

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Fifteen Months Ended September 30, 2017

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
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**TABLE OF CONTENTS**

|  |                 | <b>Page</b> |
|--|-----------------|-------------|
| Agency Officials   |                 | 1           |
| Management Assertion Letter  |                 | 3           |
| Compliance Report:   |                 |             |
| Summary  |                 | 6           |
| Independent Accountant’s Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes |                 | 8           |
| Schedule of Findings   |                 |             |
| Current Findings – State Compliance  |                 | 13          |
| Supplementary Information for State Compliance Purposes:   | <b>Schedule</b> | <b>Page</b> |
| Summary  |                 | 20          |
| Fiscal Schedules and Analysis  |                 |             |
| Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2018   | 1               | 21          |
| Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2017   | 2               | 22          |
| Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances  | 3               | 23          |
| Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller                         | 4               | 24          |
| Analysis of Operations (Not Examined):   |                 |             |
| Authority Functions and Planning Program (Not Examined)  |                 | 25          |
| Average Number of Employees (Not Examined)   |                 | 26          |
| Analysis of Significant Variations in Expenditures (Not Examined)  |                 | 27          |
| Analysis of Significant Variations in Receipts (Not Examined)  |                 | 28          |
| Analysis of Significant Lapse Period Spending (Not Examined)   |                 | 29          |
| Budget Impasse Disclosures (Not Examined)  |                 | 30          |
| Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)                                      |                 | 31          |
| Interest Costs on Fiscal Year 2017 and Fiscal Year 2018 Invoices (Not Examined)  |                 | 32          |

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Fifteen Months Ended September 30, 2017

**AGENCY OFFICIALS**  
THROUGH SEPTEMBER 23, 2016<sup>1</sup>

|  |                        |
|--|------------------------|
| Chair of the Board of Directors (07/01/16 – 09/23/16)      | Vacant                 |
| Executive Director (Acting) (07/01/16 – 09/23/16)          | Mr. Frank Kisner       |
| Chief Financial Officer (07/01/16 – 09/23/16)              | Vacant                 |
| General Counsel (07/01/16 – 09/23/16)                      | Vacant                 |
| Director of Implementation Services (07/01/16 – 09/23/16)  | Mr. Diego Estrella     |
| Business and Client Support Analyst (07/01/16 – 09/23/16)  | Mr. Frank Kisner       |
| Policy, Privacy, and Compliance Mgr. (07/09/16 – 09/23/16) | Vacant                 |
| Policy, Privacy, and Compliance Mgr. (07/01/16 – 07/08/16) | Ms. Krysta Heaney-Huls |

**BOARD MEMBERS**  
THROUGH SEPTEMBER 23, 2016<sup>2</sup>

|   |                       |
|---|-----------------------|
| Executive Director (Acting) (07/01/16 – 09/23/16) | Mr. Frank Kisner      |
| Director (07/01/16 – 09/23/16)                    | Dr. William E. Kobler |
| Director (07/01/16 – 09/23/16)                    | Vacant                |

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Fifteen Months Ended September 30, 2017

**AGENCY OFFICIALS**  
ON AND AFTER SEPTEMBER 23, 2016<sup>1</sup>

|  |                         |
|--|-------------------------|
| 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 (02/01/18 – 02/22/18)                  | Vacant                  |
| General Counsel (09/23/16 – 01/31/18)                  | Ms. Molly Zito          |

**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

<sup>1</sup> 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.

<sup>2</sup> 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.

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 fifteen month period ended September 30, 2017. Based on this evaluation, we assert that during the fifteen months ended September 30, 2017, 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.
- 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 relating thereto is proper, accurate, and in accordance with law.

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**

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Patricia R. Bellock, Director

**SIGNED ORIGINAL ON FILE**

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Jack Dodds, Chief Financial Officer

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Christopher Gange, General Counsel (Acting)

Yours very truly,

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

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Patricia R. Bellock, Director

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Jack Dodds, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

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Christopher Gange, General Counsel (Acting)

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
 For the Fifteen Months Ended September 30, 2017

**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> |
|   | 3              | 26*           |
| Repeated findings                                 | *              | *             |
| Prior recommendations implemented or not repeated | *              | *             |

\* The Authority, the 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. In response to this change and the fact the Authority had completely shut down and decommissioned the Illinois Health Information Exchange by June 30, 2016, we performed a limited scope compliance examination of transactions until the close-out period ended on September 30, 2017. We did not follow-up on any prior period findings, as this report was released with the Authority’s compliance examination for the two years ended June 30, 2016.

