ILHIE (Section 2, Hosting Services) provided:

- 1) the State was the owner of all ILHIE data maintained on ILHIE systems;
- 2) the vendor would assure all ILHIE data maintained in the vendor’s hosted environment was migrated back to the State in an exportable tabular format with a data directory prior to the completion or termination of the contract; and,
- 3) the vendor, after the transfer of data back to the Authority and/or migration of the ILHIE to a new or replacement system, would clear the State’s data residing on its computer hardware or software by erasing or wiping/sanitizing in a manner that prevents retrieval of electronically-stored information.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe this was an oversight by the Authority.

Authorizing the destruction of records without receiving the approval of the Commission and failing to both appoint a records officer and submit a schedule of records to the Commission represents noncompliance with the State Records Act and the Illinois Administrative Code, leaves the Authority with incomplete records about activities conducted in ILHIE Direct, and limits the ability of the Commission to oversee the preservation and destruction of the State’s records. Further, failure to enforce contractual terms with the vendor created an environment which permitted noncompliance with the Hosting Services provisions of the contract. (Finding Code No. 2016-004)

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2016-004. **FINDING** (Noncompliance with the State Records Act) (continued)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all of the Authority's remaining records are retained and only destroyed in accordance with the provisions of the State Records Act.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-005. **FINDING** (Inaccurate Financial Records)

The Illinois Health Information Exchange Authority (Authority) did not maintain accurate and complete financial information.

Trial Balance Errors

During testing, we noted the Authority's internal accounting records were not properly prepared and did not agree or reconcile with other records. Specifically, we noted:

- The Authority's trial balance amount for its total expenditures did not reconcile to the State Comptroller's records, with an unreconciled difference of \$2,725 in Fiscal Year 2015.
- The Authority's trial balance amount for its cash balance did not reconcile to the State Comptroller's records, with an unreconciled difference of \$217,648 in Fiscal Year 2015 and \$143,400 in Fiscal Year 2016.
- The Authority's trial balance amount for its accounts payable did not reconcile to the State Comptroller's records, with an unreconciled difference of \$218,948 in Fiscal Year 2015 and \$143,400 in Fiscal Year 2016.
- The Authority's trial balance amount for its total revenues did not reconcile to the State Comptroller's records, with an unreconciled difference of \$75,746 in Fiscal Year 2015.

In following up on these exceptions with Authority officials, it appears these problems stem from the Authority not knowing how to account for transactions occurring during the Lapse Period within its internal accounting software program.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Improper Accounting Treatment

During testing, we noted the Authority did not properly accrue for interest income earned in June of the current fiscal year where the actual cash interest payment did not occur until July of the subsequent fiscal year. We noted the Authority's interest revenue was overstated by \$773 in Fiscal Year 2015 and \$699 in Fiscal Year 2016.

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2016-005. **FINDING** (Inaccurate Financial Records) (continued)

Governmental Accounting Standards Board Statement No. 34 (Paragraph 92), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the presentation of proprietary funds, such as the Authority's Health Information Exchange Fund, under the accrual basis of accounting and the economic resources measurement focus. Further, Governmental Accounting Standards Board Statement No. 34 (Footnote 11) notes transactions occur when something of value passes between two or more parties. Additionally, National Council on Governmental Accounting Statement No. 1 (Paragraph 59), *Governmental Accounting and Financial Reporting Principles*, states that under the accrual basis of accounting, transactions are generally recorded when the transaction occurs, regardless of when cash is received or disbursed.

Unsupported Transactions

During testing, we noted the Authority's trial balance included a contra-revenue account for discounts provided to subscribers of the Illinois Health Information Exchange (ILHIE). We were unable to verify \$107,298 in contra-revenues charged against this account.

The State Records Act (5 ILCS 160/8) requires the Authority's Executive Director to make and preserve records containing adequate and proper documentation of the essential transactions of the Authority designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Authority's activities.

Financial Reporting Problems

During testing, we noted the Authority did not exercise adequate internal control over its annual financial reporting GAAP Packages submitted to the Office of the State Comptroller during Fiscal Year 2015. Specifically, we noted the following:

- We were unable to trace amounts reported by the Authority to the State Comptroller for inclusion within the State's Comprehensive Annual Financial Report with its GAAP Packages to the Authority's supporting documentation.
- The Authority did not have an independent person review its GAAP Packages prior to the GAAP Packages being submitted to the State Comptroller.

The State Comptroller Act (15 ILCS 405/19.5(a)) requires the Authority to submit all financial information deemed necessary by the State Comptroller

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2016-005. **FINDING** (Inaccurate Financial Records) (continued)

to compile the State's Comprehensive Annual Financial Report. In order to achieve this objective, the Statewide Accounting Management System (SAMS) (Procedure 27.10.10) requires the Authority to submit GAAP Packages that are complete and accurate based on a careful examination of the Authority's financial and non-financial data. Good internal controls over financial reporting include ensuring reported information agrees with the Authority's underlying accounting records and an independent person has reviewed the GAAP Packages prior to submitting the GAAP Packages to the State Comptroller.

Impact on the Authority's Fiscal Schedules

Due to the conditions noted in this finding, we were unable to conclude the Authority's *Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016* (Schedule 1), the Authority's *Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2015* (Schedule 2), and the *Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances* (Schedule 3) were complete and accurate.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to human error.

Failure to exercise adequate internal control over financial reporting increases the potential for errors or other irregularities and represents noncompliance with State laws and regulations. (Finding Code No. 2016-005, 2014-001)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure all transactions of the Authority are supported by adequate and complete documentation, properly recorded in the Authority's books and records, and fairly reported to other parties.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Subsequent transactions have been processed via the Department's accounting system.

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2016-006. **FINDING** (Inadequate Control over Expenditures)

The Illinois Health Information Exchange Authority (Authority) failed to exercise adequate internal control over its expenditures. During the examination period, the Authority expended \$4,691,126 from the Health Information Exchange Fund.

Development and Decommissioning of the Illinois Health Information Exchange

During testing of transactions related to the Illinois Health Information Exchange (ILHIE), we selected all 26 vouchers, totaling \$708,990, for payments to the vendor who developed and decommissioned the ILHIE during the examination period. We noted the following problems:

- 26 of 26 (100%) vouchers tested, totaling \$708,990, were not paid in accordance with the terms described within the vendor's contract with the Authority. We noted the Authority paid the vendor prior to the vendor's completion of the contract.

The contractual agreement between the Authority and the vendor (Section 3.7) stated the vendor could only invoice the State at the conclusion of the contract, unless the Authority and the vendor allowed for invoicing throughout the term of the contract when the vendor met certain milestones, deliverables or other events established by further agreement between the vendor and the Authority. We noted the vendor and the Authority never established by a written agreement any milestones, deliverables, or other events which would trigger the Authority's requirement to make a partial payment on the contract.

- One of 26 (4%) vouchers tested, totaling \$192,000, was for the purchase of 2,000 ILHIE Direct user licenses for \$144,000 and 1,000 ILHIE Integrated Direct mailboxes for \$48,000. In response to our inquiry for the Authority's analysis of why the amount of licenses and mailboxes purchased was reasonable, Authority management indicated the purchase was solely based upon the recommendation of the ILHIE manager. We were not provided with either (1) an analysis of the need to purchase these licenses or (2) the total number of users of the ILHIE during the examination period.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal controls over procurements includes ensuring a business case can be made to support why a purchase is both reasonable and necessary to the current needs of the entity.

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2016-006. **FINDING** (Inadequate Control over Expenditures) (continued)

- Three of 26 (12%) vouchers tested, totaling \$117,807, paid the vendor's charges for services rendered in a different fiscal year, totaling \$5,902.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Good internal control includes ensuring vouchers are only payable for costs incurred during the current fiscal year or for the preceding fiscal year if presented to the State Comptroller for payment during the State's Lapse Period.

- 12 of 26 (46%) vouchers tested, totaling \$225,807, paid the vendor's charges for services not described within the contract between the Authority and the vendor, totaling \$206,635.

The Statewide Accounting Management System (SAMS) (Procedure 15.20.30) requires the Authority file professional and artistic contracts exceeding \$20,000 with the State Comptroller which include a "reasonably detailed description of services to be rendered" by the contractor. Good internal controls include ensuring a written amendment is prepared prior to beginning work on any services not described within the original contractual agreement to protect the legal and financial rights of the State and the vendor.

Internal Controls over Voucher Processing

We selected 56 vouchers, totaling \$1,586,997, for testing of the Authority's internal controls over voucher processing. We noted the following exceptions:

- Nine of 56 (16%) vouchers tested, totaling \$70,082, did not include the Catalog of Federal Domestic Assistance (CFDA) number associated with the federal grant program supporting the Authority's expenditures.

SAMS (Procedure 17.20.20) requires the Authority record the appropriate CFDA number in Box 20 of the standard invoice voucher (Form C-13). Additionally, SAMS (Procedure 17.20.10) requires the Authority record the appropriate CFDA number in Column 20 of the standard travel voucher (Form C-10). Finally, the grant agreement between the Authority and the Office of the National Coordinator for Health Information Technology specified expenditures under the Coordinating Care for a Healthy Illinois project were associated with CFDA number 93.719.

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2016-006. **FINDING** (Inadequate Control over Expenditures) (continued)

- 14 of 56 (25%) vouchers tested, totaling \$72,295, were coded with incorrect detail object codes.

SAMS (Procedure 11.10.50) states the purpose of assigning a correct detail object code is to report expenditure information at a more refined level within a common object.

- Four of 56 (7%) vouchers tested, totaling \$42,771, did not have the obligation number associated with the expenditure entered on the voucher prior to submitting the voucher to the State Comptroller for payment. This error resulted in the State Comptroller not being informed of all expenditures paid by the Authority associated with its contracts on file with the State Comptroller, which limits the usefulness of the State Comptroller's encumbrance basis accounting records.

SAMS (Procedure 17.20.20) requires the Authority record the obligation number in Column 20 of the standard invoice voucher (Form C-13).

- Seven of 56 (13%) vouchers tested, totaling \$104,338, did not have a signed verification from the receiving officer that the goods or services meet the stated specifications.
- One of 56 (2%) vouchers tested, totaling \$4,612, was not supported by a vendor's invoice and the voucher was not completed with the vendor's invoice number and invoice date. We noted the voucher was only supported by a quote from the vendor.

