



**STATE OF ILLINOIS**

Single Audit Report

For the Year Ended June 30, 2013

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

Independent Auditors' Report on the  
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133,  
*Audits of States, Local Governments, and Non-Profit Organizations*

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

Independent Auditors' Report on Compliance for Each Major Program  
and Report on Internal Control over Compliance

# STATE OF ILLINOIS

## Single Audit Report

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**Other Reports Issued Applicable to the Single Audit:**

The Comprehensive Annual Financial Report of the State of Illinois for the Year Ended June 30, 2013 was issued under separate cover by the Auditor General of the State of Illinois.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Year Ended June 30, 2013 was issued under separate cover by the Auditor General of the State of Illinois.

# STATE OF ILLINOIS

## Single Audit Report

### Summary

The compliance audit testing performed in this audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Single Audit Act Amendments of 1996, and OMB Circular A-133.

### Auditors' Reports

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

#### **Qualified (Scope Limitation)**

Employment Service Cluster

#### **Qualified (Noncompliance):**

CDBG – State-Administered Small Cities Program Cluster

Unemployment Insurance

Highway Planning and Construction Cluster

High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants

Surface Transportation – Discretionary Grants for Capital Investment

Title I, Part A Cluster

Special Education Cluster

Twenty-First Century Community Learning Centers

Improving Teacher Quality State Grants

School Improvement Grants Cluster

Immunization Cluster

Temporary Assistance for Needy Families Cluster

Foster Care – Title IV-E

Adoption Assistance

Children's Health Insurance Program

Medicaid Cluster

### Summary of Audit Findings

	<u>This audit</u>	<u>Prior audit</u>
Number of audit findings:		
This audit	74	91
Repeated audit findings	59	63
Prior findings implemented or not repeated	32	38



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**Independent Auditors' Report on the  
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133,  
*Audits of States, Local Governments, and Non-Profit Organizations***

Honorable William G. Holland  
Auditor General  
State of Illinois

**Report on Schedule of Expenditures of Federal Awards**

As special assistant auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois (the Schedule) for the year ended June 30, 2013.

***Management's Responsibility***

Management is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Schedule that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

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



significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

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

***Opinion***

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

As described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014 on our consideration of the State of Illinois' internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**KPMG LLP**

Chicago, Illinois  
March 17, 2014

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
<b>U.S. Department of Agriculture</b>			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 641	\$ 107
Voluntary Public Access and Habitat Incentive Program	10.093	86	86
Market News	10.153	4	—
Federal-State Marketing Improvement Program	10.156	29	9
Market Protection and Promotion	10.163	81	1
Specialty Crop Block Grant Program - Farm Bill	10.170	706	429
Organic Agriculture Research and Extension Initiative	10.307	7	—
Rural Community Development Initiative	10.446	16	—
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	6,451	—
Cooperative Extension Service	10.500	22	2
SNAP Cluster:			
Supplemental Nutrition Assistance Program (SNAP)	10.551	* \$ 3,348,324	—
ARRA - Supplemental Nutrition Assistance Program (SNAP)	10.551	*	1
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	*	95,792
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	*	18
Total SNAP Cluster		3,444,135	
Child Nutrition Cluster:			
School Breakfast Program	10.553	111,078	110,291
National School Lunch Program	10.555	441,217	439,731
Special Milk Program for Children	10.556	2,262	2,261
Summer Food Service Program for Children	10.559	11,391	11,089
Total Child Nutrition Cluster		565,948	
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	*	222,911
Child and Adult Care Food Program	10.558	133,370	131,750
State Administrative Expenses for Child Nutrition	10.560	5,314	23
Commodity Supplemental Food Program	10.565	6,141	6,009
Emergency Food Assistance Cluster:			
Emergency Food Assistance Program (Administrative Costs)	10.568	2,263	2,064
Emergency Food Assistance Program (Food Commodities)	10.569	23,861	23,861
Total Emergency Food Assistance Cluster		26,124	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	346	123
Team Nutrition Grants	10.574	37	36
Senior Farmers Market Nutrition Program	10.576	682	—
ARRA - WIC Grants to States	10.578	2,150	—
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	52	—
Fresh Fruit and Vegetable Program	10.582	4,771	4,766
Cooperative Forestry Assistance	10.664	278	—
Schools and Roads Cluster:			
Schools and Roads Grants to States	10.665	254	254
Total Schools and Roads Cluster		254	
Urban and Community Forestry Program	10.675	238	—
Forest Legacy Program	10.676	10	—
Forest Stewardship Program	10.678	417	—
Forest Health Protection	10.680	10	—
Soil and Water Conservation	10.902	617	189
Wildlife Habitat Incentive Program	10.914	3	—
<b>U.S. Department of Agriculture Total</b>		\$ 4,421,851	\$ 948,639
<b>U.S. Department of Commerce</b>			
Coastal Zone Management Administration Awards	11.419	315	—
Technology Opportunities Program	11.552	(2)	—
Public Safety Interoperable Communications Grant Program	11.555	460	460
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	30,986	7,737
<b>U.S. Department of Commerce Total</b>		\$ 31,759	\$ 8,197
<b>U.S. Department of Defense</b>			
Procurement Technical Assistance For Business Firms	12.002	524	366
Payments to States in Lieu of Real Estate Taxes	12.112	752	752
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	893	—
Military Construction, National Guard	12.400	19,254	—
National Guard Military Operations and Maintenance (O&M) Projects	12.401	18,063	12
National Guard Civilian Youth Opportunities	12.404	6,441	—
Troops-to-Teachers/Spouses-to-Teachers	12.XXX	212	—
<b>U.S. Department of Defense Total</b>		\$ 46,139	\$ 1,130

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
<b>U.S. Department of Housing and Urban Development</b>			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	\$ (121)	\$ —
Total CDBG - Entitlement Grants Cluster		\$ (121)	
CDBG - State-Administered Small Cities Program Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	*	90,479
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Recovery Act	14.255	*	—
Total CDBG - State-Administered Small Cities Program Cluster		96,861	
Emergency Shelter Grants Program	14.231		5,820
Supportive Housing Program	14.235		—
Housing Opportunities for Persons with AIDS	14.241		745
Homelessness Prevention and Rapid Re-Housing Program, Recovery Act	14.257		111
Fair Housing Assistance Program State and Local	14.401		—
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	645	—
Total Housing Voucher Cluster		645	
<b>U.S. Department of Housing and Urban Development Total</b>		<b>\$ 105,483</b>	<b>\$ 97,155</b>
<b>U.S. Department of Interior</b>			
Regulation of Surface Coal Mining and Surface Effects of Underground			
Coal Mining	15.250		2,624
Abandoned Mine Land Reclamation (AMLR) Program	15.252		16,127
Fish & Wildlife Cluster:			
Sport Fish Restoration Program	15.605	6,859	2,543
Wildlife Restoration and Basic Hunter Education	15.611	5,990	2,746
Total Fish & Wildlife Cluster		12,849	
Fish and Wildlife Management Assistance	15.608		(94)
Coastal Wetlands Planning, Protection and Restoration Act	15.614		108
Cooperative Endangered Species Conservation Fund	15.615		45
Enhanced Hunter Education and Safety Program	15.626		240
Partners for Fish and Wildlife	15.631		18
Landowner Incentive	15.633		(63)
State Wildlife Grants	15.634		1,861
State Memorandum Agreement - Crab Orchard	15.649		24
Natural Resource Damage Assessment, Restoration and Implementation	15.658		6
Endangered Species - Candidate Conservation Action Funds	15.660		11
Great Lakes Restoration	15.662		4,431
Historic Preservation Fund Grants In Aid	15.904		1,207
Outdoor Recreation Acquisition, Development and Planning	15.916		750
<b>U.S. Department of Interior Total</b>		<b>\$ 40,144</b>	<b>\$ 8,630</b>
<b>U.S. Department of Justice</b>			
Sexual Assault Services Formula Program	16.017		365
Joint Law Enforcement Operations	16.111		1,452
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202		(343)
Juvenile Accountability Block Grants	16.523		1,390
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529		121
Juvenile Justice and Delinquency Prevention Allocation to States	16.540		1,807
Missing Children's Assistance	16.543		650
Title V Delinquency Prevention Program	16.548		19
State Justice Statistics Program for Statistical Analysis Centers	16.550		79
National Criminal History Improvement Program (NCHIP)	16.554		160
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		175
Crime Victim Assistance	16.575		16,531
Crime Victim Compensation	16.576		335
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		186
Violence Against Women Formula Grants:			
Violence Against Women Formula Grants	16.588	5,214	4,120
ARRA - Violence Against Women Formula Grants	16.588	315	174
Total Violence Against Women Formula Grants		5,529	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		313
Residential Substance Abuse Treatment for State Prisoners	16.593		823
State Criminal Alien Assistance Program	16.606		5,700
Bulletproof Vest Partnership Program	16.607		13
Project Safe Neighborhoods	16.609		152
Public Safety Partnership and Community Policing Grants	16.710		246
Enforcing Underage Drinking Laws Program	16.727		643

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
<b>Justice Assistance Grant Program Cluster:</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 9,311	\$ 6,090
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, Recovery Act	16.803	9,655	5,239
Total Justice Assistance Grant Program Cluster		\$ 18,966	
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	625	—
Forensic DNA Backlog Reduction Program	16.741	2,432	241
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	803	141
Anti-Gang Initiative	16.744	35	13
Harold Rogers Prescription Drug Monitoring Program	16.754	346	—
Internet Crimes Against Children Task Force (ICAC) Program, Recovery Act	16.800	86	—
Second Chance Act Prisoner Reentry Initiative	16.812	460	231
NICS Act Record Improvement Program	16.813	625	—
John R. Justice Prosecutors and Defenders Incentive Act	16.816	196	—
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	30	30
Equitable Sharing of Federal Forfeitures	16.922	351	—
<b>U.S. Department of Justice Total</b>		<b>\$ 61,301</b>	<b>\$ 35,406</b>
<b>U.S. Department of Labor</b>			
Labor Force Statistics	17.002	3,214	—
Compensation and Working Conditions	17.005	186	—
<b>Employment Service Cluster:</b>			
Employment Service/Wagner-Peyser Funded Activities	17.207	* 36,462	542
Disabled Veterans' Outreach Program (DVOP)	17.801	* 4,702	—
Local Veterans' Employment Representative Program	17.804	* 2,619	—
Total Employment Service Cluster		43,783	
Unemployment Insurance	17.225	* 3,894,269	—
Senior Community Service Employment Program	17.235	2,666	2,566
Trade Adjustment Assistance	17.245	8,332	6,311
<b>Workforce Investment Act Cluster:</b>			
WIA Adult Program	17.258	* 31,430	29,038
WIA Youth Activities	17.259	* 33,869	31,277
WIA Dislocated Worker Formula Grants	17.278	* 56,333	46,737
Total Workforce Investment Act Cluster		121,632	
WIA Dislocated Workers	17.260	1,736	303
ARRA - WIA Dislocated Workers	17.260	1,135	1,088
WIA Pilots, Demonstrations, and Research Projects	17.261	5	—
Incentive Grants WIA Section 503	17.267	604	190
Work Opportunity Tax Credit (WOTC) Program	17.271	558	—
Temporary Labor Certification for Foreign Workers	17.273	566	—
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	2,269	2,190
WIA National Emergency Grants	17.277	1,367	1,179
Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280	116	—
Workforce Innovation Fund	17.283	191	—
Occupational Safety and Health State Program	17.503	1,591	—
Consultation Agreements	17.504	1,815	—
Mine Health and Safety Grants	17.600	277	—
<b>U.S. Department of Labor Total</b>		<b>\$ 4,086,312</b>	<b>\$ 121,421</b>
<b>U.S. Department of Transportation</b>			
Airport Improvement Program	20.106	* 84,967	45,575
Highway Research and Development Program	20.200	266	26
<b>Highway Planning and Construction Cluster:</b>			
Highway Planning and Construction	20.205	* 1,402,894	233,625
ARRA - Highway Planning and Construction	20.205	* 25,806	19,673
Recreational Trails Program	20.219	* 1,081	—
Total Highway Planning and Construction Cluster		1,429,781	
National Motor Carrier Safety	20.218	8,575	93
Performance and Registration Information Systems Management	20.231	6	—
Commercial Driver's License Program Improvement Grant	20.232	106	—
Commercial Driver's License Information System (CDLIS) Modernization Grant	20.238	4	—
Railroad Research and Development	20.313	5	—
Capital Assistance to States - Intercity Passenger Rail Service	20.317	1,412	—
<b>High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants:</b>			
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	* 1,666	—
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	* 131,365	—
Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		133,031	