**SCHEDULE OF FINDINGS**

| <u>Item No.</u>             | <u>Page</u> | <u>Description</u>                  | <u>Finding Type</u>                             |
|-----------------------------|-------------|-------------------------------------|---|
| FINDINGS (STATE COMPLIANCE) |             |                                     |   |
| 2018-001                    | 13          | Noncompliance with the Constitution | Material Weakness and<br>Material Noncompliance |

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
 For the Fifteen Months Ended September 30, 2017

| <u>Item No.</u>             | <u>Page</u> | <u>Description</u>                                    | <u>Finding Type</u>                          |
|-----------------------------|-------------|---|--|
| FINDINGS (STATE COMPLIANCE) |             |   |  |
| 2018-002                    | 15          | Excess Assets in the Health Information Exchange Fund | Material Weakness and Material Noncompliance |
| 2018-003                    | 17          | Inadequate Control over Financial Activities          | Material Weakness and Material Noncompliance |

**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.

The scope of the State compliance examination was limited to the following areas of the June 2017 Audit Guide:

Chapter 8: Personal Services Expenditures

Sections D1 - D3, D5, D7 - D9, D12, D22, D24, and D29 - D35

Chapter 9: Contractual Services Expenditures and State Contracts

Sections D1 - D3, D5, D17 - D23, and G1 - G8

Chapter 17: Revenues, Refunds, Receivables, and Locally Held Funds

Sections D1 - D3, D5, D7 - D13, D17, D18, D22 - D28, and E1 - E9

Chapter 18: Appropriations, Transfers, and Expenditures

Sections D1 - D3, D5 - D14, and D16 - D23

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 2016-003 in the accompanying schedule of findings, the State of Illinois, Illinois Health Information Exchange Authority did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. 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, except for the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Health Information Exchange Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the fifteen months ended September 30, 2017.

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, 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2018-001 through 2018-003 that we consider to be material weaknesses.

There were no immaterial findings that have been excluded from this report.

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 three months ended September 30, 2017, and the year ended June 30, 2017, in Schedules 1 through 4 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the September 30, 2017, and June 30, 2017, accompanying supplementary information in Schedules 1 through 4. However, we do not express an opinion on the accompanying supplementary information.

As reported in Finding 2018-003, we were unable to reconcile the State of Illinois, Illinois Health Information Exchange Authority's expenditure records at June 30, 2017. Therefore, we were unable to conclude whether Schedule 2 and Schedule 3 were complete and appropriately reported.

We have not applied procedures to the June 30, 2016, accompanying supplementary information in Schedules 3 through 4 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

**SIGNED ORIGINAL ON FILE**

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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 Fifteen Months Ended September 30, 2017

2018-001. **FINDING** (Noncompliance with the Constitution)

The Illinois Health Information Exchange Authority (Authority) entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.

During testing, we noted the Authority, 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]." This interagency agreement included the following terms:

- Section 2.03 noted all of the Authority's remaining staff "shall ultimately report to, and be under the management control of, the [Department's] Chief Operating Officer/Chief of Staff."
- Section 3.02 required the Authority to designate the Department as its fiscal agent for the purposes of distributing moneys from the Health Information Exchange Fund and may, at the Department's discretion, deposit future moneys received into the Health Information Exchange Fund.
- Section 3.03 required the Authority to designate the signature authority of its Executive Director "in its entirety" to the Department's Director.

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. We noted this change would contravene the provisions of the Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10), which created the Authority as "an instrumentality and an administrative agency of the State."

The Constitution (Article V, Section 11) allows the Governor to reassign functions among or reorganize executive agencies directly responsible to the Governor. If the reassignment or reorganization contravenes a statute, the Executive Order must be delivered to the General Assembly. After the Governor complies with the delivery provisions of the Constitution, the General Assembly has 60 calendar days after the delivery of the Executive Order to have one house, by a record vote, disapprove of the reassignment or reorganization to prohibit the reassignment or reorganization from occurring.