SAMS (Procedure 02.50.40) states, "Timely payments to contractors/vendors must be based on proper invoices approved by authorized persons and reconciled with ordering and receiving documents." Further, SAMS (Procedure 17.20.20) requires the receiving officer who verified the goods or services meet the stated specifications must forward the invoice to the Authority's accounting department for preparation of a standard invoice voucher (Form C-13). In addition, SAMS (Procedure 17.20.20) notes the Authority is required to report in Box 7 the vendor's invoice number and in Box 8 the vendor's invoice date on the Form C-13 submitted to the State Comptroller for payment. Finally, good internal controls over expenditures includes having the receiving officer certify the goods or services meet the stated specifications on the standard invoice voucher (Form C-13) in Box 25 where a line exists for the receiving officer's signature.

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2016-006. **FINDING** (Inadequate Control over Expenditures) (continued)

- Two of 56 (4%) vouchers tested, totaling \$4,669, did not have an approved “Request for Funds” form.

Before purchasing an item, the Authority requires preapproval for all purchases by the Chief Financial Officer, the Executive Director, and (if applicable) the General Counsel on a Request for Funds form.

- Three of 56 (5%) vouchers tested, totaling \$603, were for equipment items, including wireless microphones with an acquisition value of \$546 and a library book, that were not added to the Authority’s equipment listing.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.220) requires the Authority to annually inventory and submit a listing of all equipment items with an acquisition value of \$500 or more to the Department of Central Management Services and maintain internal control records for equipment items with an acquisition value of less than \$500.

- One of 56 (2%) vouchers tested, totaling \$300,000, were approved for payment 34 days after the receipt of the invoice, four days late.

A good system of internal controls includes approving invoices for payment within a reasonable period of time.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to insufficient employee training and oversight.

Failure to exercise adequate internal control over expenditures increases the risk of litigation, reduces the reliability of Statewide financial records, and represents noncompliance with the State law. Further, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2016-006, 2014-018)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all of the Authority’s remaining expenditure transactions are processed in adherence with applicable laws, regulations, and contracts.

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2016-006. **FINDING** (Inadequate Control over Expenditures) (continued)

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Subsequent transactions have been processed via the Department's accounting system.

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2016-007. **FINDING** (Inadequate Control over Receipts)

The Illinois Health Information Exchange Authority (Authority) did not exercise adequate control over its receipts.

Processing Errors

During testing of 14 Receipt Deposit Transmittals (RDTs), with 67 unique receipt transactions totaling \$976,619, we noted the following:

- 59 of 67 (88%) receipts tested, totaling \$916,977, did not have documentation detailing the date when the Authority received the receipt. As such, we were unable to determine whether these receipts had been deposited within the timeframes established by the State Officials and Employees Money Disposition Act (Act) (30 ILCS 230/2).

The Act (30 ILCS 230/2(a)) requires the Authority keep proper books with a detailed itemized account of each receipt, including the date when the receipt was received by the Authority.

- 20 of 67 (30%) receipts tested, totaling \$47,816, did not have adequate documentation to support the transaction. We noted receipts were missing various elements of supporting documentation, including photocopies of the original checks, bank deposit records, and the Treasurer's Draft from the Office of the State Treasurer.
- 62 of 67 (93%) receipts tested, totaling \$640,267, were invoices related to billings prepared by the Authority for the usage of services provided to subscribers of the Illinois Health Information Exchange (ILHIE). Due to a lack of documentation, we were unable to determine the underlying billing was charged to the correct fiscal period.

The State Records Act (5 ILCS 160/8) requires the Authority's Executive Director to make and preserve adequate and proper documentation of the essential transactions of the Authority to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Authority's activities.

- 2 of 67 (3%) receipts tested, totaling \$270,017, were not recorded under the correct receipt code.

The Statewide Accounting Management System (SAMS) (Procedure 25.20.10) requires the Authority enter the correct receipt account code from the State's Chart of Accounts to accurately account for the receipt.

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2016-007. **FINDING** (Inadequate Control over Receipts) (continued)

- 2 of 14 (14%) RDTs tested, totaling \$56,890, did not have the Catalog of Federal Domestic Assistance (CFDA) number associated with the receipts from federal programs.

SAMS (Procedure 25.20.10) requires the Authority enter the CFDA number associated with receipts for federal programs on the RDT.

Internal Control over the Agency Fee Imposition Report

During testing, we noted the Authority generally charged fees for access to the Illinois Health Information Exchange (ILHIE) to subscribers until the conclusion of Fiscal Year 2015. During our testing of the Authority's Fiscal Year 2015 Agency Fee Imposition Report, we noted the following:

- The Authority was unable to determine the number of subscriber fees charged during the fiscal year.
- The Authority's Client Deposit Log did not document the date when a payment by a subscriber was received, which limited our ability to conclude the Authority's Agency Fee Imposition Report was complete and accurate.
- The Authority filed its Agency Fee Imposition Report with the Office of the State Comptroller (Comptroller) nine days late.

SAMS (Procedure 33.16.20) requires the Authority to prepare and file an Agency Fee Imposition Report with the Comptroller by August 1 of each year providing information regarding fees charged by the Authority to citizens and private organizations, including the number of members of the population who were charged the fee, the fee rate, and the amount of cash receipts collected during the prior fiscal year related to the fee.

Failure to Request an Update to the State's Chart of Accounts

During testing of the Authority's chart of accounts, we noted the Authority did not notify the Comptroller to request an update the State's Chart of Accounts for the receipt of federal funds from the Office of the National Coordinator for Health Information Technology. We noted, however, that the Authority did update its internal Chart of Accounts to reflect this new source of funds.

SAMS (Procedure 09.20.40) notes the Statement of General Policy regarding the State's Chart of Accounts calls for the Authority, when receiving money earmarked for a State Trust Fund such as the Health Information Exchange Fund, seek to

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2016-007. **FINDING** (Inadequate Control over Receipts) (continued)

establish separate revenue accounts for each specific revenue source within an existing State Trust Fund by requesting a new receipt source code within the State's Chart of Accounts by filing a Chart of Accounts Maintenance and Inquiry Form (Form C-45) with the Comptroller. In addition, good internal controls over accounting include ensuring receipts coming from different revenue sources are appropriately segregated within an entity's Chart of Accounts.

Impact on the Authority's Fiscal Schedules

Due to the conditions noted in this finding, we were unable to conclude the Authority's *Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller* (Schedule 5) and the associated *Analysis of Significant Variations in Receipts* (Analysis of Operations) were complete and accurate.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to oversight.

Failure to exercise adequate internal control over receipts increases the potential for errors or other irregularities and represents noncompliance with State laws and regulations. (Finding Code No. 2016-007, 2014-017)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all of the Authority's remaining receipt transactions are processed in adherence with applicable laws and regulations.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Subsequent transactions have been processed via the Department's accounting system.

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2016-008. **FINDING** (Inadequate Control over Receivables)

The Illinois Health Information Exchange Authority (Authority) did not exercise adequate control over receivables.

Failure to Record Accounts Receivable Transactions

During testing, we met with the Authority officials to ascertain whether the Authority had maintained accounts receivable records during the examination period. During this meeting, Authority officials indicated the Authority:

- 1) did not have complete accounts receivable records;
- 2) did not always bill subscribers of the Illinois Health Information Exchange (ILHIE);
- 3) did not have a policy for subscriber fees and the Authority's actions had not been approved by its Board of Directors;
- 4) did not charge some subscribers for ILHIE Direct Services; and,
- 5) could not explain discrepancies between the amount of fees due to the Authority as noted in:
 - a. contractual agreements signed by the Authority with the subscriber;
 - b. billings generated by the Authority; and,
 - c. the amount of cash actually remitted by the subscriber.

Failure to Record Intergovernmental Receivables

In addition, we noted the Authority did not properly record amounts due from (representing intergovernmental accounts receivable) the Department of Public Health (DPH) and recognized revenue in the improper fiscal year. We noted the following:

- The Authority improperly recognized revenue of \$270,000 in Fiscal Year 2015 related to an unrecorded due from DPH at June 30, 2014.
- The Authority did not record an accounts receivable and correspondingly recognize revenue for \$280,000 due from DPH at June 30, 2016.

Population Records and Impact on the Authority's Fiscal Schedules

Due to these conditions, we were unable to conclude whether the Authority's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Authority's accounts receivable.

In addition, due to these conditions, the Authority was unable to provide a complete and accurate *Analysis of Accounts Receivable*.

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2016-008. **FINDING** (Inadequate Control over Receivables) (continued)

The Illinois State Collection Act of 1986 (30 ILCS 210/4) requires the Authority to establish and record amounts owed to the State and report to the State Comptroller information about the Authority's accounts receivable and uncollectible claims.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to oversight.

Failure to properly record and collect upon amounts due to the State represents noncompliance with State law and reduces the amount of resources available to fulfill the Authority's mission. (Finding Code No. 2016-008, 2014-004)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all of the Authority's remaining accounts receivable transactions are properly recorded and accounted for in compliance with applicable laws and regulations.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Subsequent transactions have been processed via the Department's accounting system.

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2016-009. **FINDING** (Inadequate Control over Reconciliations)

The Illinois Health Information Exchange Authority (Authority) did not properly perform or prepare all of the reconciliations required by the Statewide Accounting Management System (SAMS).

During testing, we noted the following:

- The Authority did not perform any monthly reconciliations of the Agency Contract Report (SC14), the Obligation Activity Report (SC15), and the Monthly Object Expense/Expenditures By Quarter Report (SA02) during the examination period.
- The Authority ceased performing reconciliations of the Monthly Revenue Status Report (SB04) after August 2014. As such, we noted the Authority failed to prepare 22 of 24 (92%) required monthly reconciliations from the Authority's internal records to the SB04 reports.
- The Authority ceased performing reconciliations of the Monthly Appropriations Status Report (SB01) after August 2014. As such, we noted the Authority failed to prepare 27 of 29 (93%) required monthly reconciliations from the Authority's internal records to the SB01 reports.
- In regards to the Authority's reconciliations to the Monthly Cash Report (SB05), we noted the following problems:
 - Three of 24 (13%) monthly reconciliations were performed between 3 to 47 days late;
 - Three of 24 (13%) monthly reconciliations had unreconciled errors between \$818 and \$440,216, which we concluded were likely due to the Authority using an incorrect amount for cash in-transit; and,
 - Seven of 24 (29%) ending cash balances had unreconciled errors between \$818 and \$218,948, which we concluded were likely due to the Authority improperly accounting for transactions during the Lapse Period and not using the proper reconciliation format.