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
Rail Line Relocation and Improvement	20.320	\$ 1,332	\$ —
Federal Transit Cluster:			
Federal Transit Capital Investment Grants	20.500	\$ 4,575	4,575
Total Federal Transit Cluster		4,575	
Metropolitan Transportation Planning	20.505	5,720	5,703
Formula Grants for Rural Areas:			
Formula Grants for Rural Areas	20.509	12,577	12,358
ARRA - Formula Grants for Rural Areas	20.509	2,875	2,753
Total Formula Grants for Other Than Urbanized Areas		15,452	
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	941	791
Job Access Reverse Commute Program	20.516	706	699
New Freedom Program	20.521	387	295
Total Transit Services Programs Cluster		2,034	
Public Transportation Research	20.514	57	19
ARRA - Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	(5)	—
Highway Safety Cluster:			
State and Community Highway Safety	20.600	9,560	3,717
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	5,710	2,984
Occupant Protection Incentive Grants	20.602	374	237
Safety Belt Performance Grants	20.609	68	—
State Traffic Safety Information System Improvements Grants	20.610	698	632
Incentive Grant Program to Prohibit Racial Profiling	20.611	151	—
Incentive Grant Program to Increase Motorcyclist Safety	20.612	354	—
Child Safety and Child Booster Seats Incentive Grants	20.613	1,016	530
Total Highway Safety Cluster		17,931	
National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	20.614	141	—
National Priority Safety Programs	20.616	1,751	—
Pipeline Safety Program Base Grants	20.700	1,736	—
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	901	868
PHMSA Pipeline Safety Program One Call Grant	20.721	41	—
ARRA - Surface Transportation Discretionary Grants for Capital Investment	20.932	28,657	24,016
National Infrastructure Investments	20.933	4,228	1,622
<b>U.S. Department of Transportation Total</b>		<b>\$ 1,742,704</b>	<b>\$ 360,791</b>
<b>U.S. Department of the Treasury</b>			
Mortgage Foreclosure Mitigation Assistance	21.000	118	—
<b>U.S. Department of Treasury Total</b>		<b>\$ 118</b>	<b>\$ —</b>
<b>Equal Employment Opportunity Commission</b>			
Employment Discrimination State and Local Fair Employment Practices Agency Contracts	30.002	1,510	—
<b>Equal Employment Opportunity Commission Total</b>		<b>\$ 1,510</b>	<b>\$ —</b>
<b>General Services Administration</b>			
Election Reform Payments	39.011	363	—
<b>General Services Administration Total</b>		<b>\$ 363</b>	<b>\$ —</b>
<b>National Endowment for the Arts</b>			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	94	92
Promotion of the Arts - Partnership Agreements	45.025	891	829
Grants to States	45.310	6,342	4,704
Laura Bush 21st Century Librarian Program	45.313	317	262
<b>National Endowment for the Arts Total</b>		<b>\$ 7,644</b>	<b>\$ 5,887</b>
<b>U.S. Small Business Administration</b>			
Statewide Broadband Infrastructure and Connectivity	59.000	\$ 946	\$ —
Small Business Development Center	59.037	4,788	2,893
State Trade and Export Promotion Pilot Grant Program	59.061	518	—
IL Public Libraries Access to Small Business	59.XXX	59	—
<b>U.S. Small Business Administration Total</b>		<b>\$ 6,311</b>	<b>\$ 2,893</b>
<b>U.S. Department of Veteran's Affairs</b>			
Grants to States for Construction of State Home Facilities	64.005	1,234	—
Veterans State Domiciliary Care	64.014	343	—
Veterans State Nursing Home Care	64.015	31,249	—
All Volunteer Force Educational Assistance	64.124	1,092	—
<b>U.S. Department of Veteran's Affairs Total</b>		<b>\$ 33,918</b>	<b>\$ —</b>

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
<b>U.S. Environmental Protection Agency</b>			
State Indoor Radon Grants	66.032	\$ 342	\$ 284
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	1,151	—
National Clean Diesel Emissions Reduction Program	66.039	456	—
State Clean Diesel Grant Program	66.040	356	—
State Environmental Justice Cooperative Agreement Program	66.312	36	—
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	521	6
State Underground Water Source Protection	66.433	212	—
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(3) of the Clean Water Act	66.436	99	—
Water Quality Management Planning	66.454	531	—
Capitalization Grants for Clean Water State Revolving Funds	66.458	92,158	92,063
Nonpoint Source Implementation Grants	66.460	6,329	1,069
Capitalization Grants for Drinking Water State Revolving Funds	66.468	40,724	39,123
Great Lakes Program	66.469	719	—
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	301	54
Beach Monitoring and Notification Program Implementation Grants	66.472	318	109
Water Protection Grants to the States	66.474	(16)	—
Performance Partnership Grants	66.605	24,007	12
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	164	17
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	167	—
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	234	—
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	2,479	—
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	610	—
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	2,719	—
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	130	—
State and Tribal Response Program Grants	66.817	934	—
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	740	213
<b>U.S. Environmental Protection Agency Total</b>		<b>\$ 176,421</b>	<b>\$ 132,950</b>
<b>U.S. Department of Energy</b>			
State Energy Program:			
State Energy Program	81.041	\$ 1,414	518
ARRA - State Energy Program	81.041	1,409	848
Total State Energy Program		2,823	
Weatherization Assistance for Low-Income Persons:			
Weatherization Assistance for Low-Income Persons	81.042	8,023	6,591
ARRA - Weatherization Assistance for Low-Income Persons	81.042	17,125	13,415
Total Weatherization Assistance for Low-Income Persons		25,148	
Renewable Energy Research and Development	81.087	113	—
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant:			
States and Tribal Concerns, Proposed Solutions	81.106	11	—
State Energy Program Special Projects	81.119	339	337
Electricity Delivery and Energy Reliability, Research, Development and Analysis:			
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	517	237
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	283	—
Total Electricity Delivery and Energy Reliability, Research, Development and Analysis		800	
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	1,504	—
<b>U.S. Department of Energy Total</b>		<b>\$ 30,738</b>	<b>\$ 21,946</b>
<b>U.S. Department of Education</b>			
Adult Education - Basic Grants to States	84.002	19,978	18,658
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	611,347	604,597
Title I Grants to Local Educational Agencies, Recovery Act	84.389	3,033	2,420
Total Title I, Part A Cluster		614,380	
Migrant Education State Grant Program	84.011	2,201	2,179
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1,319	—
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	496,197	481,120
Special Education - Preschool Grants	84.173	16,901	16,432
Total Special Education Cluster (IDEA)		513,098	
Student Financial Assistance Programs:			
Federal Family Education Loan Program	84.032G	208,597	—
Total Student Financial Assistance Programs		208,597	
Career and Technical Education - Basic Grants to States	84.048	42,410	24,187
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	107,444	20,819

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
Rehabilitation Services Service Projects	84.128	\$ 230	\$ —
Migrant Education Coordination Program	84.144	76	55
Rehabilitation Services Client Assistance Program	84.161	53	—
Independent Living - State Grants	84.169	561	—
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177	1,329	—
Special Education Grants for Infants and Families	84.181	17,471	8,877
Safe and Drug-Free Schools and Communities National Programs	84.184	6	—
Byrd Honors Scholarships	84.185	1	—
Safe and Drug-Free Schools and Communities State Grants	84.186	93	60
Supported Employment Services for Individuals with Significant Disabilities	84.187	867	—
Education for Homeless Children and Youth	84.196	2,594	2,383
Assistive Technology	84.224	633	—
Tech-Prep Education	84.243	18	—
Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.265	157	—
Twenty-First Century Community Learning Centers	84.287	48,533	46,755
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	\$ 2,861	2,828
Educational Technology State Grants, Recovery Act	84.386	(64)	—
Total Educational Technology State Grants Cluster		2,797	
Special Education State Personnel Development	84.323	1,625	1,268
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	384	384
Advanced Placement Program	84.330	1,753	1,753
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	2,513	144
Reading First State Grants	84.357	(2)	—
Rural Education	84.358	1,183	1,141
English Language Acquisition Grants	84.365	29,571	28,635
Mathematics and Science Partnerships	84.366	5,304	4,902
Improving Teacher Quality State Grants	84.367	88,432	85,553
Grants for Enhanced Assessment Instruments	84.368	776	—
Grants for State Assessments and Related Activities	84.369	8,090	—
Striving Readers	84.371	90	89
Statewide Data Systems Cluster:			
Statewide Data Systems	84.372	1,614	—
Statewide Data Systems, Recovery Act	84.384	2,895	—
Total Statewide Data Systems Cluster		4,509	
School Improvement Grants Cluster:			
School Improvement Grants	84.377	4,468	3,941
School Improvement Grants, Recovery Act	84.388	45,003	39,607
Total School Improvement Grants Cluster		49,471	
College Access Challenge Grant Program	84.378	4,524	—
Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	84.390	5	—
Race-to-the-Top Incentive Grants, Recovery Act	84.395	49	—
Independent Living - State Grants, Recovery Act	84.398	(10)	—
Education Jobs Fund, Recovery Act	84.410	21,607	21,607
Race to the Top - Early Learning Challenge, Recovery Act	84.412	95	—
Race to the Top, Recovery Act	84.413	9,461	4,869
<b>U.S. Department of Education Total</b>		<b>\$ 1,814,276</b>	<b>\$ 1,425,263</b>
<b>National Archives and Records Administration</b>			
National Historical Publications and Records Grants	89.003	55	43
<b>National Archives and Records Administration Total</b>		<b>\$ 55</b>	<b>\$ 43</b>
<b>Election Assistance Commission</b>			
Help America Vote Act Requirements Payments	90.401	3,764	2,093
<b>Election Assistance Commission Total</b>		<b>\$ 3,764</b>	<b>\$ 2,093</b>
<b>U.S. Department of Health and Human Services</b>			
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	184	144
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	674	469
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	1,044	697
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	* 20,205	14,977
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	* 27,958	20,729
Nutrition Services Incentive Program	93.053	* 6,900	6,286
Total Aging Cluster		55,063	
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	295	168
National Family Caregiver Support, Title III, Part E	93.052	5,058	5,058
Public Health Emergency Preparedness	93.069	4,698	3,271
Environmental Public Health Emergency Response	93.070	445	121