Department officials, on behalf of the Authority, stated they believed the interagency agreement was the precursor to the development of an Executive Order to effectuate the transfer of the Authority's management duties from the Authority to the Department.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Fifteen Months Ended September 30, 2017

2018-001. **FINDING** (Noncompliance with the Constitution) (continued)

Entering into an intergovernmental agreement to reorganize and reassign the duties and functions of the Authority into the Department represents noncompliance with the State's Constitution and limits the oversight functions of the General Assembly. (Finding Code No. 2018-001)

**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.

**DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY**

The finding is accepted. The Department will work with the Governor and 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 Fifteen Months Ended September 30, 2017

2018-002. **FINDING** (Excess Assets in the Health Information Exchange Fund)

The Illinois Health Information Exchange Authority (Authority) had excess assets within the Authority's Health Information Exchange Fund (Fund).

As of September 30, 2017, the Authority finalized its wind down process through processing its final transactions within the Fund as part of its transfer into the Department of Healthcare and Family Services (Department) (for more information, see Finding 2018-001). Afterwards, the Fund continued to receive monthly interest allocations deposited by the Office of the State Treasurer.

During testing, we noted the Fund had assets of \$307,667 as of June 30, 2018, which was the last month end reported by the State Comptroller prior to the conclusion of fieldwork on this engagement. This amount consisted of \$307,170 in cash and \$497 of June 2018 interest receivable. As the Department should have known of any outstanding obligations, the Department should have taken steps to dissolve the fund so this cash could be reallocated to other purposes.

Good internal control includes monitoring fund balances to identify any excess cash balances and promptly seeking an appropriate disposition for any excess funds.

Department officials, on behalf of the Authority, stated the remaining cash balance was not addressed because the Department made a management decision to hold the Fund and its accounts open through, at a minimum, the close of Fiscal Year 2018's Lapse Period, to ensure no further transactions would need to be processed.

Failure to address the remaining excess balance within the Fund represents poor cash management practices within the State Treasury. (Finding Code No. 2018-002)

**RECOMMENDATION**

We recommend the Department, on behalf of the Authority, work with the General Assembly and the Governor to determine an appropriate disposition of the Fund's remaining balance and then work with the Comptroller to dissolve the Fund.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Fifteen Months Ended September 30, 2017

2018-002. **FINDING** (Excess Assets in the Health Information Exchange Fund) (continued)

**DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY**

The Department, on behalf of the Authority, respectfully disagrees with this finding. The Department, on behalf of the Authority, processed expenditures from the Fund during the early portion of Fiscal Year 2018 and expected additional charges from the Department of Central Management Services (CMS) related to Authority employee group health insurance. The Department received the group insurance billing from CMS the week of July 9, 2018. The Department plans to close the fund per the Statewide Accounting Management System's procedures once all relevant expenditures have occurred.

**ACCOUNTANT'S COMMENT**

The group insurance underpayment to CMS, totaling \$3,704, was identified by us in May 2018. The Authority ceased operating as a separate entity on September 23, 2016. The Department's subsequent process for identifying outstanding obligations, transferring available moneys, and dissolving an unnecessary fund was not timely.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Fifteen Months Ended September 30, 2017

2018-003. **FINDING** (Inadequate Control over Financial Activities)

The Illinois Health Information Exchange Authority (Authority) did not exercise adequate internal control over the Authority's financial activities.

As of September 30, 2017, the Authority finalized its wind down process after it processed its final transactions within the Health Information Exchange Fund (Fund) as part of its transfer into the Department of Healthcare and Family Services (Department) (for more information, see Finding 2018-001).

During testing of these transactions, we noted the following:

- The Authority did not completely pay its required contribution for employee group insurance due to the Department of Central Management Services (CMS). As of the end of fieldwork on this examination, we noted the Authority's Health Information Exchange Fund owes CMS \$3,704.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/11) states the Authority must work with the Governor's Office of Management and Budget (GOMB) and CMS to ensure the State's share of employee benefit costs for employees paid from State funds other than the General Revenue Fund are paid for by the fund paying the employee's payroll costs.

- 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). We noted the Authority did not request and draw down the entirety of moneys due from the federal government as allowed for by this grant.

During discussions with Department officials regarding this matter, they indicated they did not authorize any further drawdowns because the individual working on this grant did not have adequate time and effort reports to support a drawdown of federal funds. Given this limitation, we estimated the maximum amount of federal reimbursement requests not sought by the Authority was \$23,428.