SAMS (Procedure 07.30.20) notes "the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied." As such, SAMS Procedures 11.40.10, 25.40.10, 09.40.10, 07.30.21, 15.30.10, and 15.30.20 establish processes for a monthly reconciliation of the SB01, SB04, SB05, SA02, SC14, and SC15 reports generated by the Office of the State Comptroller.

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2016-009. **FINDING** (Inadequate Control over Reconciliations) (continued)

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, they believe these exceptions were due to oversight and human error.

Failure to reconcile the Authority's records to the State Comptroller's records represents noncompliance with SAMS and could result in incomplete or inaccurate financial information. (Finding Code No. 2016-009, 2014-005)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all of the Authority's remaining reconciliations are timely performed and documented in accordance with SAMS.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-010. **FINDING** (Inadequate Segregation of Duties)

The Illinois Health Information Exchange Authority (Authority) did not have an adequate segregation of duties over its accounting and recordkeeping functions.

During testing, we noted the following:

- For expenditures, the Authority's Executive Director had the authority to perform all parts of the transaction cycle, including:
 - **Authorization** by reviewing and approving transactions, including having signature authority for all transactions;
 - **Custody** by maintaining electronic and physical records and submitting the expenditure for payment to the State Comptroller;
 - **Recordkeeping** by preparing entries and maintaining the Authority's internal accounting records; and,
 - **Reconciliation** by preparing reconciliations to the State Comptroller's records to verify each transaction's validity, proper authorization, and entry into the Authority's accounting records.

- For receipts, the Authority's Executive Director had the authority to perform all parts of the transaction cycle, including:
 - **Authorization** by reviewing and approving transactions, including both depositing funds into the State Treasury's clearing accounts and preparing Receipt Deposit Transmittals or Expenditure Adjustment Transmittals;
 - **Custody** by handling and depositing physical checks and money orders and maintaining electronic and physical records;
 - **Recordkeeping** by preparing entries and maintaining the Authority's internal accounting records; and,
 - **Reconciliation** by preparing reconciliations to the State Comptroller's records to verify each transaction's validity, proper authorization, and entry into the Authority's accounting records.

We noted one compensating control, as the Director of Implementation Services would perform reviews of the Executive Director's work. However, the condition where one person has the authority to perform all functions represents a significant control weakness.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and

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2016-010. **FINDING** (Inadequate Segregation of Duties) (continued)

accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe the Authority's staff size limited the Authority's ability to further segregate incompatible duties.

Failure to limit the ability of one person to have the authority to perform all functions of a transaction increases the likelihood a loss from errors or irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2016-010, 2014-002)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure an appropriate segregation of incompatible duties is achieved for all of the Authority's remaining transactions.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Subsequent accounting functions have been performed by the Department's Bureau of Fiscal Operations, providing opportunity for segregation of duties.

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2016-011. **FINDING** (Failure to Establish a Quorum at Board Meetings)

The Illinois Health Information Exchange Authority (Authority) did not comply with the Open Meetings Act or establish a quorum prior to conducting public business at meetings of the Authority's Board of Directors (Board).

During testing, we noted the following:

- At two of seven (29%) meetings of the Authority's Board, the Board established a quorum and conducted business even though a majority of the Board's members attending the meeting were not physically present at the Board's meeting.

The Open Meetings Act (5 ILCS 120/2.01) requires a majority of the members of a public body be physically present at the location of an open meeting to establish the required quorum.

- At three of seven (43%) meetings of the Authority's Board, the Board conducted business with less than five members present (either in person or by telephone). Two of the meetings were conducted with four members and one meeting was conducted with three members.

The Illinois Health Information Exchange and Technology Act (20 ILCS 3860/15) establishes the Authority's Board consists of nine members appointed by the Governor and requires the Board conduct business by a majority of its appointed members. For quorum purposes, the Authority's Board needs five members to conduct business.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated the Governor has not filled vacancies on the Authority's Board of Directors.

Failure to establish a proper quorum at a meeting of the Authority's Board prior to conducting public business represents noncompliance with the Open Meetings Act and the Illinois Health Information Exchange and Technology Act. (Finding Code No. 2016-011)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure any meetings of the Authority's Board of Directors establish a quorum prior to conducting business.

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2016-011. **FINDING** (Failure to Establish a Quorum at Board Meetings) (continued)

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
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2016-012. **FINDING** (Inadequate Control over Formulating Contracts)

The Illinois Health Information Exchange Authority (Authority) lacked adequate internal controls over formulating and reporting contractual agreements to the State Comptroller.

During testing, we noted the following:

- Four of four (100%) contractual agreements, totaling \$3,459,600, did not have a disclosure of the financial interests of the contractors and subcontractors.

The Illinois Procurement Code (Code) (30 ILCS 500/50-35) requires all bids and offers from contractors with an annual value exceeding \$50,000 include a disclosure of the financial interests of the contractor and any subcontractors to be used in fulfilling the contract.

- Four of four (100%) contractual agreements, totaling \$3,459,600, did not have evidence to support proper notifications about the requirements of the Data Processing Confidentiality Act (Act) (30 ILCS 585) had occurred. Specifically, we noted:
 - For two of the noted contractual agreements, neither the contractor developing the Illinois Health Information Exchange (ILHIE) nor the Authority had informed the seven subcontractors working on the project about the requirements of the Act.
 - For the other two noted contractual agreements, the Authority had not informed the contractor about the requirements of the Act.

The Act (30 ILCS 585/1) requires the Authority, since it is subject to confidentiality requirements as to the information it possesses on the ILHIE, must notify receivers of the confidential information in writing of the Authority's confidentiality requirements, including penalties for violating the confidentiality requirements.

- Two of four (50%) contractual agreements, totaling \$1,160,000, did not have all of the required clauses and certifications.

The Code requires every contract to include a certification the contractor and subcontractors:

- have not been convicted of bribery (30 ILCS 500/50-5(d));
- have not been convicted of a felony until five years after completing the sentence for the associated felony, unless no person associated

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2016-012. **FINDING** (Inadequate Control over Formulating Contracts) (continued)

with the felony has any involvement with the business (30 ILCS 500/50-10(b));

- have not been convicted of a felony under the Sarbanes-Oxley Act of 2002 or a Class 2 or 3 felony under the Illinois Securities Law of 1953 within the past five years (30 ILCS 500/50-10.5(b));
- are not delinquent in the payment of any debt due to the State, unless the entity has entered into a payment plan with the State to pay off the debt (30 ILCS 500/50-11(b));
- has collected and remitted Illinois Use Tax (30 ILCS 500/50-12(b));
- have not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the past five years, unless no person associated with the violation has any involvement with the business (30 ILCS 500/50-14(c)); and,
- is either not required to register as a business entity with the State Board of Elections or it has registered and acknowledges it has a continuing duty to update its registration.

Further, the Drug Free Workplace Act (30 ILCS 580/3) requires all contractors with 25 or more employees to certify it will provide a drug free workplace and perform certain actions to promote a drug free workplace. Additionally, the International Anti-Boycott Certification Act (30 ILCS 582/5) requires every contract entered into by the State for the manufacture, furnishing, or purchasing of supplies, material, or equipment or for the furnishing of work, labor, or services, in an amount exceeding \$10,000, certify the contractor agrees the contractor has not and will not violate of the provisions of the U.S. Export Administration Act of 1979 or the corresponding federal regulations.

- Two of four (50%) contractual agreements, totaling \$1,160,000, did not have a unique contract and/or obligation number.

The Statewide Accounting Management System (SAMS) (Procedure 15.20.10) requires the Authority assign unique contract and/or obligation numbers to each contract, which cannot be used again in subsequent fiscal years.

- Two of four (50%) contractual agreements, totaling \$1,160,000, did not have the correct reference number from the Illinois Procurement Bulletin on the contract's Contract-Obligation Document (Form C-23) filed with the Office of the State Comptroller by the Authority.

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2016-012. **FINDING** (Inadequate Control over Formulating Contracts) (continued)

SAMS (Procedure 15.20.10) requires the Authority report the reference number of the solicitation from the Illinois Procurement Bulletin on a contract's Form C-23 filed with the Office of the State Comptroller.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to implement internal fiscal and administrative controls to provide assurance obligations and costs are in compliance with applicable law.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these errors were due to oversight.

Failure to ensure compliance with contract formation and filing requirements resulted in contractors and subcontractors not disclosing their financial interests, hindered governmental oversight, and resulted in noncompliance with several State laws and regulations. (Finding Code No. 2016-012, 2014-008)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure any contracts entered into by the Authority comply with applicable laws and regulations.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-013. **FINDING** (Inadequate Control over a Grant)

The Illinois Health Information Exchange Authority (Authority) did not exercise adequate internal control over a grant.

During the examination period, the Authority received a Coordinating Care for a Healthy Illinois grant from the U.S. Department of Health and Human Services, Office of the National Coordinator for Health Information Technology (ONC), totaling \$2,478,193. The Authority incurred expenses of \$210,586 related to this grant during the two years ended June 30, 2016.

During testing, we noted the following:

- The Authority did not file required reports timely. We noted one of four (25%) quarterly Cash Transaction Reports was filed 18 days late, two of two (100%) semi-annual Federal Financial Reports (SF-425) were filed 11 and 136 days late, and two of four (50%) quarterly Program Progress Reports were filed 17 and 109 days late.

The grant agreement between the Authority and the ONC requires the Authority prepare each quarter's Cash Transaction Report by the end of the subsequent month and each semi-annual report by the end of April and October each year. In addition, the grant agreement requires the Authority to prepare quarterly ONC Program Progress Reports and references the Code of Federal Regulations (Code) (2 C.F.R. § 200.328). Further, the Code (2 C.F.R. § 200.328(b)(1)) requires the Authority prepare performance reports within 30 days after the end of each quarterly reporting period.

- The Authority did not exercise adequate internal control over financial transactions with its subrecipients. We noted the following:
 - The Authority could not quantify or show documentation to substantiate the Authority's subrecipients met the required in-kind matching requirement. As the reimbursements for the Authority's expenses totaled \$54,743, the total unmet matching requirement was \$51,948.

The grant agreement between the Authority and the ONC requires the subrecipients contribute, at least, \$1 in non-federal resources towards the program's cost for every \$3 federal dollars.