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**Schedule of Expenditures of Federal Awards**  
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<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
Medicare Enrollment Assistance Program	93.071	\$ 17	\$ —
Lifespan Respite Care Program	93.072	112	54
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	18,442	10,793
Systems Interoperability Health and Human Services	93.075	215	—
Guardianship Assistance:			
Guardianship Assistance	93.090	\$ 9,289	—
ARRA - Guardianship Assistance	93.090	240	—
Total Guardianship Assistance		9,529	—
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	2,407	2,407
Food and Drug Administration Research	93.103	302	—
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	5,619	—
Maternal and Child Health Federal Consolidated Programs	93.110	127	127
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,513	345
Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services- Technical Assistance Centers for Evaluation	93.119	72	—
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	314	87
Injury Prevention and Control Research and State and Community Based Programs	93.136	2,082	2,072
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,338	—
Grants to States for Loan Repayment Program	93.165	481	—
Disabilities Prevention	93.184	264	54
Telehealth Programs	93.211	(59)	—
Family Planning Services	93.217	6,390	4,878
Traumatic Brain Injury State Demonstration Grant Program	93.234	2	—
Affordable Care Act (ACA) Abstinence Education Program	93.235	1,033	—
Policy Research and Evaluation Grants	93.239	360	—
State Capacity Building	93.240	398	—
State Rural Hospital Flexibility Program	93.241	704	703
Mental Health Research Grants	93.242	19	—
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	6,138	4,851
Immunization Grants	93.268	* 103,335	1,244
Adult Viral Hepatitis Prevention and Control	93.270	50	—
Substance Abuse and Mental Health Services Access to Recovery Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.275	3,229	—
State Partnership Grant Program to Improve Minority Health	93.283	12,245	5,995
Small Rural Hospital Improvement Grant Program	93.296	129	119
ARRA - State Loan Repayment Program	93.301	503	503
ARRA - State Primary Care Offices	93.402	18	—
Ruminant Feed Ban Support Project	93.414	183	10
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.449	289	—
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.505	7,894	7,331
PPHF 2012 National Public Health Improvement Initiative	93.506	395	—
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.507	480	25
Affordable Care Act (ACA) Aging and Disability Resource Center	93.511	274	—
Affordable Care Act (ACA) Medicare Improvements for Patients and Providers	93.517	146	146
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.518	221	221
The Affordable Care Act: Building Epidemiology, Laboratory and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.519	444	—
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.521	1,498	964
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - Financed Solely by 2012 Prevention and Public Health Funds	93.525	1,698	—
Prevention and Public Health Fund (ACA) Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.531	2,997	2,238
The Patient Protection and ACA authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.539	135	98
Promoting Safe and Stable Families	93.544	398	—
Temporary Assistance for Needy Families Cluster:			
ARRA - Emergency Contingency Fund for Temporary Assistance to Needy Families (TANF) State Program	93.556	10,005	5,979
Total Temporary Assistance for Needy Families Cluster	93.558	* 613,599	151,252
Child Support Enforcement	93.714	* 249	—
Refugee and Entrant Assistance State Administered Programs	93.563	613,848	18,735
Low-Income Home Energy Assistance	93.566	134,785	—
Community Services Block Grant	93.569	* 205,085	200,374
		32,177	30,214

**STATE OF ILLINOIS**  
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<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>		<b>Passed-through to subrecipients (Unaudited)</b>
		<b>Expenditures</b>		
<b>Child Care Development Fund Cluster:</b>				
Child Care and Development Block Grant	93.575	*	\$ 86,752	\$ 80,472
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	<u>125,415</u>	122,602
Total Child Care Development Fund Cluster			\$ 212,167	
Refugee and Entrant Assistance Discretionary Grants	93.576		1,071	137
Refugee and Entrant Assistance Targeted Assistance Grants	93.584		1,034	—
State Court Improvement Program	93.586		952	573
Community Based Child Abuse Prevention Grants	93.590		1,362	1,211
Grants to States for Access and Visitation Programs	93.597		317	293
Services to Victims of a Severe Form of Trafficking	93.598		40	—
Chafee Education and Training Vouchers Program (ETV)	93.599		3,316	
Head Start	93.600		3,743	206
Mentoring Children of Prisoners	93.616		(15)	—
Voting Access for Individuals with Disabilities Grants to States	93.617		329	322
Developmental Disabilities Basic Support and Advocacy Grants	93.630		2,241	921
Children's Justice Grants to States	93.643		625	621
Stephanie Tubbs Jones Child Welfare Services Program	93.645		10,161	—
Social Services Research and Demonstration	93.647		142	—
Child Welfare Research Training or Demonstration	93.648		360	255
Adoption Opportunities	93.652		354	354
<b>Foster Care - Title IV-E:</b>				
Foster Care - Title IV-E	93.658	*	188,753	1,018
ARRA - Foster Care - Title IV-E	93.658	*	<u>148</u>	—
Total Foster Care - Title IV-E			188,901	
<b>Adoption Assistance:</b>				
Adoption Assistance	93.659	*	81,795	80
ARRA - Adoption Assistance	93.659	*	<u>436</u>	—
Total Adoption Assistance			82,231	
Social Services Block Grant	93.667	*	66,560	31,842
Child Abuse and Neglect State Grants	93.669		1,006	875
Child Abuse and Neglect Discretionary Activities	93.670		182	1
<b>Family Violence Prevention and Services/Grants for Battered Women's Shelters</b>				
Grants to States and Indian Tribes	93.671		4,006	3,670
Chafee Foster Care Independence Program	93.674		6,559	—
ARRA - Aging Home Delivered Nutrition Services for States	93.705		1	—
ARRA - Head Start	93.708		2,739	1,711
ARRA - Child Care and Development Block Grant	93.713		3	—
ARRA - State Grants to Promote Health Information Technology	93.719		3,247	—
ARRA - Prevention and Wellness - State, Territories, and Pacific Islands	93.723		174	48
ARRA - Prevention and Wellness Communities Putting Prevention to Work				
Funding Opportunities Announcement	93.724		203	—
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725		137	113
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund	93.733		71	71
State Public Health Approaches for Ensuring Qutline Capacity - Funded in Part by 2012 Prevention and Public Health Funds (PPHF -2012)	93.735		66	—
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories Solely Financed by 2012 Prevention and Public Health Funds	93.744		307	307
PPHF 2012: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF -2012)	93.745		1	—
<b>Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion</b>				
Health Record (EHR) Integration and Interoperability Expansion	93.748		22	—
Children's Health Insurance Program	93.767	*	348,937	—
<b>Medicaid Cluster:</b>				
State Medicaid Fraud Control Units	93.775	*	7,730	—
State Survey and Certification of Health Care Providers and Suppliers	93.777	*	28,983	—
Medical Assistance Program	93.778	*	<u>8,225,240</u>	57,747
Total Medicaid Cluster			8,261,953	
<b>Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations</b>				
Money Follows the Person Rebalancing Demonstration	93.779		3,016	—
National Bioterrorism Hospital Preparedness Program	93.791		4,273	—
Grants to States for Operation of Offices of Rural Health	93.889		5,025	4,782
HIV Care Formula Grants	93.913		183	—
Healthy Start Initiative	93.917	*	45,862	6,763
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.926		1,617	1,491
HIV Prevention Activities Health Department Based	93.938		177	—
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.940		4,942	2,309
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.943		2	—
Syndrome (AIDS) Surveillance	93.944		1,059	57

**STATE OF ILLINOIS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<b>Federal Agency/Program or Cluster</b>	<b>Federal CFDA #</b>	<b>Amounts (expressed in thousands)</b>	
		<b>Expenditures</b>	<b>Passed-through to subrecipients (Unaudited)</b>
<b>Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs</b>			
Block Grants for Community Mental Health Services	93.946	\$ 141	\$ —
Block Grants for Prevention and Treatment of Substance Abuse	93.958	16,246	15,511
National All Schedules Prescription Electronic Reporting Grant	93.959 *	67,838	63,903
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.975	111	—
Mental Health Disaster Assistance and Emergency Mental Health	93.977	1,576	98
Cooperative Agreements for State Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.982	3	—
Preventive Health and Health Services Block Grant	93.988	153	—
Maternal and Child Health Services Block Grant to the States	93.991	1,963	431
Adolescent Family Life- Demonstration Projects	93.994	21,450	10,850
	93.995	6	—
<b>U.S. Department of Health and Human Services Total</b>		<b>\$ 10,645,553</b>	<b>\$ 915,384</b>
<b>Corporation for National and Community Service</b>			
State Commissions	94.003	538	200
Learn and Serve America School and Community Based Programs	94.004	267	266
AmeriCorps	94.006	8,636	7,419
Program Development and Innovation Grants	94.007	67	67
Training and Technical Assistance	94.009	44	44
<b>Corporation for National and Community Service Total</b>		<b>\$ 9,552</b>	<b>\$ 7,996</b>
<b>Social Security Administration</b>			
Disability Insurance/SSI Cluster:			
Social Security - Disability Insurance	96.001	\$ 75,990	—
Total Disability Insurance/SSI Cluster		75,990	—
Social Security - Research and Demonstration	96.007	(43)	—
Social Security Work Incentives Planning and Assistance Program	96.008	(30)	—
<b>Social Security Administration Total</b>		<b>\$ 75,917</b>	<b>\$ —</b>
<b>U.S. Department of Homeland Security</b>			
State and Local Homeland Security Training Program	97.005	24	23
Non-Profit Security Program	97.008	1,658	1,658
Boating Safety Financial Assistance	97.012	2,519	—
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	339	—
Flood Mitigation Assistance	97.029	229	229
Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036	5,554	4,975
Hazard Mitigation Grant	97.039	1,446	1,282
National Dam Safety Program	97.041	164	—
Emergency Management Performance Grants	97.042	11,504	4,457
Cooperating Technical Partners	97.045	284	267
Pre-Disaster Mitigation	97.047	55	55
Presidential Declared Disaster Assistance to Individuals and Households Other Needs	97.050	12,127	—
Emergency Operations Centers	97.052	2,196	2,196
Interoperable Emergency Communications	97.055	3,178	3,178
Port Security Grant Program	97.056	591	—
Homeland Security Grant Program	97.067 *	117,242	111,199
Rail and Transit Security Grant Program	97.075	21,135	21,135
Buffer Zone Protection Program (BZPP)	97.078	4,684	4,227
Earthquake Consortium	97.082	46	14
Driver's License Security Grant Program	97.089	291	—
Homeland Security Biowatch Program	97.091	2,062	—
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2,127	2,127
<b>U.S. Department of Homeland Security Total</b>		<b>\$ 189,455</b>	<b>\$ 157,022</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 23,531,288</b>	<b>\$ 4,252,846</b>

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

\*Denotes Major Program

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

#### (1) Summary of Significant Accounting Policies

##### (a) Reporting Entity

The schedule of expenditures of federal awards includes all federal award programs administered by the State of Illinois (the State), except for component units, for the fiscal year ended June 30, 2013. The State's financial reporting entity is described in Note 1B of the State's Comprehensive Annual Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Comprehensive Annual Financial Report, which received federal financial assistance for the year ended June 30, 2013. Each of these entities is subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The federal transactions of the following entities are not reflected in this Schedule:

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

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission under the Federal Family Education Loan program, are not reflected in the schedule of expenditures of federal awards for the year ended June 30, 2013. IDAPP has elected to have a separate lender compliance audit performed on an annual basis in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program Audit Guide*.

##### (b) Basis of Presentation

The schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.XXX).

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

#### *(c) Basis of Accounting*

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

#### **(2) Description of Major Federal Award Programs**

The following is a brief description of the major programs presented in the schedule of expenditures of federal awards:

##### **U.S. Department of Agriculture**

SNAP Cluster: Supplemental Nutrition Assistance Program (CFDA No. 10.551) / ARRA – Supplemental Nutrition Assistance Program (CFDA No. 10.551ARRA) / State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA No. 10.561) / ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA No. 10.561ARRA)

The objective of the Supplemental Nutrition Assistance program (SNAP) is to improve the nutrition levels of low-income households by ensuring access to nutritious, healthful diets through the provision of nutrition education and nutrition assistance through the issuance of monthly benefits for the purchase of food at authorized retailers and to provide federal financial aid to State agencies for costs incurred to operate the program. The reported expenditures for benefits under SNAP (CFDA 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)

The objective of this program is to provide supplemental nutritious foods, nutrition education, and referrals to health care for low-income persons during critical periods of growth and development.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Such persons include pregnant women, breast-feeding women up to one year postpartum, non-breast-feeding women up to 6 months postpartum, infants (persons under one year of age), and children under age 5 determined to be at nutritional risk. Intervention during the prenatal period improves fetal development and reduces the incidence of low birth weight, short gestation, and anemia.

#### **U.S. Department of Housing and Urban Development**

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228) / Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (Recovery Act Funded) (CFDA No. 14.255ARRA)

The primary objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate-income.

#### **U.S. Department of Labor**

Employment Service Cluster: Employment Service/Wagner-Peyser Funded Activities (CFDA No. 17.207) / Disabled Veterans' Outreach Program (DVOP) (CFDA No. 17.801) / Local Veterans' Employment Representative Program (CFDA No. 17.804)

The objectives of these programs is to assist persons to secure employment and workforce information by providing a variety of job search assistance and information services without charge to job seekers; to provide intensive services to meet the employment needs of disabled and other eligible veterans with maximum emphasis in meeting the employment needs of those who are economically or educationally disadvantaged, including homeless veterans and veterans with barriers to employment; and to conduct outreach to employers to facilitate employment to assist veterans in gaining and retaining employment.