The Illinois State Collection Act of 1986 (30 ILCS 210/3) requires the Authority to "aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means." Further, the State Records Act (5 ILCS 160/8) requires the Authority make and preserve records containing adequate and proper documentation to protect the legal and financial rights of the State.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Fifteen Months Ended September 30, 2017

2018-003. **FINDING** (Inadequate Control over Financial Activities) (continued)

- The Authority did not document 11 of 15 (73%) monthly reconciliations of its cash receipt records to the Office of the State Comptroller's Monthly Revenue Status Report (SB04).

The Statewide Accounting Management System (SAMS) (Procedure 25.40.20) requires the Authority perform a reconciliation of the SB04 report within 60 days of month end to ensure errors are detected and corrected on a timely basis.

- The Authority did not perform any of the required monthly reconciliations of its expenditure records to the Office of the State Comptroller's Monthly Appropriations Status Report (SB01) during the examination period. We noted an unreconciled error of \$64,044 between the Authority's records and the State Comptroller's records for Fiscal Year 2017, which hindered our ability to conclude whether Schedule 2 and Schedule 3 within this report were complete and appropriately reported.

SAMS (Procedure 11.40.20) requires the Authority perform a reconciliation of the SB01 report within 60 days of month end to ensure errors are detected and corrected on a timely basis.

Department officials, on behalf of the Authority, stated these errors were due to oversight during the wind down of the Authority's fiscal activity.

Failure to ensure the State's employer share of group insurance costs was paid for from the Fund and all amounts due from the federal government were collected represents noncompliance with State law, reduced the amount of cash available to CMS to pay the State's share of group insurance costs, and resulted in the State subsidizing the federal government's share of the grant program. Further, failure to document all reconciliations required by SAMS represents noncompliance with State regulations and could result in errors or other irregularities not being identified in a timely manner. (Finding Code No. 2018-003)

**RECOMMENDATION**

We recommend the Department, on behalf of the Authority, work with GOMB and CMS to pay the amount due to CMS for group insurance costs and work with the ONC to collect amounts due from the federal government. Further, the Department, on behalf of the Authority, should ensure supporting documentation is retained and all reconciliations required by SAMS are performed on a timely basis.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Fifteen Months Ended September 30, 2017

2018-003. **FINDING** (Inadequate Control over Financial Activities) (continued)

**DEPARTMENT RESPONSE, ON BEHALF OF THE AUTHORITY**

The Department, on behalf of the Authority, agrees with the portions of the finding relating to reconciliations, but respectfully disagrees with the portions of the finding relating to group health insurance payments and federal grant claiming.

The Department, on behalf of the Authority, could not effectuate payment for the referenced Authority employee group insurance costs until it received a calculated billing from CMS. As noted in the response to Finding 2018-002, the Department received the CMS billing the week of July 9, 2018, and plans to process payment accordingly.

Regarding the issue of claiming grant costs, a portion of the Authority's remaining staff member's time was not claimed because the employee did not expend sufficient time and effort in furtherance of the goals of the grant. Any staff time expended related to the grant was minimal and related to administrative closeout.

STATE OF ILLINOIS  
**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY**  
LIMITED SCOPE COMPLIANCE EXAMINATION  
For the Fifteen Months Ended September 30, 2017

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

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the September 30, 2017, and June 30, 2017, accompanying supplementary information in Schedules 1 through 4. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS  
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
 Appropriations for Fiscal Year 2018

**SCHEDULE 1**

Three Months Ended September 30, 2017

| FISCAL YEAR 2018                           | Appropriations<br>(Net of<br>Transfers) | Expenditures<br>Through<br>September 30 | Lapse Period<br>Expenditures | Total<br>Expenditures<br>3 Months Ended<br>September 30 | Balances<br>Lapsed |
|--|---|---|------------------------------|---|--------------------|
| <b><u>NONAPPROPRIATED FUNDS</u></b>        |   |   |                              |   |                    |
| Health Information Exchange Fund - 606     |   |   |                              |   |                    |
| Operations                                 |   | \$ 6,263                                | \$ -                         | \$ 6,263  |                    |
| Total, Health Information Exchange Fund    |   | <u>\$ 6,263</u>                         | <u>\$ -</u>                  | <u>\$ 6,263</u>   |                    |
| <b>SUB-TOTAL, NONAPPROPRIATED FUNDS</b>    |   | <u><u>\$ 6,263</u></u>                  | <u><u>\$ -</u></u>           | <u><u>\$ 6,263</u></u>                                  |                    |
| <b>TOTAL - ALL FUNDS, FISCAL YEAR 2018</b> |   | <u><u>\$ 6,263</u></u>                  | <u><u>\$ -</u></u>           | <u><u>\$ 6,263</u></u>                                  |                    |

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Authority records.