- 10 of 17 (59%) subrecipient reimbursements, totaling \$155,843, were questioned by us. The following chart on the subsequent page details the questioned costs:

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2016-013. **FINDING** (Inadequate Control over Grant) (continued)

Costs Incurred Prior to Signing the Grant Agreement	\$ 934
No Support for Meeting the Requirements of the Grant Agreement	3,248
Inadequate Support for Meeting the Requirements of the Grant Agreement	33,292
Illegible Supporting Documentation	99
No Business Purpose	122
Incorrect Calculation of Fringe Benefits and/or the Indirect Cost Rate	2,452
Total Questioned Costs: \$ 40,147	

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are used effectively, efficiently, and in compliance with applicable law.

- The Authority did not enforce compliance with its grant agreements with subrecipients. We noted 11 of 17 (65%) subrecipient expenditure reimbursement requests, totaling \$103,807, were submitted between 26 and 194 days late.

The grant agreement between the Authority and its subrecipients required the subrecipients to invoice the Authority for each month's operational support provided for the project during the subsequent month.

- The Authority did not timely submit requests to the ONC for payment of subrecipient costs invoiced to the Authority. We noted 12 of 17 (71%) drawdown requests, totaling \$108,273, were submitted to the ONC between two and 49 days late.

The grant agreement between the Authority and its subrecipients required the Authority to submit drawdown requests to the ONC within 10 days of receiving an invoice from the subrecipients.

- One of 17 (6%) subgrantee requests for payment, totaling \$1,286, was paid by the Authority before it had received its reimbursement from the ONC.

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2016-013. **FINDING** (Inadequate Control over Grant) (continued)

The grant agreement between the Authority and its subrecipients stated the Authority would disburse cash to the subrecipients for its reimbursement requests only after payment on the request was received from the ONC.

- The Authority did not exercise adequate controls over its own (not including subrecipients) transactions. We noted the following:
 - The Authority met its own (not including subrecipients) federal matching requirement of \$1 for every \$3 spent by the ONC on the grant by using cash on deposit within the Health Information Exchange Fund, which originated from federal sources. As the reimbursements for the Authority's expenses totaled \$54,743, the total unmet matching requirement was \$18,248.

The grant agreement between the Authority and the ONC requires the Authority contribute, at least, \$1 in non-federal resources towards the program's cost for every \$3 federal dollars.

- The Authority did not submit reimbursement requests to the ONC in a timely manner for its own expenses. We noted four of seven (57%) drawdown requests, totaling \$51,763, were submitted for reimbursement between 25 and 125 days after the Authority had incurred the expense.

The Illinois State Collection Act of 1986 (30 ILCS 210/3) states it is the public policy of the State to aggressively pursue the collection of all accounts or claims due and payable to the State.

- One of six (17%) out-of-State travel disbursements, totaling \$986, did not have documentation of the trip's approval by the Governor's Office of Management and Budget.

The Illinois Administrative Code (80 Ill. Admin. Code 2800.700(b)) requires the Authority obtain the approval of the Governor's Office of Management and Budget prior to the travel.

- The Authority did not have a reasonable and consistent methodology for determining interstate and intrastate charges to its federal grant.

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2016-013. **FINDING** (Inadequate Control over Grant) (continued)

The grant agreement between the Authority and the ONC states, “It is the [Authority’s] responsibility to track and appropriately document expenditures for each funding stream and to provide justification regarding eligible program activities to be charged to both categories.” We noted a total of \$1,325,034 in interstate and \$1,153,159 in intrastate funds were awarded to the Authority.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to implement internal fiscal and administrative controls to provide assurance obligations and costs are in compliance with applicable law.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these errors were due to oversight and human error.

Failure to maintain adequate internal control over this federal grant resulted in unallowable and questioned costs, noncompliance with the terms of the grant agreement between the Authority and the ONC, and noncompliance with State law and federal regulations. Further, the State may be subject to additional legal risks and may have to repay the federal government for the questioned costs identified by us and provide State funds or in-kind contributions to meet the matching requirement. (Finding Code No. 2016-013)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, work with the ONC to determine whether any amounts are due to the federal government.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-014. **FINDING** (Inadequate Control over Equipment)

The Illinois Health Information Exchange Authority (Authority) lacked adequate internal control over its State property and equipment.

During testing, we noted the following:

- 39 of 186 (21%) equipment items held by the Authority at June 30, 2016, appeared to be obsolete or unused and were not reported as transferable equipment to the Property Control Division of the Department of Central Management Services (CMS). Some of the noted items were 36 recently purchased audio equipment items, eight iPhones, five Chromebooks, three Blackberry phones, a desktop computer, and a laptop.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.600) defines transferable equipment as State-owned equipment which is no longer needed and/or is not useful to the Authority. Further, the Code (44 Ill. Admin. Code 5010.620) requires the Authority to regularly survey its inventory to identify transferable equipment and report it to the Property Control Division of the CMS.

Authority management stated management at the Department of Healthcare and Family Services (Department) had directed the Authority not to remove any more property from the Authority until the Department had time to evaluate all of the Authority's remaining equipment.

- We were unable to reconcile the Authority's equipment expenditures reported on the State Comptroller's Object Expense/Expenditures by Quarter Report (SA02) to the equipment reported on both the Authority's quarterly Agency Report of State Property (Form C-15) reports filed with the Office of the State Comptroller and internal property records. We noted four equipment items, valued at \$577, that were not reported as additions.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) notes "the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied." Good internal controls over property reporting include ensuring the Authority's additions reported on its Form C-15s reconcile with expenditures reported on the SA02 report.

- The Authority has not prepared its Form C-15s for the first and second quarters of Fiscal Year 2015. As such, the *Schedule of Changes in State*

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2016-014. **FINDING** (Inadequate Control over Equipment) (continued)

Property (Schedule 4) does not include transactions occurring before January 1, 2015.

SAMS (Procedure 29.20.10) requires the Authority to file its quarterly Form C-15 with the Office of the State Comptroller by the last day of the subsequent month.

- The Authority reported unsupported plug numbers as additions of \$23,040 in the third quarter of Fiscal Year 2015 and \$5,318 in the fourth quarter of Fiscal Year 2016. These values likely represented the value of items which had been purchased by the Authority or transferred into the Authority during periods before January 1, 2015. These amounts should have been reported as additions not previously reported, as this activity related to prior periods.

SAMS (Procedure 29.20.10) requires additions related to prior periods be reported separately from activity occurring during the quarter reported on the Form C-15.

- The Authority's Form C-15s filed with the Office of the State Comptroller for the fourth quarter of Fiscal Year 2015 and all four quarters of Fiscal Year 2016 were not properly prepared and were left incomplete.
- 16 of 186 (9%) of the Authority's equipment items, totaling \$5,010, were reported on the Authority's Form C-15 as of June 30, 2016, even though these items were the property of CMS. Additionally, we noted the Authority's transfers during the second quarter of Fiscal Year 2016, totaling \$6,764, of property turned over to CMS as surplus were actually items already owned by CMS.

SAMS (Procedure 29.20.10) details the process to properly prepare the Form C-15, including what to report in each individual field. Further, amounts reported on the Authority's Form C-15 should only include its property and equipment.

- During a review of the Authority's deletions, totaling \$2,540, during the fourth quarter of Fiscal Year 2016, we noted the following:
 - The \$2,540 was actually transfers out from the Authority to other State agencies that actually occurred in the first quarter of Fiscal Year 2017.

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2016-014. **FINDING** (Inadequate Control over Equipment) (continued)

SAMS (Procedure 29.20.10) notes the Form C-15, except for data entered into specific line items, is for activity occurring during the reported quarter.

- Of the total reported deletions, six items, totaling \$1,904, represented transfers of computers from the Authority to the Department. We were unable to substantiate if the Authority followed its data clearing procedures prior to transferring these items to the Department. Further, we noted four of these items, totaling \$1,244, were actually the property of CMS when the items were transferred by the Authority to the Department.

According to an interview with Authority staff, all computer-related equipment – prior to its sale, donation, or transfer – was to have been sent to CMS for data clearing to meet the requirements of the Data Security on State Computers Act (20 ILCS 450).

- 106 of 186 (57%) equipment items held by the Authority at June 30, 2016, did not have the original cost of the item recorded within the Authority's property listing. As such, the Authority's quarterly Form C-15s filed with the Office of the State Comptroller are understated by an unknown amount for these items.

The Code (44 Ill. Admin. Code 5010.230) requires the Authority maintain detailed property records which include the date of purchase, purchase price, and corresponding voucher information. Additionally, SAMS (Procedure 29.20.10) details the process to properly prepare the Form C-15, which include reporting the original cost of all property and equipment owned by the Authority.

- The Authority has not submitted its Fiscal Year 2015 Real Property Utilization Report and only submitted its Fiscal Year 2016 Real Property Utilization Report after notification from us in August 2016.

The State Property Control Act (Act) (30 ILCS 605/7.1(b)) requires the Authority submit an annual Real Property Utilization Report to CMS by July 31.

Department officials, on behalf of the Authority, stated the Authority was unaware of this filing requirement.

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2016-014. **FINDING** (Inadequate Control over Equipment) (continued)

- The Authority has not prepared or transmitted its annual permanent record of property to CMS for either Fiscal Year 2015 or Fiscal Year 2016.

The Act (30 ILCS 605/6.02) requires the Authority to annually submit its permanent listing of property to CMS.

Due to these conditions, we were unable to conclude whether the Authority's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Authority's equipment.

In addition, due to these conditions, the Authority was unable to provide a complete and accurate *Schedule of Changes in State Property* (Schedule 4).

Department officials, on behalf of the Authority, stated they believe these errors were due to oversight.

Failure to exercise adequate internal control over equipment represents noncompliance with State laws and regulations. Further, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2016-014, 2014-006)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure the Authority's property is identified, properly recorded, and timely transferred to other State agencies for the receiving agency's use in accordance with applicable laws and regulations.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-015. **FINDING** (Inadequate Control over SOC Reports)

The Illinois Health Information Exchange Authority (Authority) did not obtain independent Service Organization Control (SOC) reports over its external service providers and subservice providers used to process data within the Illinois Health Information Exchange (ILHIE).

The ILHIE, which was fully decommissioned by June 30, 2016, consisted of two distinct components. The first component, ILHIE Direct, was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. The second component, the Public Health Node (PHN), received data transmissions from healthcare providers to validate datasets and support the transmission of datasets in a “meaningful use” format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the State of Illinois, Department of Public Health (DPH).