Unemployment Insurance (CFDA No. 17.225)

The objective of this program is to administer a program of unemployment insurance for eligible workers through Federal and state cooperation; to administer payment of trade adjustment assistance; to administer disaster unemployment assistance; and to administer unemployment compensation for Federal employees and ex-service members.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Workforce Investment Act Cluster: Workforce Investment Act Adult Program (CFDA No. 17.258) / Workforce Investment Act Youth Activities (CFDA No. 17.259) / Workforce Investment Act Dislocated Worker Formula Grant (CFDA No. 17.278)

The objective of these programs is to prepare workers, particularly disadvantaged, low-skilled, and underemployed adults, for good jobs by providing job search assistance and training; to help low income youth acquire the educational and occupational skills, training and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood; and to reemploy dislocated workers through job search assistance and/or training that builds their occupational skills to meet labor market needs.

#### **U.S. Department of Transportation**

Airport Improvement Program (CFDA No. 20.106)

The objective of this program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

Highway Planning and Construction Cluster: Highway Planning and Construction (CFDA No. 20.205) / ARRA – Highway Planning and Construction (CFDA No. 20.205ARRA) /Recreational Trails Program (CFDA No. 20.219)

The objective of this program is to assist states in planning and developing an integrated, interconnecting transportation systems by constructing and rehabilitating the National Highway System, including Interstate highways; for transportation improvements to most other public roads; to provide aid in the repair of Federal-aid roads and streets following disasters; to foster safe highway design; and to replace or rehabilitate deficient or obsolete bridges. This program also provides transportation engineering services for planning; design, construction, and rehabilitation of the highways and bridges providing access to federally owned lands.

The objective of the Recreational Trails Program is to provide funds to states to develop and maintain recreational trails and trail-related facilities for both non-motorized and motorized recreational trail uses.

High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA No. 20.319) / ARRA – High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA No. 20.319ARRA)

The objective of this program is to assist in financing the capital costs of facilities, infrastructure, and equipment necessary to provide or improve high speed rail and intercity passenger rail service.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

#### ARRA – Surface Transportation Discretionary Grants for Capital Investment (CFDA No. 20.932ARRA)

The objective of this program is to provide grants for surface transportation projects that will have a significant impact on the Nation, a metropolitan area, or a region in order to preserve and create jobs and promote economic recovery and to invest in transportation infrastructure that will provide long-term economic benefits.

#### U.S. Environmental Protection Agency

##### Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)

The objective of this program is to create State Revolving Funds (SRFs) through a program of capitalization grants to States which will provide a long-term source of State financing for construction of waste water treatment facilities and implementation of other water quality management activities.

##### Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468)

The objective of this program is for states to capitalize their Drinking Water State Revolving Funds which will provide a long-term source of financing for the costs of drinking water infrastructure.

#### U.S. Department of Education

##### Title I, Part A Cluster: Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389ARRA)

The objective of these programs is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

##### Special Education Cluster: Special Education – Grants to States (CFDA No. 84.027) / Special Education – Preschool Grants (CFDA No. 84.173)

The objectives of these programs are to provide grants to states to assist them in providing a free appropriate public education to all children with disabilities; and to assist states in providing a free appropriate public education to preschool disabled children aged three through five years.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

#### Federal Family Education Loans – Guaranty Program (CFDA No. 84.032G)

The objective of this program is to establish non-profit and State guaranty agencies to guarantee student loans made by lenders and perform certain administrative and oversight functions under the Federal Family Education Loans (FFEL) program. The loans are insured by the State of Illinois (Illinois Student Assistance Commission) and reinsured by the Federal government.

#### Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA No. 84.126)

The purpose of this program is to assist states in operating a comprehensive and accountable program designed to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities, and capabilities, so such individuals may prepare for and engage in competitive employment.

#### Twenty-First Century Community Learning Centers (CFDA No. 84.287)

The objective of this program is to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools.

#### Improving Teacher Quality State Grants (CFDA No. 84.367)

The objective of this program is to provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom.

#### School Improvement Grants Cluster: School Improvement Grants (CFDA No. 84.377) / School Improvement Grants, Recovery Act (CFDA No. 84.388ARRA)

The objective of this program is to dramatically turn around the academic achievement of students in the Nation's persistently lowest-achieving schools through the successful implementation of four school intervention models: turnaround, restart, school closure, or transformation.

### U.S. Department of Health and Human Services

#### Aging Cluster: Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers (CFDA No. 93.044) / Special Programs for the Aging Title III, Part C Nutrition Services (CFDA No. 93.045) / Nutrition Services Incentive Program (NSIP) (CFDA No. 93.053)

The objective of the Special Programs for Aging Title III, Part B Grants for Supportive Services and Senior Centers program is to maximize the informal support provided to older Americans to

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

enable them to remain in their homes and communities. Providing transportation services, in-home services, and other support services, this program insures that elders receive the services they need to remain independent.

The objective of the Special Programs for Aging Title III, Part C Nutrition Services program is to provide grants to States to support nutrition services including nutritious meals, nutrition education and other appropriate nutrition services for older Americans in order to maintain health, independence and quality of life.

The objective of the Nutrition Services Incentive Program is to reward effective performance by States and Tribes in the efficient delivery of nutritious meals to older adults through the use of cash or commodities.

#### Immunization Cluster: Immunization Grants (CFDA No. 93.268)

The objectives of these programs are to assist states and communities in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases.

#### Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558) / ARRA – Emergency Contingency Fund for TANF State Program (CFDA No. 93.714ARRA)

The objective of the TANF program is to provide assistance to needy families with children so that children can be cared for in their own home; reduce dependence of needy parents on governmental benefits by promoting job preparation, work and marriage; prevent and reduce out-of-wedlock pregnancies; and encourage the formation and maintenance of two-parent families.

The objective of the ARRA – Emergency Contingency Fund for TANF State Program is to provide economic stimulus to the nation while promoting the economic and social well being of children, youth, families, and communities.

#### Child Support Enforcement (CFDA No. 93.563)

The objective of this program is to enforce the support obligation owed by absent parents to their children; locate absent parents; establish paternity; and obtain child, spousal, and medical support.

#### Low-Income Home Energy Assistance Program (CFDA No. 93.568)

The objective of this program is to make Low-Income Home Energy Assistance Program (LIHEAP) grants available to states and other jurisdictions to assist eligible households to meet the cost of home energy. This program also provides training and technical assistance to states and other jurisdictions administering the LIHEAP block grant program.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Child Care Development Funds Cluster: Child Care and Development Block Grant (CFDA No. 93.575) / Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)

The objectives of these programs are to make grants to states for child care assistance for low-income families and to develop child care programs and policies, to promote parental choice on child care; to provide consumer education on child care; to provide child care to parents trying to achieve independence from public assistance; and, to implement health, safety, licensing, and registration standards.

Foster Care — Title IV-E (CFDA No. 93.658)

The objective of this program is to help states provide safe and stable out-of-home care for children under the jurisdiction of the State until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency.

Adoption Assistance (CFDA No. 93.659)

The objective of this program is to provide adoption subsidy costs for the adoption of children with special needs and who meet certain eligibility tests.

Social Services Block Grant (CFDA No. 93.667)

The objective of this program is to enable each state to provide services that best suit the individuals residing in that state in one or more of five specified social service areas.

Medicaid Cluster: State Medicaid Fraud Control Units (CFDA No. 93.775) / State Survey and Certification of Health Care Providers and Suppliers (CFDA No. 93.777) / Medical Assistance Program (CFDA No. 93.778)

The objective of these programs is to eliminate fraud and patient abuse in the State Medicaid programs, provide financial assistance to determine that providers and suppliers of healthcare services are in compliance with Federal regulatory health and safety standards and conditions of participation, provide payments for medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and improve inspection capability and frequency for onsite surveys of Ambulatory Surgical Centers nationwide.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

#### Children's Health Insurance Program (CFDA No. 93.767)

The objective of this program is to initiate and expand child health assistance to uninsured, low-income children through assistance with obtaining health insurance benefits that meet federal requirements or by the expansion of the Medicaid program.

#### HIV Care Formula Grants (CFDA No. 93.917)

The objective of this program is to improve the quality, availability, and organization of a comprehensive continuum of HIV/AIDS health care and support services for individuals and families living with Human Immunodeficiency Virus (HIV) disease.

#### Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)

The purpose of this program is to provide financial assistance to states and territories to support projects for the development and implementation of prevention, treatment and rehabilitation activities directed to the diseases of alcohol and drug abuse.

### **U.S. Department of Homeland Security**

#### Homeland Security Cluster: Homeland Security Grant Program (CFDA No. 97.067)

The objective of this program is to address the identified planning, organization, equipment, training, and exercise needs to prevent, protect against, mitigate, respond to, and recover from acts of terrorism and other catastrophic events.

### **(3) Non-monetary Assistance Inventory**

The State reports the following non-cash federal awards on the Schedule of Expenditures of Federal Awards:

- National School Lunch Program (CFDA No. 10.555) – Federal expenditures for this program represent the value of donated commodities received from the U.S. Department of Agriculture (USDA) and made available to approved sponsors. The commodities were valued based on USDA price lists.
- Commodity Supplemental Food Program (CFDA No. 10.565) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.

## STATE OF ILLINOIS

### Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

- Emergency Food Assistance Program (CFDA No. 10.569) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.
- Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) – Federal expenditures for this program represent the value of contractual support to allow vendor to upgrade the State Revolving Fund data system for Illinois.
- Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468) – Federal expenditures for this program represent the value of contractual support to allow vendor to upgrade the State Revolving Fund data system for Illinois.
- Immunization Grants (CFDA No. 93.268) – Federal expenditures for this program can either be in cash grants or represent the value of donated vaccine, personnel and other items “in lieu of cash” received from U.S. Department of Health and Human Services.
- Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (CFDA No. 97.050) – Federal expenditures for this program are used to support disaster recovery to disaster survivors affected by a disaster or emergency declared by the President in order to repair or repurchase essential items needed to support adequate interim and long-term housing in addition to other necessary expenses and serious needs which cannot be met through other forms of disaster assistance or through other means such as insurance.

#### **(4) Federal Loan Guarantees**

The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) under Federal Family Education Loans Guaranty Program (CFDA No. 84.032G) was approximately \$4,746,438,315 as of June 30, 2013. Additionally, the outstanding balance of defaulted loans held by ISAC under this program was approximately \$663,487,269 as of June 30, 2013.

#### **(5) CDBG Loans**

The Department of Commerce and Economic Opportunity (DCEO) provided funding to local municipalities (subrecipients) under the CDBG – State-Administered Small Cities Cluster program. DCEO is responsible for on-going monitoring of the revolving loan funds administered by its subrecipients and any remaining loan funds revert back to DCEO should the subrecipients cease participation in the revolving loan program. DCEO has determined loan balances of \$59,843,000 were outstanding as of June 30, 2013.



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

Honorable William G. Holland  
Auditor General  
State of Illinois

As special assistant auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of expenditures of federal awards (the Schedule) and the related notes to the Schedule of the State of Illinois (the State) as of and for the year ended June 30, 2013, and have issued our report thereon dated March 17, 2014.

As described in note 1 to the Schedule, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or



detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs in findings 2013-001, 2013-002, 2013-003, 2013-046, and 2013-050 to be material weaknesses.

### **Compliance and Other Matters**

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

### **The State's Responses to the Findings**

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

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

KPMG LLP

Chicago, Illinois  
March 17, 2014



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## **Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance**

Honorable William G. Holland  
Auditor General  
State of Illinois

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of the State of Illinois (the State) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2013. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Schedule and our audit described above does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). The schedule of expenditures of federal awards and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the U.S. Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Audit Guide.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State’s compliance.

***Basis for Qualified Opinion on Major Federal Programs***

As identified in the finding numbers listed in the table below and described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State for the compliance requirement listed below:

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>
IL Department of Employment Security	Employment Service Cluster	Reporting	2013-045

Consequently, we were unable to determine whether the State complied with the requirements applicable to that program.