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  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
 Appropriations for Fiscal Year 2017

**SCHEDULE 2**

Fifteen Months Ended September 30, 2017

| FISCAL YEAR 2017                           | Appropriations<br>(Net of<br>Transfers) | Expenditures<br>Through June 30 | Lapse Period<br>Expenditures<br>July 1 to<br>August 31 | Total<br>Expenditures<br>15 Months Ended<br>September 30 | Balances<br>Lapsed |
|--|---|---------------------------------|--|--|--------------------|
| <b><u>NONAPPROPRIATED FUNDS</u></b>        |   |                                 |  |  |                    |
| Health Information Exchange Fund - 606     |   |                                 |  |  |                    |
| Operations                                 |   | \$ 1,671,595                    | \$ 543,824   | \$ 2,215,419   |                    |
| Total, Health Information Exchange Fund    |   | <u>\$ 1,671,595</u>             | <u>\$ 543,824</u>                                      | <u>\$ 2,215,419</u>                                      |                    |
| <b>SUB-TOTAL, NONAPPROPRIATED FUNDS</b>    |   | <u><u>\$ 1,671,595</u></u>      | <u><u>\$ 543,824</u></u>                               | <u><u>\$ 2,215,419</u></u>                               |                    |
| <b>TOTAL - ALL FUNDS, FISCAL YEAR 2017</b> |   | <u><u>\$ 1,671,595</u></u>      | <u><u>\$ 543,824</u></u>                               | <u><u>\$ 2,215,419</u></u>                               |                    |

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017. This amount was unable to be reconciled to the Authority's records, as noted in Finding 2018-003.

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  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
 EXPENDITURES, AND LAPSED BALANCES**

**SCHEDULE 3**

|   | For the Three<br>Months Ended<br>September 30,<br>2017 | For the Fiscal<br>Year Ended June<br>30, 2017 | For the Fiscal<br>Year Ended June<br>30, 2016 |
|---|--|---|---|
| <u>NONAPPROPRIATED FUNDS</u>                        |  |   |   |
| <b>Health Information Exchange Fund - 606</b>       |  |   |   |
| <u>Expenditures</u>                                 |  |   |   |
| Operations  | \$ 6,263   | \$ 2,215,419                                  | \$ 1,752,219                                  |
| Total Health Information Exchange Fund Expenditures | \$ 6,263   | \$ 2,215,419                                  | \$ 1,752,219                                  |
| <br><u>TOTAL - NONAPPROPRIATED FUNDS</u>            |  |   |   |
| Total Nonappropriated Expenditures                  | \$ 6,263   | \$ 2,215,419                                  | \$ 1,752,219                                  |
| <br><u>GRAND TOTAL - ALL FUNDS</u>                  |  |   |   |
| Total Expenditures                                  | \$ 6,263   | \$ 2,215,419                                  | \$ 1,752,219                                  |

Note 1: Fiscal Year 2017 expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017. This amount was unable to be reconciled to the Authority's records, as noted in Finding 2018-003.

Note 2: Fiscal Year 2018 expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Authority records.

Note 3: 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  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS  
AND RECONCILIATION SCHEDULE OF CASH RECEIPTS  
TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

**SCHEDULE 4**

|   | For the Three<br>Months Ended<br>September 30,<br>2017 | For the Fiscal<br>Year Ended June<br>30, 2017 | For the Fiscal<br>Year Ended June<br>30, 2016 |
|---|--|---|---|
| <u>Health Information Exchange Fund - 606</u>   |  |   |   |
| Department of Public Health                     | \$ -   | \$ 280,000                                    | \$ 279,462                                    |
| Office of the National Coordinator              | 248,480  | 1,752,492                                     | 178,754                                       |
| Return of the Petty Cash Fund                   | -  | 100   | -   |
| Total Receipts - Fund 632                       | <u>\$ 248,480</u>                                      | <u>\$ 2,032,592</u>                           | <u>\$ 458,216</u>                             |
| Receipts, per Authority Records                 | \$ 248,480   | \$ 2,032,592                                  | \$ 458,216                                    |
| Add: Deposits in Transit, Beginning of the Year | -  | -   | 1,300   |
| Less: Deposits in Transit, End of the Year      | -  | -   | -   |
| Deposits, Recorded by the State Comptroller     | <u>\$ 248,480</u>                                      | <u>\$ 2,032,592</u>                           | <u>\$ 459,516</u>                             |
| <u>GRAND TOTAL - ALL FUNDS</u>                  |  |   |   |
| Receipts, per Authority Records                 | \$ 248,480   | \$ 2,032,592                                  | \$ 458,216                                    |
| Add: Deposits in Transit, Beginning of the Year | -  | -   | 1,300   |
| Less: Deposits in Transit, End of the Year      | -  | -   | -   |
| Deposits, Recorded by the State Comptroller     | <u>\$ 248,480</u>                                      | <u>\$ 2,032,592</u>                           | <u>\$ 459,516</u>                             |