During testing, we noted the following:

- The Authority had not obtained or reviewed SOC reports from the primary vendor or its subcontractors who developed and hosted the ILHIE. Further, we noted the subcontract did not include provisions requiring the vendor to provide SOC reports to the Authority.
- The Authority had not obtained or reviewed SOC reports from the vendor responsible for operating the PHN and transmitting data to the CDC and DPH. Further, we noted this contract did not include provisions requiring the vendor to provide SOC reports to the Authority.

The Illinois Health Information Exchange and Technology Act (20 ILCS 3860/20) requires the Authority create and administer the ILHIE “using information systems and processes that are secure, are cost effective, and meet all other relevant privacy and security requirements under State and federal law.” Good internal controls over compliance include obtaining and reviewing SOC reports performed in accordance with applicable standards to provide a uniform method of evaluating the internal controls at each service provider or subservice organization. In addition, generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to provide assurance as to the accurate processing and security of information.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe the SOC reports were not obtained or reviewed due to oversight.

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2016-015. **FINDING** (Inadequate Control over SOC Reports) (continued)

Without having obtained and reviewed a SOC report from each contractor and subcontractor, the Authority does not have assurance each provider's internal controls are adequate to protect the integrity and security of information within the ILHIE. (Finding Code No. 2016-015)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure all of its service organizations submit SOC reports, which are analyzed in a timely manner.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-016. **FINDING** (Unnecessary Purchases)

The Illinois Health Information Exchange Authority (Authority) incurred costs that did not appear reasonable or necessary for current operations.

During testing, we noted the following:

- The Authority purchased nine licenses from a third party software provider, totaling \$4,612, as a customer relations tool to support its sales and marketing efforts for the Illinois Health Information Exchange (ILHIE). Upon inquiry of Authority management concerning the functionality and usage of this software product, Authority officials indicated the following:
 - Only one of the nine licenses purchased by the Authority was actually used by the Authority. The only individual who understood how to use and actually used the software product was the Authority's former Executive Director.
 - The Authority was never able to implement the software's full functionality due to problems with the State's firewall preventing the integration of the software product with the State's e-mail system.
- The Authority purchased a wireless microphone system, totaling \$546, to better project conversations at meetings of the Authority's Board of Directors. Upon inquiry of Authority management concerning the need for this equipment, Authority officials indicated the State had "limited availability of adequately-sized conference rooms" to conduct meetings of the Authority's nine member Board of Directors. We noted the Authority's Board of Directors meetings were all held in meeting rooms at the James R. Thompson Center in Chicago where other State boards and commissions routinely meet.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively and funds are safeguarded against waste and loss.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe Authority officials at the time believed these purchases were necessary for operations.

Failure to limit purchases to products that were reasonable and necessary to support operations resulted in the Authority incurring unnecessary expenditures of \$5,158. (Finding Code No. 2016-016)

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2016-016. **FINDING** (Unnecessary Purchases) (continued)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure all purchases by the Authority are for goods and services reasonably necessary for the Authority to carry out its operations.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-017. **FINDING** (Failure to Pay for Office Space)

The Illinois Health Information Exchange Authority (Authority) did not pay for its office space at the James R. Thompson Center (JRTC) in Chicago.

During testing, we noted the Department of Healthcare and Family Services (Department) paid for the Authority's office space at the JRTC since the Authority became a separate entity on February 7, 2014. According to officials at the Department of Central Management Services (CMS), CMS was never notified by either the Department or the Authority that the Authority was now the entity responsible for paying for its office lease at the JRTC. As of June 30, 2016, the Department has paid \$128,470 on behalf of the Authority.

Additionally, we noted the Authority did not report this on-behalf transaction within its financial information.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

Department officials, on behalf of the Authority, stated they believe Authority officials at the time thought the Authority did not have to pay for its office space because the Authority's operations were paid for from the nonappropriated Health Information Exchange Fund and the space was to be provided free of charge because the Authority was under the State's executive branch of government.

Failure to pay all of the Authority's costs resulted in other State funds being charged for the costs of operating the Authority and reduces the reliability of Statewide financial information. (Finding Code No. 2016-017)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure the Authority's Health Information Exchange Fund reimburses the Department for the total cost of the Authority's lease costs paid for by the Department.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-018. **FINDING** (Inadequate Control over Public Health Node Payments)

The Illinois Health Information Exchange Authority (Authority) did not require compliance with contractual requirements agreed to by the State and its vendor regarding hosting the Public Health Node (PHN).

On May 7, 2014, the Authority entered into an interagency agreement with the Department of Public Health (DPH), which required the Authority to oversee and support (1) a vendor's maintenance and operations of the PHN and (2) the receipt, transformation, and transport of data to both DPH and the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC).

During testing, we noted the Authority paid the vendor \$99,462 for maintaining and operating the PHN. These payments were based upon the number of clients utilizing the PHN; however, this methodology for determining the amount due to the vendor was not outlined in the contract and was not agreed upon by the Authority. In following up on this exception with Authority officials, they stated they paid the amount invoiced by the vendor without question.

The contract between the State and the vendor to maintain and operate the PHN (Section 1.2) provided the vendor would be paid \$300,000 on September 30, 2015, \$120,000 on December 31, 2015, \$120,000 on March 31, 2016, and \$120,000 on June 30, 2016.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance obligations and costs are in compliance with applicable law and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls over contracts include ensuring a written amendment is entered into with vendors when conditions change to ensure both parties have provided input on and agreed to any needed modifications.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe this exception was due to declining usage of the PHN leading the Authority's officials at the time to believe the amount billed was reasonable.

Failure to require compliance with the contract by both the Authority and the vendor could subject the State to unnecessary legal risks and represents noncompliance with the contract between the Authority and its vendor. (Finding Code No. 2016-018)

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2016-018. **FINDING** (Inadequate Control over Public Health Node Payments) (continued)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure all contracts entered into by the Authority are executed in strict adherence with the provisions of the contract and, if necessary, contract amendments are entered into to accommodate unforeseen events.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-019. **FINDING** (Inadequate Control over a Vendor Credit)

The Illinois Health Information Exchange Authority (Authority) did not properly account for a penalty received from its vendor developing the Illinois Health Information Exchange (ILHIE).

During testing, we noted the Authority had received a vendor credit of \$60,000 in January 2015 as compensation for various network outages impacting the ILHIE during November 2014. The Authority accounted for this transaction by debiting the vendor's accounts payable account and crediting the account accumulating all payments to the vendor during the year. This treatment resulted in the Authority understating its costs related to developing the ILHIE and revenues during Fiscal Year 2015 by \$60,000.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe this exception was due to oversight.

Failure to properly account for compensation from network outages resulted in the Authority's records understating the true development costs of the ILHIE and reduces the reliability of Statewide financial reporting. (Finding Code No. 2016-019)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure all transactions are properly accounted for and recorded in the Authority's books and records.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Subsequent accounting functions have been processed via the Department's accounting system.

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2016-020. **FINDING** (Inadequate Control over Interagency Agreements)

The Illinois Health Information Exchange Authority (Authority) lacked sufficient internal control over its interagency agreements.

Department of Public Health (DPH) Interagency Agreement

On May 7, 2014, the Authority entered into an interagency agreement with DPH (Agreement), which required the Authority to oversee and support (1) a vendor's maintenance and operations of the Public Health Node (PHN) and (2) the receipt, transformation, and transport of data to both DPH and the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC).

During testing, we noted the following problems:

- The Authority could not provide documentation to show it prepared and submitted reports to DPH regarding its status of connecting "Reporting Entities" into the Illinois Health Information Exchange (ILHIE).

The Agreement stated the Authority would "report to [DPH] no less than quarterly, on the status of connecting Reporting Entities to the ILHIE."

- The Authority could not provide documentation to show it developed policies and procedures after collaboration with the vendor for responding to inquiries and requests for assistance from Reporting Entities regarding the transmission of data to the PHN.

The Agreement stated the Authority would "promptly collaborate with [the vendor] on the further development of policies and procedures for responding to inquiries and requests for assistance from Reporting Entities regarding submission of data to the PHN."

- The Authority could not provide documentation to show it collaborated with work groups on the development of policies and procedures for outreach to, and education and training of, Reporting Entities and recruiters regarding the submission of data to the PHN.

The Agreement stated the Authority would collaborate with the "Public Health Work Groups on the further development of policies and procedures for education, outreach and training of Reporting Entities and Recruiters regarding submission of data to the PHN."

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2016-020. **FINDING** (Inadequate Control over Interagency Agreements) (continued)

Other Interagency Agreements

In addition, we noted the following problems during our testing of the Authority's other interagency agreements:

- During the examination period, the Authority entered into two new interagency agreements. One (50%) of these agreements was not signed by all the parties to the agreement until 193 days after the start date of the agreement. During this period, the Authority incurred costs in developing and maintaining the PHN for the benefit of DPH.
- One of six (17%) interagency agreements tested had a late renewal. This agreement was not extended until 16 days after the interagency agreement had already expired.
- One of six (17%) interagency agreements tested expired before the beginning of this examination period, but was included by the Authority in its listing of active interagency agreements during the examination period.
- Two of six (33%) interagency agreements tested did not include detailed descriptions of what the Authority's responsibilities were under the terms of the interagency agreement.
- One of six (17%) interagency agreements tested required the Authority to assist in the creation of the Master Patient Index and provide a technical infrastructure to incorporate elements of the Authority's ILHIE into the State's new Integrated Eligibility System (IES) developed by the Department of Healthcare and Family Services (Department) and the Department of Human Services (DHS). Authority management stated the Authority was unable to fulfill this interagency agreement because the technological infrastructure deployment needed to support IES never materialized.
- One of six (17%) interagency agreements tested was to provide direct messaging services within the ILHIE to the Health Insurance Marketplace under the Office of the Governor. The Authority never provided the direct messaging services under this agreement, which Authority officials stated was because the Office of the Governor never followed through by requesting access to the ILHIE.

Good internal controls over interagency agreements includes establishing a process to ensure agreements (1) specify the exact duties and responsibilities of all parties,

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2016-020. **FINDING** (Inadequate Control over Interagency Agreements) (continued)

(2) are signed prior to the performance of the agreement, and (3) are strictly adhered to and carried out.

Department officials, on behalf of the Authority, stated they believe these exceptions were due to oversight.

Failure to obtain the agreement of all parties prior to the performance of services could result in errors or omissions going undetected. Further, failure to ensure agreements are fulfilled represents noncompliance with the applicable interagency agreement and could hinder the operations of the other agencies. (Finding Code No. 2016-020)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure all interagency agreements entered into by the Authority are signed by all necessary parties prior to the start date of services. Further, the Department, on behalf of the Authority, should maintain strict adherence with the provisions of interagency agreements and, if necessary, enter into amendments to accommodate unforeseen events.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-021. **FINDING** (Inadequate Control over Personal Services)

The Illinois Health Information Exchange Authority (Authority) lacked adequate internal controls over personal services.