Additionally, as identified in the finding numbers listed in the table below and described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-002
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-002
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-002
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-003
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-003
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-003
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2013-004
IL Department of Human Services	Children’s Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-004
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2013-004



<b>State Administering Agency</b>	<b>Federal Program</b>	<b>Compliance Requirement(s)</b>	<b>Finding Number</b>
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles and Eligibility	2013-005
IL Department of Children and Family Services	Foster Care – Title IV-E	Subrecipient Monitoring	2013-023
IL Department of Children and Family Services	Adoption Assistance	Subrecipient Monitoring	2013-023
IL Department of Public Health	Immunization Cluster	Special Tests and Provisions	2013-031
IL State Board of Education	Title I, Part A Cluster	Subrecipient Monitoring	2013-037
IL State Board of Education	Special Education Cluster	Subrecipient Monitoring	2013-037
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2013-037
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	2013-037
IL State Board of Education	School Improvement Grants Cluster	Subrecipient Monitoring	2013-037
IL Department of Employment Security	Unemployment Insurance	Allowable Costs/Cost Principles and Eligibility	2013-046
IL Department of Employment Security	Unemployment Insurance	Eligibility	2013-048
IL Department of Commerce and Economic Opportunity	CDBG – State-Administered Small Cities Program Cluster	Reporting	2013-050
IL Department of Commerce and Economic Opportunity	CDBG – State-Administered Small Cities Program Cluster	Allowable Costs/Cost Principles and Procurement	2013-051
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles and Davis-Bacon Act	2013-054
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Allowable Costs/Cost Principles and Davis-Bacon Act	2013-054
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Subrecipient Monitoring	2013-063
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Reporting	2013-064
IL Department of Transportation	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	Allowable Costs/Cost Principles, Davis-Bacon Act, and Procurement	2013-065

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



### ***Qualified Opinion on Major Federal Programs***

In our opinion, except for the possible effects of the matter described in the first Basis for Qualified Opinion paragraph and except for the noncompliance described in the second Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinion paragraphs for the year ended June 30, 2013.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-006 through 2013-013, 2013-015 through 2013-022, 2013-024 through 2013-028, 2013-030, 2013-032 through 2013-044, 2013-050, 2013-052, 2013-053, 2013-055 through 2013-062, 2013-066, and 2013-068 through 2013-074. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 a type of compliance requirement of a



federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002 through 2013-011, 2013-014 through 2013-021, 2013-023 through 2013-025, 2013-028 through 2013-033, 2013-037, 2013-038, 2013-043 through 2013-046, 2013-048 through 2013-054, 2013-056, 2013-058, 2013-061 through 2013-068, and 2013-072 through 2013-074 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-012, 2013-013, 2013-022, 2013-026, 2013-027, 2013-034 through 2013-036, 2013-039 through 2013-042, 2013-047, 2013-055, 2013-057, 2013-059, 2013-060, and 2013-069 through 2013-071 to be significant deficiencies.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**KPMG LLP**

Chicago, Illinois  
March 17, 2014

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**(1) Summary of Auditors' Results**

(a) The type of report issued by the Auditor General, State of Illinois, on the basic financial statements: **Unmodified**

(b)(1) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois: **None reported**  
Material weaknesses: **Yes**

(b)(2) Significant deficiencies in internal control were disclosed by the audit of the schedule of expenditures of federal awards: **None reported**  
Material weaknesses: **Yes**

(c)(1) Noncompliance which is material to the basic financial statements: **Yes**

(c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **No**

(d) Significant deficiencies in internal control over major programs: **Yes**  
Material weaknesses: **Yes**

(e) The type of report issued on compliance for major programs:

**Qualified (Scope Limitation)**

Employment Service Cluster

**Qualified (Noncompliance):**

CDBG – State-Administered Small Cities Program Cluster

Unemployment Insurance

Highway Planning and Construction Cluster

High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants

Surface Transportation – Discretionary Grants for Capital Investment

Title I, Part A Cluster

Special Education Cluster

Twenty-First Century Community Learning Centers

Improving Teacher Quality State Grants

School Improvement Grants Cluster

Immunization Cluster

Temporary Assistance for Needy Families Cluster

Foster Care – Title IV-E

Adoption Assistance

Children's Health Insurance Program

Medicaid Cluster

The opinions for all other major programs are unmodified.

(f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **yes**

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

(g) Major programs:

**U.S. Department of Agriculture**

1. Supplemental Nutrition Assistance Program Cluster (10.551/10.551ARRA/10.561/10.561ARRA)
2. Special Supplemental Nutrition Program for Women, Infants and Children (10.557)

**U.S. Department of Housing and Urban Development**

3. Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii (14.228/14.255ARRA)

**U.S. Department of Labor**

4. Employment Service Cluster (17.207/17.801/17.804)
5. Unemployment Insurance (17.225)
6. Workforce Investment Act Cluster (17.258/17.259/17.278)

**U.S. Department of Transportation**

7. Airport Improvement Program (20.106)
8. Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219)
9. High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (20.319/20.319ARRA)
10. Surface Transportation – Discretionary Grants for Capital Investment (20.932)

**U.S. Environmental Protection Agency**

11. Capitalization Grants for Clean Water State Revolving Funds (66.458)
12. Capitalization Grants for Drinking Water State Revolving Funds (66.468)

**U.S. Department of Education**

13. Title I, Part A Cluster (84.010/84.389ARRA)
14. Special Education Cluster (84.027/84.173)
15. Federal Family Education Loans – Guaranty Program (84.032G)
16. Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
17. Twenty-First Century Community Learning Centers (84.287)
18. Improving Teacher Quality State Grants (84.367)
19. School Improvement Grants Cluster (84.377/84.388ARRA)

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

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**U.S. Department of Health and Human Services**

20. Aging Cluster (93.044/93.045/93.053)
21. Immunization Cluster (93.268)
22. Temporary Assistance for Needy Families Cluster (93.558/93.714ARRA)
23. Child Support Enforcement (93.563)
24. Low-Income Home Energy Assistance Program (93.568)
25. Child Care Development Funds Cluster (93.575/93.596)
26. Foster Care – Title IV-E (93.658/93.658ARRA)
27. Adoption Assistance (93.659/93.659ARRA)
28. Social Services Block Grant (93.667)
29. Children’s Health Insurance Program (93.767)
30. Medicaid Cluster (93.775/93.777/93.778)
31. HIV Care Formula Grants (93.917)
32. Block Grants for the Prevention and Treatment of Substance Abuse (93.959)

**U.S. Department of Homeland Security**

33. Homeland Security Grant Program (97.067)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$44,302,437**

(i) The State did not qualify as a low-risk auditee under section .530 of OMB Circular A-133.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

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

Findings related to the basic financial statements for the year ended June 30, 2013 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

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

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-001	IL Office of the Governor and IL Office of the Comptroller	Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards	Material weakness

In addition, the following findings which are reported as current findings and questioned costs relating to federal awards also meet the reporting requirements of *Government Auditing Standards* in relation to the schedule of expenditures of federal awards:

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-002	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material weakness
2013-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material weakness
2013-046	IL Department of Employment Security	Inadequate Procedures for Follow-up of Invalid Social Security Numbers	Material weakness
2013-050	IL Department of Commerce and Economic Opportunity	Inaccurate Reporting of Federal Expenditures	Material weakness

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### Schedule of Findings and Questioned Costs

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**Agency:** Office of the Governor and Office of the State Comptroller

**Federal Agency:** All Federal Agencies

**Finding 2013-001** *Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards*

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the Statewide SEFA.

Accurate financial reporting problems continue to exist even though the auditors have: 1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), 2) commented on the inadequacy of the financial reporting process of the State, and 3) regularly proposed adjustments to the financial statements year after year. These findings have been directed primarily towards major State agencies under the organizational structure of the Office of the Governor and towards the Office of the State Comptroller (IOC).

The IOC has made significant changes to the system used to compile financial information, however, the State has not solved all the problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post-audit program being a part of the internal control over financial reporting even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function **is not and should not** be an internal control mechanism for any operational activity related to financial reporting.

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare financial reporting packages designed by the IOC. These financial reporting packages are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year-end accounting information to the Comptroller.

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the CAFR preparation process, the current process lacks sufficient internal controls at State agencies which has resulted in adjustments relative to the SEFA over the past several years.

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past eleven years as a result of errors identified during the external audits performed on State agencies. These problems significantly impact the preparation and completion of the SEFA and the identification of major programs.

Errors identified in the SEFA reporting process in the current year include corrections and unreconciled amounts identified in agency level findings for the Illinois Department of Human Services (Finding Code 2013-006), the Illinois Department of Employment Security (Finding Code 2013-044), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2013-050), and the Illinois Department of Transportation (Finding Code 2013-053). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

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Major programs at the Illinois Department on Aging, Illinois State Board of Education, and Illinois Department of Commerce and Economic Opportunity were not identified until several months after year end.

Although the deficiencies relative to the SEFA financial reporting processes have been reported by the auditors for a number of years, **problems continue** with the State's ability to provide **accurate** external financial reporting. Although there were improvements to the timing of receiving the SEFA, corrective action necessary to remediate these deficiencies **continues to be problematic**.

According to OMB Circular A-133 §\_\_.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the schedule of expenditures of federal awards, and to ensure that audits required by this part are properly performed and submitted when due. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with the Office of the Governor, they stated that the weakness is due to (1) lack of a statewide accounting and grants management system and (2) lack of personnel adequately trained in governmental accounting and federal grants management. Although a disciplined statewide project to implement a new system is underway, until project completion, agency staff are required to perform highly manual calculations of balance sheet and SEFA amounts in a short time frame which results in increased errors. Although the State has enacted legislation that exempts certain positions whose functions relate to accounting and financial reporting connected with the CAFR process, and although agencies are beginning to make use of this legislative provision, the needs for trained skilled staff remain.

In discussing these conditions with IOC management, they stated errors and delays at the departmental level were caused by a lack of sufficient internal control processes in State agencies for the accurate accumulation and reporting of financial information. The IOC has the statutory authority to develop and prescribe accounting policies for the State but does not have the statutory authority to monitor adherence to these policies as performed by State agencies.

**Failure to establish effective** internal controls at all agencies regarding financial reporting for the preparation of the SEFA may **prevent** the State from completing an audit in accordance with timelines set forth OMB Circular A-133 and may result in the suspension of federal funding. (Finding Code 2013-001, 12-01, 11-01, 10-01, 09-01, 08-01, 07-01, 06-01, 05-01, 04-01, 03-01, and 02-01)

#### **Recommendation:**

We recommend the Office of the Governor and the IOC work together with the State agencies to establish a corrective action plan to address the quality of accounting information provided to and maintained by the IOC as it relates to year-end preparation of the SEFA.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

#### **Office of the Governor's Response:**

The Governor's Office agrees with this recommendation. The Governor's Office and the Governor's Office of Management and Budget (GOMB) are and will continue to work cooperatively with the Office of the Comptroller to address these challenges with effective solutions.

Governor Quinn signed into law SB 3794 (now codified as Public Act #97-1055), an initiative of the Governor's Office, in order to create a statutory framework to begin to address the basic issues with the State's financial reporting capabilities. The legislation has several components. First it creates a Financial Reporting Standards Board ("Board") composed of appointees of the Governor and the Comptroller. The Board first convened in September of 2013 and has met roughly monthly since then. The Board will provide leadership and a forum for project management and collaboration going forward. Additionally, the bill modified the State's personnel code to allow accelerated and targeted hiring of highly skilled employees to perform financial reporting, accounting, and project management activities for the annual financial reporting cycle. These include personnel to help improve the speed of the current process as well as other professionals who will help to design and implement an overhaul of the technology and establish a unified statewide system.

The Governor's Office has notified agencies of this new provision and encouraged its responsible utilization. In addition, the Governor's Office and GOMB continue to work with agencies to hire employees skilled in financial statement and single audit preparation for positions that remain subject to the Personnel Code.