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**AUTHORITY FUNCTIONS AND PLANNING PROGRAM**  
For the Fifteen Months Ended September 30, 2017

(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. During testing, 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 (see Finding 2018-001).

STATE OF ILLINOIS  
 ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
 LIMITED SCOPE COMPLIANCE EXAMINATION  
**AVERAGE NUMBER OF EMPLOYEES**  
 For the Fifteen Months Ended September 30, 2017

(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>Three Months Ended<br/>September 30, 2017</u> | <u>Fiscal Year<br/>Ended<br/>June 30, 2017</u> | <u>Fiscal Year<br/>Ended<br/>June 30, 2016</u> |
|---|--|--|--|
| Executive Director                      | 0  | 1  | 1  |
| Chief Financial Officer                 | 0  | 0  | 1  |
| Director of Implementation Services     | 0  | 0  | 1  |
| Policy, Privacy, and Compliance Manager | 0  | 0  | 1  |
| Private Secretary                       | 0  | 0  | 1  |
| <b>Total Authority Employees</b>        | <b>0</b>   | <b>1</b>                                       | <b>5</b>                                       |

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Fifteen Months Ended September 30, 2017

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2018**

**Health Information Exchange Fund - 606**

Operations

The decrease in expenditures was due to the Authority completing its wind down of operations during the first quarter of Fiscal Year 2018.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2017**

**Health Information Exchange Fund - 606**

Operations

The increase in expenditures was due to the Authority processing grant transactions related to the Coordinating Care for a Healthy Illinois grant during an entire fiscal year. This extra activity was tempered by the complete shutdown of the Illinois Health Information Exchange (ILHIE) during Fiscal Year 2016.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Fifteen Months Ended September 30, 2017

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2018**

**Health Information Exchange Fund – 606**

Office of the National Coordinator

The decrease was due to the Authority not 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 all of Fiscal Year 2018. The Authority received grant funds for all of Fiscal Year 2017.

Department of Public Health

The decrease was due to the Authority receiving its final payment for use of the Public Health Node in Fiscal Year 2016 during Fiscal Year 2017.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2017**

**Health Information Exchange Fund – 606**

Office of the National Coordinator

The increase 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 all of Fiscal Year 2017. This grant began during the middle of Fiscal Year 2016 and, therefore, the Authority did not have many expenditures to seek reimbursement for from the federal government during the previous fiscal year.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Fifteen Months Ended September 30, 2017

(NOT EXAMINED)

**FISCAL YEAR 2018**

The scope of our examination did not include the Fiscal Year 2018 Lapse Period.

**FISCAL YEAR 2017**

**Health Information Exchange Fund - 606**

Operations

The significant spending was due to the Authority processing grant invoices through June 2016 after close of the fiscal year. Further, the initial grant invoices did not begin until February 2017, making the total Lapse Period expenditures a larger percentage of the total expenditures during the year.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**BUDGET IMPASSE DISCLOSURES**  
For the Fifteen Months Ended September 30, 2017

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

All of the Authority's Fiscal Year 2016 and Fiscal Year 2017 costs were paid pursuant to nonappropriated funds. The Authority did not have any outstanding unpaid invoices from either Fiscal Year 2016 or Fiscal Year 2017 after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016, and the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017, respectively.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND  
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**  
For the Fifteen Months Ended September 30, 2017

(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 2017 and Fiscal Year 2018.

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 2017 and Fiscal Year 2018.

STATE OF ILLINOIS  
ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY  
LIMITED SCOPE COMPLIANCE EXAMINATION  
**INTEREST COSTS ON FISCAL YEAR 2017 AND FISCAL YEAR 2018 INVOICES**  
For the Fifteen Months Ended September 30, 2017

(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.