During testing, we noted the following:

- One of 24 (4%) payroll vouchers tested, totaling \$78,179, was approved for payment by an unauthorized person.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.65) requires the Authority provide specimen signatures to the State Comptroller of persons authorized to sign and approve vouchers on behalf of the Authority's Executive Director. Good internal controls include ensuring only those individuals with valid signature authority for the Executive Director approve payroll vouchers for payment.

- Five of five (100%) employees tested did not receive an annual performance evaluation at any point during the examination period.

The Authority's *Personnel Handbook* (Procedure 2.9) requires an annual evaluation of each employee's performance by their immediate supervisor.

- The Authority did not have a complete listing of its employees during the examination period. During testing, we identified an employee who had separated from the Authority during the examination period who was not included within the Authority's population of employees as an employee who had separated from the Authority.

The State Records Act (Act) (5 ILCS 160/8) requires the Authority's Executive Director to make and preserve adequate and proper documentation of the organization and essential transactions of the Authority to protect the legal and financial rights of the State and of persons directly affected by the Authority's activities.

- During testing of six employees time records, we noted the following:
 - One of ten (10%) tested quarterly reports of accrued benefit time for one employee was not retained by the Authority. This report supports that the employee, the timekeeper, and the employee's supervisor have each reviewed and agree with the calculation of the employee's accrued leave balances at the end of each quarter.

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2016-021. **FINDING** (Inadequate Control over Personal Services) (continued)

The Act (5 ILCS 160/8) requires the Authority's Executive Director to make and preserve adequate and proper documentation of the procedures and essential transactions of the Authority to protect the legal and financial rights of the State and of persons directly affected by the Authority's activities.

- One of ten (10%) tested quarterly reports of accrued benefit time for one employee did not reflect all vacation hours used by the employee during the quarter, resulting in the employee's accrued vacation time being overstated by three hours.
- The beginning balance of accrued sick leave did not agree with the preceding quarter's ending balance of accrued sick leave for one of ten (10%) tested quarterly reports of accrued benefit time. The total unreconciled difference was equal to one sick day.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are safeguarded against waste.

- 38 of 130 (29%) timesheets tested were not timely submitted by the employee. We noted timesheets prepared between one and 49 days late.

The Authority's *Personnel Handbook* (Procedure 2.4.2) requires employees to submit timesheets within two business days after the end of the preceding week.

- One of 130 (1%) timesheets tested was prepared on Monday morning indicating the employee had worked all of the remaining days of the week, including indicating when the employee arrived, took their lunch hour, and left for the day. This timesheet was approved by the employee's supervisor on Tuesday morning.

The Authority's *Personnel Handbook* (Procedure 2.4.2) requires employees to document the time spent each day on official State business or authorized leave. Good internal controls include not attesting to the occurrence of an event until an event has actually occurred.

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2016-021. **FINDING** (Inadequate Control over Personal Services) (continued)

- Two of ten (20%) quarterly reports tested from the Central Time and Attendance System (CTAS) documenting the employee's quarterly accrual and use of benefit time were not properly approved by the timekeeper indicating the report was complete and accurate.

Good internal controls include ensuring all necessary parties review and sign off on CTAS reports that each employee's accrual and use of benefit time was complete and accurately entered into CTAS.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to oversight.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Further, failure to maintain adequate internal control over recordkeeping, timekeeping, attendance, and benefit time accruals and usage represents noncompliance with State laws and regulations. Finally, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2016-021)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, take action to ensure all accruals of benefit time are accurate and, if necessary, seek to recoup overpayments from prior employees who have separated from State service.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. The Department will review supporting detail.

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2016-022. **FINDING** (Inadequate Control over Travel)

The Illinois Health Information Exchange Authority (Authority) did not exercise adequate internal control over travel expenditures.

During testing, we noted the following:

- One of four (25%) Travel Headquarters Reports (Form TA-2) was not filed with the Legislative Audit Commission.

The State Finance Act (30 ILCS 105/12-3) requires the Authority file a Form TA-2 report with the Legislative Audit Commission no later than July 15 for the preceding period from January 1 through June 30 and no later than January 15 for the period from July 1 through December 31 of the preceding year.

- Four of 28 (14%) travel vouchers tested, totaling \$1,671, were processed by the Authority where the traveler requested reimbursement for lodging at a rate in excess of the rate allowed without indicating, at least, five preferred hotels had been contacted to attempt to obtain lodging at no more than the maximum allowed rate.

The *Travel Guide for State of Illinois Employees* prepared by the Governor's Travel Control Board allows the Authority to process requests for excessive lodging charges without approval from the Governor's Travel Control Board if, in the City of Chicago, a minimum of five preferred hotels were contacted.

- One of 28 (4%) travel vouchers tested, totaling \$652, was processed by the Authority where the traveler requested reimbursement for lodging at a non-preferred hotel where the rate charged exceeded the rate charged by preferred hotels.

The *Travel Guide for State of Illinois Employees* prepared by the Governor's Travel Control Board states "lodging is only allowed at non-preferred hotels if the rate offered is lower than the rates of preferred hotels in that particular area."

- Three of 28 (11%) travel vouchers tested, totaling \$1,670, were coded with incorrect detail object codes.

The Statewide Accounting Management System (SAMS) (Procedure 11.10.50) states the purpose of assigning a correct detail object code is to

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2016-022. **FINDING** (Inadequate Control over Travel) (continued)

report expenditure information at a more refined level within a common object.

- One of 28 (4%) travel vouchers tested, totaling \$1,504, lacked receipts to support the traveler's entire reimbursement request. We questioned \$435 in costs as the Authority could not provide receipts for all reimbursed travel costs.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 3000.620) requires travelers submit receipts for any transportation, lodging, or miscellaneous expense that individually exceeds \$10.00.

- One of 28 (4%) travel vouchers tested, totaling \$1,504, included reimbursements for a room service charge, totaling \$15, while simultaneously claiming the per diem allowance for the same date.

The Code (80 Ill. Admin. Code 3000.600) does not allow for the reimbursement of a traveler's personal expenses.

- One of 28 (4%) travel vouchers tested, totaling \$1,504, included reimbursement for conference registration fees, totaling \$435.

The Code (80 Ill. Admin. Code 2800.270) prohibits reimbursement of conference registration fees on a travel voucher (Form C-10), with the cost charged by the Authority as a travel expenditure, if the cost exceeds \$50. Instead, the Authority must process the reimbursement request on a standard invoice voucher (Form C-13) and charge the cost as a contractual service expenditure.

- Four of 28 (14%) travel vouchers tested, totaling \$1,671, were not submitted to the Chair of the Governor's Travel Control Board for ex post facto approval of exceptions to the travel regulations. Specifically, the vouchers included lodging reimbursement requests in excess of the maximum allowable rate for hotel accommodations.

The Code (80 Ill. Admin. Code 2800.710) allows for the Chair of the Governor's Travel Control Board to approve ex post facto exceptions to the travel regulations if requested by the Authority when the exception occurred as a necessary result of a special or unavoidable circumstance and the action taken was in the best interests of the State.

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2016-022. **FINDING** (Inadequate Control over Travel) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance the State's obligations and costs are in compliance with applicable law.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to oversight.

Failure to exercise adequate internal control over travel expenditures increases the likelihood of an improper expenditure and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2016-022, 2014-016)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure any future travel costs incurred by the Authority are properly supported and in accordance with all applicable laws, rules, and regulations.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Any subsequent travel has been subject to the Department's approval and travel policies.

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2016-023. **FINDING** (Inadequate Security and Control over Confidential Information)

The Illinois Health Information Exchange Authority (Authority) had not adequately ensured the security and control of its confidential information.

As a part of its mission, the Authority routinely handled and maintained computer systems which contained confidential and personal information, including health information.

During testing, we noted the Authority:

- had not performed a risk assessment of its computing resources;
- had not performed its due diligence to ensure its data was properly disposed of when disposing of equipment or secured; and,
- had not deployed encryption on its laptops.

The Data Security on State Computers Act (20 ILCS 450) requires electronic data equipment to be erased, wiped, sanitized, or destroyed in order to prevent the retrieval of sensitive data and software. Further, the Identity Protection Act (5 ILCS 179) and the Personal Information Protection Act (815 ILCS 530) promotes the protection of confidential information from unauthorized disclosure.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe these exceptions were due to oversight and human error.

Failure to secure data and software may lead to the accidental or unauthorized disclosure of confidential information. (Finding Code No. 2016-023)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, perform an assessment of the Authority's remaining paper and electronic records to ensure they are secure from accidental or unauthorized disclosure of confidential information.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

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2016-024. **FINDING** (Lack of Due Diligence to Ensure Computer Security)

The Illinois Health Information Exchange Authority (Authority) had not performed its due diligence to ensure the Department of Central Management Services (CMS) had implemented adequate controls for securing its midrange computer resources.

The Authority had established critical computer systems in order to meet its mission and mandate. The Authority processed and maintained critical and confidential information, including health information. The Authority is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its systems and data are adequately safeguarded.

During the examination period, the Authority relied on CMS' Bureau of Communications and Computer Services to provide the information technology environment, equipment, and support.

During testing, we noted Authority officials had not reviewed any reports over the environment detailing the controls in place and assessed any weaknesses identified. In addition, the Authority had not entered into an agreement with CMS outlining the roles and responsibilities of each party.

Generally accepted information systems technology guidance endorses the development of computer security policies that adequately address the current technological environment and well-designed and well-managed controls to protect computer systems and data. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe Authority management at the time lacked an understanding of the oversight necessary to ensure adequate security controls were in place and operational.

Without the implementation of adequate controls and procedures, there is a greater risk unauthorized access to the Authority's resources may be gained and data destroyed. Prudent business practices dictate the Authority identify all assets and strengthen its security to protect its assets and resources against unauthorized access and misuse. (Finding Code No. 2016-024, 2014-021)

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2016-024. **FINDING** (Lack of Due Diligence to Ensure Computer Security) (continued)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, determine what, if any, action is required to review the Authority's systems on the mid-range environment provided by CMS' successor agency, the Department of Innovation & Technology (DoIT).