GOMB and the Governor's Office have been primarily responsible for developing a plan for a statewide financial accounting system. This statewide financial accounting system would also include a grants management module. The State Chief Information Officer, a team of Governor's Office and GOMB representatives has reviewed the information available from work by prior consultants. A Request for Proposals (RFP) for an enterprise resources planning (ERP) project management office (PMO) consultant was issued in October, 2013; a contract award pursuant to this solicitation was made and a notice of award published in 2014. This consultant will develop the necessary statewide accounting requirements and develop an RFP for software and implementation services to address the state's need. In addition, due to a September 2012 debt issuance of 10-year notes aimed at technology modernization, the State has allotted some capital money for this project. These resources will be a significant help in getting the project underway. With an ERP system in place, the State will be able to complete in a timely and accurate way the Schedule of Expenditure of Federal Awards (SEFA).

The Governor's Office will continue working with the agencies to improve the State's performance both in the short term and the long term.

#### **IOC's Response:**

The Office accepts the recommendation. The audit of the 2013 SEFA was completed approximately two months earlier than the audit of the 2012 SEFA. We will continue to assist the Governor's Office in their efforts to increase the quality of departmental financial reporting by providing technical assistance to State agencies and by working with them to develop a statewide financial accounting system.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

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

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-002	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material noncompliance and material weakness
2013-003	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material noncompliance and material weakness
2013-004	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material noncompliance and material weakness
2013-005	IL Department of Human Services	Improper TANF Beneficiary Payment	Material noncompliance and material weakness
2013-006	IL Department of Human Services	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2013-007	IL Department of Human Services	Failure to Communicate Award Information to Subrecipients	Noncompliance and material weakness
2013-008	IL Department of Human Services	Inadequate Review of OMB Circular A-133 Audit Reports	Noncompliance and material weakness
2013-009	IL Department of Human Services	Failure to Follow Established Subrecipient Monitoring Procedures	Noncompliance and material weakness
2013-010	IL Department of Human Services	Failure to Determine Eligibility in Accordance with Program Regulations	Noncompliance and material weakness
2013-011	IL Department of Human Services	Failure to Monitor Child Care Provider Health and Safety Requirements	Noncompliance and material weakness
2013-012	IL Department of Human Services	Failure to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency
2013-013	IL Department of Human Services	Inaccurate Special Report for the SNAP Cluster	Noncompliance and significant deficiency
2013-014	IL Department of Human Services	Inadequate Controls over Information Systems	Material weakness
2013-015	IL Department of Healthcare and Family Services	Failure to Initiate and Complete Provider Audits in a Timely Manner	Noncompliance and material weakness
2013-016	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor and Report Overpayments	Noncompliance and material weakness
2013-017	IL Department of Healthcare and Family Services	Inadequate Process to Verify Procedures Billed by Provider with Beneficiaries	Noncompliance and material weakness
2013-018	IL Department of Healthcare and Family Services	Failure to Update and Implement Reimbursement Rate Methodology Changes for Government-Owned Hospitals in a Timely Manner	Noncompliance and material weakness

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-019	IL Department of Healthcare and Family Services	Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers	Noncompliance and material weakness
2013-020	IL Department of Healthcare and Family Services	Failure to Obtain Suspension and Debarment Certifications from Vendors	Noncompliance and material weakness
2013-021	IL Department of Healthcare and Family Services	Failure to Properly Allocate Costs in the Public Assistance Cost Allocation Plan	Noncompliance and material weakness
2013-022	IL Department of Healthcare and Family Services	Failure to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency
2013-023	IL Department of Children and Family Services	Inadequate Monitoring of Subrecipients	Material noncompliance and material weakness
2013-024	IL Department of Children and Family Services	Failure to Ensure that Adoption Assistance Recertifications are Performed on a Timely Basis	Noncompliance and material weakness
2013-025	IL Department of Children and Family Services	Failure to Obtain Suspension and Debarment Certifications	Noncompliance and material weakness
2013-026	IL Department of Children and Family Services	Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement	Noncompliance and significant deficiency
2013-027	IL Department of Children and Family Services	Untimely Reporting of Subawards in Accordance with FFATA	Noncompliance and significant deficiency
2013-028	IL Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
2013-029	IL Department of Children and Family Services	Inadequate Controls over Information Systems	Material weakness
2013-030	Illinois Department on Aging	Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports	Noncompliance and material weakness
2013-031	IL Department of Public Health	Inadequate Monitoring of Immunization Providers	Material noncompliance and material weakness
2013-032	IL Department of Public Health	Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports	Noncompliance and material weakness
2013-033	IL Department of Public Health	Inadequate Monitoring of PHEP Subrecipients	Noncompliance and material weakness
2013-034	IL Department of Public Health	Missing Documentation in HIV Program Client Eligibility Files	Noncompliance and significant deficiency
2013-035	IL Department of Public Health	Failure to Investigate Provider Complaints within Required Timeframes	Noncompliance and significant deficiency

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-036	IL Department of Public Health	Inadequate Procedures to Verify Provider Licenses	Noncompliance and significant deficiency
2013-037	IL State Board of Education	Inadequate Procedures for Monitoring of Subrecipients	Material noncompliance and material weakness
2013-038	IL State Board of Education	Inaccurate Calculation of Title II Program Awards	Noncompliance and material weakness
2013-039	IL State Board of Education	Inadequate Process to Report Subaward Information Required by FFATA	Noncompliance and significant deficiency
2013-040	IL Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and significant deficiency
2013-041	IL Student Assistance Commission	Inadequate Process for Assignment of Defaulted Loans	Noncompliance and significant deficiency
2013-042	IL Student Assistance Commission	Failure to Accurately Update Borrower Records Within Required Timeframe	Noncompliance and significant deficiency
2013-043	IL Student Assistance Commission	Failure to Perform Required On-Site Program Compliance Reviews	Noncompliance and material weakness
2013-044	IL Department of Employment Security	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2013-045	IL Department of Employment Security	Inadequate Supporting Documentation for Performance Reports	Scope limitation and material weakness
2013-046	IL Department of Employment Security	Inadequate Procedures for Follow-up of Invalid Social Security Numbers	Material noncompliance and material weakness
2013-047	IL Department of Employment Security	Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports	Significant deficiency
2013-048	IL Department of Employment Security	Failure to Issue Eligibility Determinations with Prescribed Timeframes	Material noncompliance and material weakness
2013-049	IL Department of Employment Security	Inadequate Documentation of Controls over Information Systems	Material weakness
2013-050	IL Department of Commerce and Economic Opportunity	Inaccurate Reporting of Federal Expenditures	Material noncompliance and material weakness
2013-051	IL Department of Commerce and Economic Opportunity	Inadequate Monitoring of CDBG Consultant	Material noncompliance and material weakness

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-052	IL Department of Commerce and Economic Opportunity	Inadequate Documentation of Monitoring of Subrecipients of the State Energy and Weatherization Programs	Noncompliance and material weakness
2013-053	IL Department of Transportation	Inaccurate Reporting of Federal Expenditures	Noncompliance and material weakness
2013-054	IL Department of Transportation	Failure to Obtain Certified Payrolls Prior to Making Highway Planning and TIGER Contractor Payments	Material noncompliance and material weakness
2013-055	IL Department of Transportation	Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports	Noncompliance and significant deficiency
2013-056	IL Department of Transportation	Failure to Notify Subrecipients of Federal Funding	Noncompliance and material weakness
2013-057	IL Department of Transportation	Inadequate Cash Management Procedures for the Airport Improvement Program	Noncompliance and significant deficiency
2013-058	IL Department of Transportation	Incomplete and Inaccurate Airport Improvement Financial Status Reports	Noncompliance and material weakness
2013-059	IL Department of Transportation	Failure to Follow Sampling and Testing Program for Construction Materials	Noncompliance and significant deficiency
2013-060	IL Department of Transportation	Failure to Perform a Value Engineering Analysis on Highway Planning Construction Projects	Noncompliance and significant deficiency
2013-061	IL Department of Transportation	Failure to Communicate ARRA Information and Requirements to TIGER Subrecipients	Noncompliance and material weakness
2013-062	IL Department of Transportation	Failure to Obtain Suspension and Debarment Certifications for TIGER Subrecipients	Noncompliance and material weakness
2013-063	IL Department of Transportation	Inadequate Monitoring of TIGER Program Subrecipients	Material noncompliance and material weakness
2013-064	IL Department of Transportation	Inaccurate TIGER Financial Reports	Material noncompliance and material weakness
2013-065	IL Department of Transportation	Failure to Monitor Activities of a High Speed Rail Vendor	Material noncompliance and material weakness
2013-066	IL Department of Transportation	Inaccurate High-Speed Rail Financial Reports	Noncompliance and material weakness
2013-067	IL Department of Transportation	Inadequate Controls over Information Systems	Material weakness

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

<b>Finding No.</b>	<b>State Agency</b>	<b>Finding Title</b>	<b>Finding Type</b>
2013-068	Illinois Emergency Management Agency	Inadequate Review of Subrecipient OMB Circular A-133 Reports	Noncompliance and material weakness
2013-069	Illinois Emergency Management Agency	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
2013-070	Illinois Emergency Management Agency	Inadequate Process to Obtain and Report Required Subaward Information	Noncompliance and significant deficiency
2013-071	IL State Police	Failure to Maintain Accurate Equipment Inventory Records	Noncompliance and significant deficiency
2013-072	IL Criminal Justice Information Authority	Failure to Review Subrecipient OMB Circular A-133 Audit Reports	Noncompliance and material weakness
2013-073	IL Governor's Office of Management and Budget	Inadequate Procedures for Amending the Treasury-State Agreement	Noncompliance and material weakness
2013-074	Illinois Department of Central Management Services	Failure to Properly Maintain Procurement Records	Noncompliance and material weakness

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Human Services (IDHS)

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

**Program Name:** Temporary Assistance for Needy Families Cluster  
Children’s Health Insurance Program  
Medicaid Cluster

**CFDA # and Program Expenditures:** 93.558/93.714ARRA (\$613,848,000)  
93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-002** Failure to Perform Eligibility Redeterminations within Prescribed Timeframes

IDHS did not perform “eligibility redeterminations” for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

Each of the State Plans for the TANF Cluster, CHIP, and Medicaid Cluster programs require the State to perform eligibility redeterminations on an annual basis. These procedures typically involve a face to face meeting with the beneficiary to verify eligibility criteria including income level and assets. During our testwork over eligibility, we noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF Cluster, CHIP, and Medicaid Cluster programs. The monthly delinquency statistics by program for State fiscal year 2013 are as follows:

<b>Program/Month</b>	<b>Number of Overdue Redeterminations</b>	<b>Total Number of Cases</b>	<b>Percentage of Overdue Cases</b>
<b>TANF Cluster</b>			
July	4,380	49,837	8.79%
August	4,405	50,222	8.77%
September	4,349	50,358	8.64%

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

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<b>Program/Month</b>	<b>Number of Overdue Redeterminations</b>	<b>Total Number of Cases</b>	<b>Percentage of Overdue Cases</b>
<b>TANF Cluster, cont'd</b>			
October	3,804	50,795	7.49%
November	3,565	50,901	7.00%
December	4,045	51,401	7.87%
January	4,363	51,463	8.48%
February	4,656	50,759	9.17%
March	4,800	50,424	9.52%
April	4,799	49,765	9.64%
May	4,666	49,743	9.38%
June	5,017	49,603	10.11%
<b>CHIP</b>			
July	51,323	779,245	6.59%
August	51,343	777,640	6.60%
September	50,530	776,826	6.50%
October	49,633	774,390	6.41%
November	49,912	772,324	6.46%
December	53,660	771,956	6.95%
January	55,485	768,629	7.22%
February	57,036	770,494	7.40%
March	61,437	770,812	7.97%
April	60,412	769,956	7.85%
May	61,531	763,475	8.06%
June	62,210	755,727	8.23%
<b>Medicaid Cluster</b>			
July	97,043	494,684	19.62%
August	95,924	495,961	19.34%
September	95,498	496,399	19.24%
October	94,120	496,446	18.96%
November	92,477	497,153	18.60%
December	93,805	498,614	18.81%
January	96,375	498,825	19.32%
February	101,428	499,572	20.30%
March	111,936	501,009	22.34%
April	119,586	502,264	23.81%
May	128,228	504,497	25.42%
June	138,047	506,292	27.27%

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During our testwork we noted redeterminations were not completed within required time frames for one TANF Cluster, two CHIP and four Medicaid Cluster cases tested. Delays in performing redeterminations ranged from two to five months after the required timeframe.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

<b>Major Program</b>	<b>Number of Cases Sampled</b>	<b>Total Amount of Payments for Cases Sampled</b>	<b>Total Beneficiary Payments in Fiscal Year 2013</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>
TANF Cluster	50	\$14,763	\$87,257,000	\$613,848,000
CHIP	65	2,321	492,157,000	348,937,000
Medicaid Cluster	125	6,802	7,621,466,000	8,261,953,000

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance Supplement, dated March 2013, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the Medicaid Cluster, CHIP, and TANF programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

In discussing these conditions with IDHS officials, they stated that the cause of the finding was an increasing number of overdue redeterminations due to the absorption of cases that would have previously been eligible for administrative renewal; start up issues and time spent on process development with Maximus; and the amount of time spent on staff development for new hires.