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-025. **FINDING** (Inadequate Control over Signature Cards)

The Illinois Health Information Exchange Authority (Authority) did not update the Authority's Signature Cards (Form SCO-470) on file with the Office of the State Comptroller.

During testing, we noted the Authority did not revoke two outdated Form SCO-095s when the Acting Executive Director was replaced on September 27, 2015. We noted the outdated Form SCO-470s were still not revoked by the Authority as of June 30, 2016, 276 days after the change in the Authority's management.

The Statewide Accounting Management System (SAMS) (Procedures 15.20.95 and 15.20.96) requires the Authority notify the State Comptroller when signature authority has been revoked or when the period the signature was valid has lapsed. Good internal control includes ensuring the signature authority of employees is immediately revoked upon the appointment of a new Executive Director.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated they believe this exception was due to oversight.

Failure to update signature authority with the Office of the State Comptroller increases the likelihood of irregularities within the Authority's accounts and represents noncompliance with SAMS. (Finding Code No. 2016-025, 2014-019)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, ensure the Authority's Form SCO-095s are kept up-to-date with the Office of the State Comptroller.

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted. Beginning September 23, 2016 (after the period covered by this audit), the Authority's management duties were transferred to the Department per an interagency agreement. Any signature cards necessary for Authority business are now handled per the Department's internal policies.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-026. **FINDING** (Lack of Board Members)

The Board of Directors of the Illinois Health Information Exchange Authority (Authority) was not composed of nine members as required by State law.

During testing, we noted seven of eight (88%) director positions were vacant. These specific seats were vacated between 17 and 966 days prior to June 30, 2016. Additionally, the one remaining director was serving a term that had expired on February 7, 2016.

The Illinois Health Information Exchange and Technology Act (Act) (20 ILCS 3860/15(a)) states, “The Authority shall consist of and be governed by one Executive Director and eight directors who are hereby authorized to carry out the provisions of this Act and to exercise the powers conferred under this Act.” Additionally, the Act (20 ILCS 3860/15(b)) requires the Governor to appoint the nine members of the Authority’s Board of Directors to three-year staggered terms, subject to the advice and consent of the Senate.

Department of Healthcare and Family Services (Department) officials, on behalf of the Authority, stated the appointment of members to the Authority’s Board of Directors is solely the responsibility of the Governor.

Subsequent to the examination period, we noted the Authority, Office of the Governor, and the Department entered into an interagency agreement on September 23, 2016, for the “transitioning of management of duties from the Authority to [the Department].” In practicality, this interagency agreement ended the Authority’s existence as an independent, standalone entity and reorganized the functions of the Authority into the Department; however, this transition process did not comply with the necessary process to reorganize an agency under the Constitution (Article V, Section 11).

Member vacancies impair the Board of Directors’ ability to properly provide oversight and strategic direction for the Authority, as a full Board is necessary to properly conduct meetings by maintaining a quorum and to operate effectively and efficiently. (Finding Code No. 2016-026, 2014-020)

RECOMMENDATION

We recommend the Department, on behalf of the Authority, work with the Governor and the General Assembly to provide certainty as to the legal status of the Authority.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Two Years Ended June 30, 2016

2016-026. **FINDING** (Lack of Board Members) (continued)

DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY

The finding is accepted.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2016

A. **FINDING** (Inaccurate Fee Assessments)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) did not accurately assess subscriber fees for the Illinois Health Information Exchange (ILHIE).

During the current examination, our testing indicated the Authority had not maintained accounts receivable records during the examination period (see Finding 2016-008), including accounts receivable derived from fees and charges it was authorized to collect and deposit. As such, we determined this condition was included within the conditions noted in Finding 2016-008. (Finding Code No. 2014-003)

B. **FINDING** (Lack of Controls over Contract Payments)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) did not exercise adequate internal control over contractual payments for the development of the Illinois Health Information Exchange (ILHIE).

During the current examination, our testing indicated the Authority had significant problems with both contractual payments to the vendor and voucher processing weaknesses (see Finding 2016-006). As such, we determined this condition was included within the conditions noted in Finding 2016-006. (Finding Code No. 2014-007)

C. **FINDING** (Improper Payroll Payments)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) made improper payroll payments as it did not obtain reimbursement for payroll costs incurred for the benefit of the Department of Healthcare and Family Services (Department).

During the current examination, our testing indicated this interagency agreement between the Authority and the Department expired before the beginning of this examination period. We did not note any other similar interagency agreements during the current examination period. (Finding Code No. 2014-009)

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2016

D. **FINDING** (Failure to Maintain Controls over Terminated Participants)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) did not maintain controls over participants and subscribers of the Illinois Health Information Exchange (ILHIE) which had been terminated.

During the current examination, our testing indicated the Authority did not have adequate internal controls over the decommissioning of the ILHIE (see Finding 2016-002) and accounts receivable (see Finding 2016-008). As such, we determined this condition was included within the conditions noted in Finding 2016-002 and Finding 2016-008. (Finding Code No. 2014-010)

E. **FINDING** (Failure to Adopt Rules Related to Fees and Charges)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) had not developed rules related to the fees and charges it was authorized to collect and deposit.

During the current examination, our testing indicated the Authority had not maintained accounts receivable records during the examination period (see Finding 2016-008), including accounts receivable derived from fees and charges it was authorized to collect and deposit. As such, we determined this condition was included within the conditions noted in Finding 2016-008. (Finding Code No. 2014-011)

F. **FINDING** (Failure to Develop Procedures Related to Uncollectible Receivables)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) had not developed procedures related to uncollectible accounts receivable.

During the current examination, our testing indicated the Authority had not maintained accounts receivable records during the examination period (see Finding 2016-008), including whether an account had become uncollectible. As such, we determined this condition was included within the conditions noted in Finding 2016-008. (Finding Code No. 2014-012)

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2016

G. **FINDING** (Failure to Develop Personnel Policies)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) had not adopted policies and procedures related to personnel matters.

During the current examination, our testing indicated the Authority had developed policies and procedures related to personnel matters and published its *Personnel Handbook*. (Finding Code No. 2014-013)

H. **FINDING** (Lack of Effective Project Management)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) did not have an adequate project management framework for the development of the Illinois Health Information Exchange (ILHIE).

During the current examination, our testing indicated the Authority decommissioned the ILHIE (see Finding 2016-001). During our testing of the decommissioning, we noted the Authority did not have adequate internal controls over the decommissioning of the ILHIE (see Finding 2016-002) and did not ensure all data was properly handled (see Finding 2016-003 and Finding 2016-004). As such, we determined this condition was included within the conditions noted in Finding 2016-002, Finding 2016-003, and Finding 2016-004. (Finding Code No. 2014-014)

I. **FINDING** (Failure to File Required Information with the Comptroller)

During the prior examination, the Illinois Health Information Exchange Authority (Authority) did not report to the State Comptroller the aggregate dollar amount of bills held at the Authority on June 30, 2014.

During the current examination, our testing indicated the Authority reported the aggregate dollar amount of bills held at the Authority to the State Comptroller on June 30, 2015, and June 30, 2016. (Finding Code No. 2014-015)

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis (Not Examined):
 - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2018 (Not Examined)
 - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017 (Not Examined)
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Not Examined)
 - Schedule of Changes in State Property (Not Examined)
 - Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)

- Analysis of Operations (Not Examined):
 - Authority Functions and Planning Program (Not Examined)
 - Average Number of Employees (Not Examined)
 - Analysis of Significant Variations in Expenditures (Not Examined)
 - Analysis of Significant Variations in Receipts (Not Examined)
 - Analysis of Significant Lapse Period Spending (Not Examined)
 - Budget Impasse Disclosures (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2016 Invoices (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that because of the significance of the matters described in items 2016-001 through 2016-014 in the accompanying schedule of findings, it is inappropriate to, and we do not, express an opinion on the supplementary information.

STATE OF ILLINOIS
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
 COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Appropriations for Fiscal Year 2016

SCHEDULE 1

Fourteen Months Ended August 31, 2016

(NOT EXAMINED)

FISCAL YEAR 2016	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed
NONAPPROPRIATED FUNDS					
Health Information Exchange Fund - 606					
Operations		\$ 1,608,819	\$ 143,400	\$ 1,752,219	
Total, Health Information Exchange Fund		<u>\$ 1,608,819</u>	<u>\$ 143,400</u>	<u>\$ 1,752,219</u>	
SUB-TOTAL, NONAPPROPRIATED FUNDS		<u>\$ 1,608,819</u>	<u>\$ 143,400</u>	<u>\$ 1,752,219</u>	
TOTAL - ALL FUNDS, FISCAL YEAR 2016		<u>\$ 1,608,819</u>	<u>\$ 143,400</u>	<u>\$ 1,752,219</u>	

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of August 31, 2016. As noted in Finding 2016-005, the Authority did not maintain complete and accurate fiscal records and, therefore, we were unable to conclude this schedule was complete and accurate. Further, as noted in Finding 2016-009, the Authority did not prepare reconciliations of this information to the State Comptroller's records and, therefore, we were unable to reperform those reconciliations.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
 COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Appropriations for Fiscal Year 2015

SCHEDULE 2

Fourteen Months Ended August 31, 2015

(NOT EXAMINED)

FISCAL YEAR 2015	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 15 Months Ended August 31	Balances Lapsed
NONAPPROPRIATED FUNDS					
Health Information Exchange Fund - 606					
Operations		\$ 2,719,959	\$ 218,948	\$ 2,938,907	
Total, Health Information Exchange Fund		<u>\$ 2,719,959</u>	<u>\$ 218,948</u>	<u>\$ 2,938,907</u>	
SUB-TOTAL, NONAPPROPRIATED FUNDS		<u>\$ 2,719,959</u>	<u>\$ 218,948</u>	<u>\$ 2,938,907</u>	
TOTAL - ALL FUNDS, FISCAL YEAR 2015		<u>\$ 2,719,959</u>	<u>\$ 218,948</u>	<u>\$ 2,938,907</u>	

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of August 31, 2015. As noted in Finding 2016-005, the Authority did not maintain complete and accurate fiscal records and, therefore, we were unable to conclude this schedule was complete and accurate. Further, as noted in Finding 2016-009, the Authority did not prepare reconciliations of this information to the State Comptroller's records and, therefore, we were unable to reperform those reconciliations.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
 COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
 EXPENDITURES, AND LAPSED BALANCES**

SCHEDULE 3

(NOT EXAMINED)

	For the Fiscal Year Ended June 30, 2016	For the Fiscal Year Ended June 30, 2015	For the Five Months Ended June 30, 2014
<u>NONAPPROPRIATED FUNDS</u>			
Health Information Exchange Fund - 606			
<u>Expenditures</u>			
Operations	\$ 1,752,219	\$ 2,938,907	\$ 1,853,676
Total Health Information Exchange Fund Expenditures	\$ 1,752,219	\$ 2,938,907	\$ 1,853,676
 <u>TOTAL - NONAPPROPRIATED FUNDS</u>			
Total Nonappropriated Expenditures	\$ 1,752,219	\$ 2,938,907	\$ 1,853,676
 <u>GRAND TOTAL - ALL FUNDS</u>			
Total Expenditures	\$ 1,752,219	\$ 2,938,907	\$ 1,853,676

Note 1: Fiscal Year 2016 and Fiscal Year 2015 expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of August 31, 2016, and August 31, 2015. As noted in Finding 2016-005, the Authority did not maintain complete and accurate fiscal records and, therefore, we were unable to conclude this schedule was complete and accurate. Further, as noted in Finding 2016-009, the Authority did not prepare reconciliations of this information to the State Comptroller's records and, therefore, we were unable to reperform those reconciliations.