Failure to properly perform eligibility redetermination procedures in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2013-002, 12-02, 11-02, 10-03, 09-03, 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

**Recommendation:**

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

**IDHS Response:**

The Department agrees with the recommendation. IDHS will continue to work with the Department of Healthcare and Family Services (HFS) to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within prescribed timeframes.

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### Schedule of Findings and Questioned Costs

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During the audit period, HFS and DHS contracted with an outside vendor, Maximus, in order to perform electronic eligibility factor verifications and recommendations on the continuance or cancelation of medical cases. There was a 3 or 4 month time during the audit period in which DHS and HFS worked to develop a partnership and a process with Maximus in order to address the redetermination backlog. This time resulted in an increased backlog of cases overdue for redetermination due to inherent start up issues such as training of Maximus staff on the proper recommendations; training of DHS staff on the handling of Maximus recommendations; as well as becoming acclimated to the new Health Management Systems (HMS) and Integrimatch software.

Additionally, although DHS was able to hire some additional staff during the audit period, those hires were new staff having no previous DHS program knowledge or experience. As a result, production was not initially at an optimum level given the needed staff development in addition to the barriers associated with new staff, processes, procedures, and software.

Also, during the audit period, the Administrative Renewal process ended. As a result, the thousands of cases that qualified for renewal using the Administrative Renewal process had to be absorbed by casework staff, which added to the current backlog of overdue cases.

In order to improve production and to be more efficient, the Department has worked to modify redetermination procedures, utilizing the strengths of Maximus and newly hired DHS staff strategically located in 5 central redetermination units. These new staff will assume the responsibility for processing redeterminations based on information loaded into the new Maximus software, Max-IL.

For Family Health Plans with no SNAP or cash, Maximus will handle the mailing of the pre-populated redetermination form. Maximus will now facilitate the uploading of redetermination forms sent and returned, data match results, and verifications provided by the client to Content Manager, ensuring easy retrieval for historical and audit purposes.

Using electronic data matching, the MAX-IL system will make recommendations on the case's on-going eligibility. State casework staff will be responsible for making the final eligibility decision.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Human Services (IDHS)

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

**Program Name:** Supplemental Nutrition Assistance Program Cluster  
Temporary Assistance for Needy Families Cluster  
Children’s Health Insurance Program  
Medicaid Cluster

**CFDA # and Program Expenditures:** 10.551/10.551ARRA/10.561/10.561ARRA (\$3,444,135,000)  
93.558/93.714ARRA (\$613,848,000)  
93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-003** Failure to Properly Maintain and Control Case File Records

IDHS does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and the Medicaid Cluster programs.

IDHS is the State agency responsible for performing eligibility determinations for the federal public welfare assistance programs. IDHS has established a series of local offices throughout the State at which eligibility determinations and redeterminations are performed and documented. The eligibility intake processes for each of the programs identified above require case workers to obtain and review supporting documentation including signed benefits applications, copies of source documents reviewed in verifying information reported by applicants, and other information. Although most of this information is entered into the electronic case record, IDHS also maintains manual paper files which include the source documents required to determine eligibility for its federal programs.

During our testwork, we noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in our review of case files at five separate local offices, we noted the areas in which case files are maintained were generally disorganized and case files were stacked on or around file cabinets. We also noted case files were generally available to all IDHS personnel and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations. We selected 10 TANF eligibility case records from each of the five separate local offices (50 total) and noted thirteen case records could not be located for our testing.

In addition, during our testwork over case files selected for the TANF Cluster, CHIP, and Medicaid Cluster programs, we noted a number of case files were provided several weeks past the original request date due to the fact that case files had been transferred between local offices and were not easily located by IDHS. We also noted several missing eligibility case files as described below:

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<b>Case Type</b>	<b>Number of Cases Missing</b>	<b>Total Amount of Payments Selected for Missing Cases</b>	<b>Total Fiscal Year 2013 Payments for Missing Cases</b>
TANF Cluster	1	\$174	\$174
CHIP	8	236	41,281
Medicaid Cluster	6	105	82,244

Finally, IDHS could also not locate five TANF Cluster case files selected for testwork with respect to the child support noncooperation, adult custodial parent of child under six when child care not available, and penalty for refusal to work special tests and provisions.

Details of the beneficiary payments selected in our eligibility samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

<b>Major Program</b>	<b>Number of Cases Sampled</b>	<b>Total Amount of Payments for Cases Sampled</b>	<b>Total Beneficiary Payments in Fiscal Year 2013</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>
TANF Cluster	50	\$14,763	\$87,257,000	\$613,848,000
CHIP	65	2,321	492,157,000	348,937,000
Medicaid Cluster	125	6,802	7,621,466,000	8,261,953,000

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Circular A133 Compliance Supplement, dated June 2013, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the Medicaid and CHIP programs.

Additionally, the A-102 Common Rule requires non-federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated that the finding was caused by inadequate staffing numbers and insufficient room for proper filing and storage.

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs. (Finding Code 2013-003, 12-03, 11-03, 10-04, 09 04, 08-04, 07-11)

**Recommendation:**

We recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program.

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**IDHS Response:**

The Department agrees with the recommendation. Given our current fiscal, staffing, and space constraints, the Department continues to place a high priority on proper case file maintenance. The Department is now utilizing a document management system that is capturing a portion of the information that was previously printed and stored in the paper case file, and now stored electronically. This is assisting in the reduction of the overwhelming size and amount of paper files in the offices.

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

**CFDA # and Program Expenditures:** 93.558/93.714ARRA (\$613,848,000)  
 93.767 (\$348,937,000)  
 93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-004** Missing Documentation in Beneficiary Eligibility Files

IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP) and the Medicaid Cluster programs.

Details of the beneficiary payments selected in our samples for the TANF Cluster, CHIP, and Medicaid Cluster programs are as follows:

Case Type	Number of Cases Tested	Total Amount of Payments for Cases Tested	Total Amount of Payments Made on Behalf of Beneficiaries for Fiscal Year 2013	Total Fiscal Year 2013 Program Expenditures
TANF Cluster	50	\$14,763	\$87,257,000	\$613,848,000
CHIP	65	2,321	492,157,000	348,937,000
Medicaid Cluster	125	6,802	7,621,466,000	8,261,953,000

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

- In 16 TANF cases, IDHS could not locate the redetermination application completed and signed by the beneficiary. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2013 totaled \$44,008.
- In eight TANF cases, IDHS could not locate the Responsibility Service Plan completed and signed by the beneficiary. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2013 totaled \$26,064.
- In three TANF cases, IDHS could not provide evidence of eligibility, asset or income verification, identity, or assignment of rights to the State. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2013 totaled \$6,741.

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- In four TANF Penalty for Refusal to Work special test cases, IDHS could not provide evidence that IDHS verified the beneficiary's participation in program work activities. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2013 totaled \$15,975.
- In one TANF Penalty for Refusal to Work special test case, IDHS could not provide evidence that IDHS notified the beneficiary of sanctions prior to reduction of payments. TANF cash assistance paid to this beneficiary during the year ended June 30, 2013 totaled \$2,150.
- In six TANF Adult Custodial Parent of Child under Six When Child Care Not Available special test cases, IDHS could not provide evidence that IDHS notified the beneficiary of reconciliation appointment notices before payment sanctions were levied. TANF cash assistance paid to these beneficiaries during the year ended June 30, 2013 totaled \$10,514.
- In four CHIP and 14 Medicaid case files (with medical payments sampled of \$215 and \$3,164, respectively), IDHS could not locate the redetermination application completed and signed by the beneficiary. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2013 were \$37,739 and \$227,432 for the CHIP and Medicaid programs, respectively.
- In 14 CHIP and three Medicaid case files (with medical payments sampled of \$376 and \$183, respectively), IDHS could not locate adequate documentation evidencing income and asset verification performed. In lieu of collecting copies of paystubs to verify income, caseworkers verbally confirmed income information, relied on clients handwritten notes, or used income verified on previous applications. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2013 were \$30,090 and \$17,417 for the CHIP and Medicaid programs, respectively.
- In one CHIP and two Medicaid case files (with medical payments sampled of \$2 and \$94, respectively), IDHS could not locate adequate documentation of residence verification of the beneficiary. Medical payments made on behalf of these beneficiaries under CHIP and Medicaid were \$4,897 and \$44,681, for the year ended June 30, 2013.
- In three Medicaid case files (with medical payments sampled of \$141), IDHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois. Medical payments made on behalf of these beneficiaries under Medicaid were \$45,306, for the year ended June 30, 2013.
- In 10 Medicaid case files (with medical payments sampled of \$1,040), IDHS could not provide adequate documentation for asset verification to determine whether the beneficiary was eligible for program benefits. Medical payments made on behalf of these beneficiaries under CHIP were \$207,895, for the year ended June 30, 2013.

In each of the case files missing documentation, each of the eligibility criteria was verified through additional supporting documentation in the client's paper and electronic case files. Therefore all information necessary to establish and support the client's eligibility for the period was available; however, the respective application and/or source documentation related to the redetermination/income verification procedures performed, including evidence of case worker review and approval, could not be located.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance

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Supplement, dated March 2013, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid Cluster and CHIP programs.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated the cause of the finding was due to misplaced documents.

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 2013-004, 12-04, 11-04, 10-06, 09-06, 0-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

#### **Recommendation:**

We recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

#### **IDHS Response:**

The Department agrees with the recommendation. We will continue to ensure staff understands the importance of proper and accurate filing processes. The Department is increasing the use of electronic document management systems that capture some of the information that has been traditionally printed and maintained in paper case files.

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For Year Ended June 30, 2013

**State Agency:** Illinois Department of Human Services (IDHS)

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

**Program Name:** Temporary Assistance for Needy Families Cluster

**CFDA # and Program Expenditures:** 93.558/93.714ARRA (\$613,848,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** \$4,598

**Finding 2013-005** *Improper TANF Beneficiary Payment*

IDHS made an improper payment to a beneficiary of the Temporary Assistance for Needy Families (TANF) Cluster program.

During our testwork of 50 TANF Cluster program beneficiary payments, we noted one beneficiary payment (in the amount of \$603) was improperly calculated as the result improperly excluding the beneficiary's disability income. As a result of the calculation error, this beneficiary's monthly payment was overstated by \$429. Payments made to the beneficiary under the TANF Cluster were \$6,716 (including an overpayment of \$4,598) for the year ended June 30, 2013. The overpayment identified in our sample had not been calculated, recouped, or returned to the USDHHS as of the time of our testing (December 2013).

Beneficiary payments selected in our sample totaled \$14,763. Payments made on behalf of beneficiaries of the TANF Cluster program totaled \$87,257,000 during the year ended June 30, 2013.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In accordance with the OMB Circular A-133 Compliance Supplement, dated March 2013, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. The current State Plan requires payments to be made to eligible beneficiaries in accordance with payment levels established within the State Plan.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated that the finding was due to staff inadvertently misapplying a TANF budgeting procedure.

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Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding Code 2013-005, 12-05)

#### **Recommendation:**

We recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determinations and payments are properly made.

#### **IDHS Response:**

The Department agrees with the recommendation. Policy and procedure related to exempt disability income were misapplied to a TANF case reviewed as part of the audit. The calculation of \$603 was figured by adding an Exempt Disability Income amount of \$169 to the child only grant for 5 children (\$434). Policy was misapplied to include the Exempt Disability Income amount, when it should not have been. Additionally, the children's SSA amount was not being budgeted consistently.