Note 2: Expenditure amounts are vouchers approved for payment by the Authority and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
 COMPLIANCE EXAMINATION
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2016

SCHEDULE 4

(NOT EXAMINED)

		Equipment
Balance at January 1, 2015	\$	28,358
Additions		-
Deletions		-
Net Transfers		-
		<hr/>
Balance at June 30, 2015	\$	28,358
		<hr/> <hr/>
Balance at July 1, 2015	\$	28,358
Additions		-
Deletions		-
Net Transfers		(9,304)
		<hr/>
Balance at June 30, 2016	\$	19,054
		<hr/> <hr/>

Note 1: This schedule has been derived from property reports submitted by the Authority to the Office of the State Comptroller. We noted several internal control deficiencies calling the accuracy of this schedule into question (see Finding 2016-014).

Note 2: The Authority did not prepare property reports for periods prior to January 1, 2015 (see Finding 2016-004).

STATE OF ILLINOIS SCHEDULE 5
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
 COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS
 AND RECONCILIATION SCHEDULE OF CASH RECEIPTS
 TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

(NOT EXAMINED)

	For the Fiscal Year Ended June 30, 2016	For the Fiscal Year Ended June 30, 2015	For the Five Months Ended June 30, 2014
<u>Health Information Exchange Fund - 606</u>			
Department of Public Health	\$ 279,462	\$ 540,000	\$ -
Department of Healthcare and Family Services	-	300,000	2,938,930
Subscriber Fees	-	175,518	19,482
Office of the National Coordinator	178,754	-	-
Miscellaneous	-	17	-
Total Receipts - Fund 632	<u>\$ 458,216</u>	<u>\$ 1,015,535</u>	<u>\$ 2,958,412</u>
Receipts, per Authority Records	\$ 458,216	\$ 1,015,535	\$ 2,958,412
Add: Deposits in Transit, Beginning of the Year	1,300	6,818	-
Less: Deposits in Transit, End of the Year	-	(1,300)	-
Deposits, Recorded by the State Comptroller	<u>\$ 459,516</u>	<u>\$ 1,023,653</u>	<u>\$ 2,958,412</u>
<u>GRAND TOTAL - ALL FUNDS</u>			
Receipts, per Authority Records	\$ 458,216	\$ 1,015,535	\$ 2,958,412
Add: Deposits in Transit, Beginning of the Year	1,300	6,818	-
Less: Deposits in Transit, End of the Year	-	(1,300)	-
Deposits, Recorded by the State Comptroller	<u>\$ 459,516</u>	<u>\$ 1,023,653</u>	<u>\$ 2,958,412</u>

Note 1: The Authority's operations began as a standalone agency on February 7, 2014. While the State Comptroller's records reflect activity during the entire fiscal year, including the activity prior to February 7, 2014, the amount of deposits recorded by the State Comptroller have been adjusted to reflect activity associated with deposits on and after February 7, 2014.

Note 2: The Authority's receipt records are not kept using the Chart of Accounts on file with the Office of the State Comptroller. As such, the Authority's receipts do not necessarily trace to the State Comptroller's records (see Finding 2016-007).

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
AUTHORITY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Authority Functions

The Illinois Health Information Exchange Authority (Authority) was established pursuant to the Illinois Health Information Exchange and Technology Act (20 ILCS 3860). From July 27, 2010, through February 6, 2014, the Authority operated as a part of the Office of Health Information Technology (OHIT), a unit of the Office of the Governor. During this period, the Department of Healthcare and Family Services acted as the fiscal agent for the Authority. Effective February 7, 2014, the Authority became a stand-alone entity overseeing and operating the Illinois Health Information Exchange (ILHIE). According to Authority officials, the ILHIE was decommissioned by June 30, 2016. On August 17, 2016, the vendor developing the ILHIE confirmed the ILHIE had been completely decommissioned.

The Authority's purpose was to promote and facilitate the widespread adoption of electronic medical records and participation in the ILHIE among healthcare providers within the State of Illinois and other states. The ILHIE was a Statewide, secure electronic transport network for sharing clinical and administrative data among healthcare providers in order to facilitate care coordination. In addition, the ILHIE's Public Health Node received data transmissions from healthcare providers to validate datasets and support the transmission of dataset in a "meaningful use" format to the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) and the State of Illinois, Department of Public Health.

In addition to operating the ILHIE, the Authority received a federal grant from the Office of the National Coordinator for Health Information Technology within the U.S. Department of Health and Human Services to facilitate the Coordinating Care for a Healthy Illinois project. The Authority entered into subgrants with two private sector health information organizations operating within Central Illinois and the Chicago area to increase the adoption and use of interoperable health information technology tools and services. Each subgrantee had to meet certain targets for enrolling new providers and having those providers share information among themselves to better coordinate patient care.

Planning Program

The Authority does not have a formal written planning policy. Further, the Authority's Board of Directors lacks sufficient membership and, therefore, cannot perform governance responsibilities for the continued operation of the Authority. After June 30, 2016, we noted the Authority, the Office of the Governor, and the Department of Healthcare and Family Services (Department) entered into an interagency agreement on September 23, 2016, for the "transitioning of management of duties from the Authority to [the Department]." In practicality, this interagency agreement ended the Authority's existence as an independent, standalone entity and reorganized the functions of the Authority into the Department (for more information, see the Authority's *Compliance Examination for the Fifteen Months Ended September 30, 2017*).

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

Health Information Exchange Fund - 0606

Operations

During Fiscal Year 2016, expenditures decreased due to the Authority decommissioning the Illinois Health Information Exchange (ILHIE).

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2014

Health Information Exchange Fund - 0606

Operations

During Fiscal Year 2015, expenditures increased due to the Authority conducting operations for an entire fiscal year, as the Authority was only operating as a stand-alone entity for four months during Fiscal Year 2014.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2015 AND 2016

Health Information Exchange Fund – 606

ILHIE Subscriber Fees

The decrease in receipts was due to the Authority not collecting receipts from new or renewal subscriptions to access the ILHIE after June 30, 2015.

Department of Healthcare and Family Services

The decrease in receipts was due to the Authority not providing access to the ILHIE after June 30, 2015.

Department of Public Health

The decrease in receipts was due to the Authority decreasing its services provided to the Department of Public Health in anticipation of the decommissioning of the ILHIE on June 30, 2016. Services provided during Fiscal Year 2016 were to disseminate health information to the proper parties.

Office of the National Coordinator

The increase in receipts was due to the Authority receiving the Coordinating Care for a Healthy Illinois grant from the U.S. Department of Health and Human Services, Office of the National Coordinator for Health Information Technology. The agreement was to expand the adoption of healthcare-related information technology services and began on July 27, 2015.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2014 AND 2015

Health Information Exchange Fund – 606

ILHIE Subscriber Fees

The increase in fees was due to the Authority beginning operations as a standalone State agency on February 7, 2014. Fee revenues collected before February 7, 2014, were attributable to the Department of Healthcare and Family Services. As such, Fiscal Year 2015 reflects one whole year of receipt collections as opposed to approximately five months of fee collections in Fiscal Year 2014.

Department of Healthcare and Family Services

The decrease in receipts was primarily due to fees being categorized incorrectly during Fiscal Year 2014. \$2,538,930 in Fiscal Year 2014 receipts should have been recorded as collections from the Department of Public Health to start the Public Health Node.

Department of Public Health

The increase in receipts was due to the Authority entering into an agreement with the Department of Public Health to expand the reporting functions of the Public Health Node operated by the Authority.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

FISCAL YEAR 2016

There were no instances of significant Lapse Period spending by the Authority during Fiscal Year 2016.

FISCAL YEAR 2015

There were no instances of significant Lapse Period spending by the Authority during Fiscal Year 2015.

STATE OF ILLINOIS
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
 COMPLIANCE EXAMINATION
AVERAGE NUMBER OF EMPLOYEES
 For the Two Years Ended June 30, 2016

(NOT EXAMINED)

The following table, prepared from the Authority's records, presents the average number of employees, by location, for the:

<u>Position</u>	<u>Fiscal Year Ended June 30, 2016</u>	<u>Fiscal Year Ended June 30, 2015</u>	<u>Five Months Ended June 30, 2014</u>
Executive Director	1	1	1
General Counsel	0	1	1
Chief Information Officer	0	1	1
Chief Technology Officer	0	0	1
Chief Financial Officer	1	1	1
Assistant Chief Financial Officer	0	1	0
Director of Implementation Services	1	1	1
Director of Client Relationships	0	1	1
Policy, Privacy, and Compliance Manager	1	1	1
Engagement Manager	0	3	3
Private Secretary	1	1	1
Communications Manager	0	1	1
MPI Analyst	0	2	0
Director of Program Management	0	0	1
Total Authority Employees	<u>5</u>	<u>15</u>	<u>14</u>

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

All of the Authority's Fiscal Year 2016 costs were paid pursuant to nonappropriated funds. The Authority did not have any outstanding unpaid invoices from Fiscal Year 2016 after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Authority and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Authority's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016.

STATE OF ILLINOIS
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
COMPLIANCE EXAMINATION
INTEREST COSTS ON FISCAL YEAR 2016 INVOICES
For the Two Years Ended June 30, 2016

(NOT EXAMINED)

Prompt Payment Interest Costs

The Authority did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The Authority's vendors were paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.