The correct amount of TANF should have been \$174, calculated by subtracting each child's SSA amount of \$52 from the child only TANF Payment level of \$434. ( $52 \times 5 = 260$ .  $434 - 260 = 174$ ).

The case has been referred to the Bureau of Collections, and the overpayment has been calculated and established. The Bureau of Collection is actively collecting on the debt.

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**State Agency:** Illinois Department of Human Services (IDHS)

**Federal Agency:** U.S. Department of Agriculture (USDA)  
U.S. Department of Education (USDE)  
U.S. Department of Health and Human Services (USDHHS)

**Program Name:** Supplemental Nutrition Assistance Program Cluster  
Special Supplemental Nutrition Program for Women, Infants, and Children  
Emergency Food Assistance Cluster  
ARRA – WIC Grants to States  
Vocational Rehabilitation Grants to States  
Temporary Assistance for Needy Families Cluster  
Child Care Development Fund Cluster  
Social Services Block Grant  
Medicaid Cluster

**CFDA # and Program Expenditures:** 10.551/10.551ARRA/10.561/10.561ARRA (\$3,444,135,000)  
10.557 (\$222,911,000)  
10.568/10.569 (\$26,124,000)  
10.578ARRA (\$2,150,000)  
84.126 (\$107,444,000)  
93.558/93.714ARRA (\$613,848,000)  
93.575/93.596 (\$212,167,000)  
93.667 (\$66,560,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-006** *Inaccurate Reporting of Federal Expenditures*

IDHS did not accurately report Federal expenditures under the Supplemental Nutrition Assistance (SNAP) Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Emergency Food Assistance Cluster, ARRA – WIC Grants to States, Vocational Rehabilitation (VR), Temporary Assistance for Needy Families Cluster, Child Care Development Fund (Child Care) Cluster, Social Services Block Grant (Title XX), and Medicaid Cluster programs.

IDHS inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following unreconciled differences for IDHS’ major programs for the year ended June 30, 2013:

<b>Program</b>	<b>Expenditures Reported on IDHS’ Expenditure Pattern</b>	<b>Expenditures Reported on the Initial SEFA</b>	<b>Difference</b>
Vocational Rehabilitation	\$107,444,000	\$105,712,000	\$1,732,000
Child Care Cluster	212,167,000	204,047,000	8,120,000
Title XX	66,560,000	65,313,000	1,246,000

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We also noted corrections of \$69 million, \$133 million, and \$137 million were necessary to accurately report IDHS' federal expenditures under the TANF, Child Care, and Medicaid Cluster programs, respectively, as of June 30, 2013. Further corrections were required to properly identify ARRA and non-ARRA funded expenditures reported under the SNAP Cluster, Emergency Food Assistance Program, and ARRA-WIC Grants to States programs.

Additionally, the following differences were identified relative to amounts passed through to subrecipients for the following major programs:

<b>Program</b>	<b>Expenditures Reported on IDHS' Expenditure Pattern</b>	<b>Expenditures Reported on the Initial SEFA</b>	<b>Difference</b>
SNAP Cluster	\$875,000	\$10,339,000	(\$9,464,000)
WIC	214,683,000	165,690,000	48,993,000
Vocational Rehabilitation	20,819,000	—	(20,819,000)
TANF	151,252,000	142,210,000	9,042,000
Child Care Cluster	203,074,000	200,447,000	2,627,000
Title XX	31,842,000	27,135,000	4,707,000

According to OMB Circular A-133 §\_\_.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. According to 2 CFR section 176.210, ARRA funded expenditures are required to be separately identified on the SEFA and in the Data Collection Form. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing these conditions with IDHS officials, they stated the finding was caused by lack of a complete general ledger and grants management system as well as lack of a sufficient number of staff and corresponding positions to hire staff with adequate qualifications, education, and experience to prepare GAAP packages and financial statements in accordance with GAAP.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2013-006)

**Recommendation:**

We recommend IDHS establish procedures to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

**IDHS Response:**

The Department will enhance its process to accurately report federal expenditures (including subrecipient expenditures) used to prepare the SEFA to the IOC.

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**State Agency:** Illinois Department of Human Services (IDHS)

**Federal Agency:** U.S. Department of Agriculture (USDA)  
U.S. Department of Education (USDE)  
U.S. Department of Health and Human Services (USDHHS)

**Program Name:** Special Supplemental Nutrition Program for Women, Infants, and Children  
Vocational Rehabilitation Grants to States  
Temporary Assistance for Needy Families Cluster  
Child Care Development Fund Cluster  
Social Services Block Grant  
Block Grants for Prevention and Treatment of Substance Abuse

**CFDA # and Program Expenditures:** 10.557 (\$222,911,000)  
84.126 (\$107,444,000)  
93.558/93.714ARRA (\$613,848,000)  
93.575/93.596 (\$212,167,000)  
93.667 (\$66,560,000)  
93.959 (\$67,838,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-007** *Failure to Communicate Award Information to Subrecipients*

IDHS did not properly communicate required federal information to subrecipients at the time of award for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation (VR) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Fund (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

Program personnel are responsible for ensuring all required award information is communicated to the subrecipients at the time of award to properly identify the amounts passed through to these subrecipients as subrecipient expenditures on the State's schedule of federal awards or in award communications to the subrecipients.

We selected a total sample of 240 subrecipients (40 from each program) to review from the above programs. During our testwork of the award communications for our sample of subrecipients, we selected the fiscal year 2013 awarded contracts to each subrecipient to review for compliance with federal award communication requirements. During our review of the award communication files for our sample of awards, we noted the following:

- For one TANF subrecipient, the CFDA number was not communicated in the subrecipient award agreement.
- For one VR subrecipient and one TANF subrecipient, the CFDA number on the contract provided did not agree with the CFDA number for the federal program funded.

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- For three Title XX subrecipients and one SAPT subrecipient, the CFDA was not communicated in the subrecipient award agreement. Upon further review, we noted these were multi-year contracts executed in State fiscal year 2012; however, the information was not communicated in State fiscal year 2013.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
WIC	\$214,683,000	\$222,911,000	96.3%
Vocational Rehabilitation	20,819,000	107,444,000	19.4%
TANF Cluster	151,252,000	613,848,000	24.6%
Child Care Cluster	203,074,000	212,167,000	95.7%
Title XX	31,842,000	66,560,000	47.8%
SAPT	63,903,000	67,838,000	94.2%

According to OMB Circular A-133 \_\_\_\_.400(d)(1), a pass-through entity is required to identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure required information is properly communicated and retained.

In discussing these conditions with IDHS officials, they stated that the finding was caused by an incorrect contract template, coding general revenue fund (GRF) with CFDA of grant, and no CFDA on renewal of prior contract year.

Failure to properly communicate required federal award information to subrecipients can result in subrecipients reporting inaccurate information about their programs on their schedule of federal awards. (Finding Code 2013-007)

**Recommendation:**

We recommend IDHS ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

**IDHS Response:**

The Department agrees with the recommendation. The Department will enhance its process to ensure award information communicated to subrecipients is reviewed for completeness and accuracy.

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**State Agency:** Illinois Department of Human Services (IDHS)

**Federal Agency:** U.S. Department of Agriculture (USDA)  
U.S. Department of Education (USDE)  
U.S. Department of Health and Human Services (USDHHS)

**Program Name:** Special Supplemental Nutrition Program for Women, Infants, and Children  
Vocational Rehabilitation Grants to States  
Temporary Assistance for Needy Families Cluster  
Child Care Development Fund Cluster  
Social Services Block Grant  
Block Grants for Prevention and Treatment of Substance Abuse

**CFDA # and Program Expenditures:** 10.557 (\$222,911,000)  
84.126 (\$107,444,000)  
93.558/93.714ARRA (\$613,848,000)  
93.575/93.596 (\$212,167,000)  
93.667 (\$66,560,000)  
93.959 (\$67,838,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-008** *Inadequate Review of OMB Circular A-133 Audit Reports*

IDHS did not adequately review OMB Circular A-133 audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation (VR) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Fund (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than \$500,000 in federal awards are required to submit an OMB Circular A-133 audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A desk review checklist is used to document the review of the OMB Circular A-133 audit reports.

During our review of a sample of 240 subrecipient OMB Circular A-133 audit desk review files (40 from each program listed above), we noted IDHS did not notify 79 subrecipients of the results of A-133 audit desk reviews or issue management decisions on reported findings within six months of receiving the audit reports. These reviews were completed as follows:

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<b>Desk Review Period</b>	<b>Number of Subrecipients</b>
180-210 days after receipt	24
210-240 days after receipt	18
240 - 270 days after receipt	13
270+ days after receipt	24

In addition, for one subrecipient, IDHS did not properly address and follow-up on their submitted corrective action plan.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
WIC	\$214,683,000	\$222,911,000	96.3%
Vocational Rehabilitation	20,819,000	107,444,000	19.4%
TANF Cluster	151,252,000	613,848,000	24.6%
Child Care Cluster	203,074,000	212,167,000	95.7%
Title XX	31,842,000	66,560,000	47.8%
SAPT	63,903,000	67,838,000	94.2%

According to OMB Circular A-133 \_\_\_.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, a pass-through entity is required to 1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IDHS officials, they stated the finding was caused by a lack of adequate systems and staff to perform adequate review of OMB Circular A-133 audit reports.

Failure to adequately obtain and review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. Additionally, failure to issue management decisions within six months of receiving OMB Circular A-133 audit reports results in noncompliance with federal regulations. (Finding Code 2013-008, 12-06, 11-08)

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#### **Recommendation:**

We recommend IDHS establish procedures to ensure: (1) subrecipient A-133 audit reports are obtained and properly reviewed in a reasonable timeframe, (2) management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and (3) follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

#### **IDHS Response:**

The Department agrees with the recommendation. The majority of the tasks to rectify this finding have been substantially completed to ensure that subrecipient A-133 audit reports are obtained and properly reviewed in a reasonable time frame, management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133, and follow up procedures are performed to ensure subrecipients have taken timely and appropriate corrective action.

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**State Agency:** Illinois Department of Human Services (IDHS)

**Federal Agency:** U.S. Department of Agriculture (USDA)  
U.S. Department of Education (USDE)  
U.S. Department of Health and Human Services (USDHHS)

**Program Name:** Special Supplemental Nutrition Program for Women, Infants, and Children  
Vocational Rehabilitation Grants to States  
Temporary Assistance for Needy Families Cluster  
Child Care Development Fund Cluster  
Social Services Block Grant  
Block Grants for Prevention and Treatment of Substance Abuse

**CFDA # and Program Expenditures:** 10.557 (\$222,911,000)  
84.126 (\$107,444,000)  
93.558/93.714ARRA (\$613,848,000)  
93.575/93.596 (\$212,167,000)  
93.667 (\$66,560,000)  
93.959 (\$67,838,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-009** *Failure to Follow Established Subrecipient Monitoring Procedures*

IDHS did not follow its established policies and procedures for monitoring subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Vocational Rehabilitation (VR) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Fund (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

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

During our testwork over on-site review procedures performed for 246 subrecipients of the WIC, VR Cluster, TANF Cluster, Child Care Cluster, Title XX, and SAPT programs, we noted IDHS did not follow its established on-site monitoring procedures as follows:

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

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<b>Federal Program</b>	<b>Number of Late Communications</b>	<b>Number of Subrecipients Tested</b>	<b>Number of Days Late (Range)</b>
VR	5	40	3-111
TANF	7	41	1-11
WIC	5	41	3-44

- IDHS did not receive corrective action plans (CAPs) on a timely basis (within 60 days) after communicating programmatic review findings. We noted the following exceptions:

<b>Federal Program</b>	<b>Number of Late CAPs</b>	<b>Number of Subrecipients in Tested</b>	<b>Number of Days Late (Range)</b>
TANF	4	41	1-129
WIC	5	41	1-21
Child Care	4	42	1-109
Title XX	1	41	671

- During our testwork performed, we noted that IDHS did not perform on-site monitoring reviews of subrecipients in fiscal year 2013 in accordance with IDHS' planned monitoring schedule. Specifically, we noted the following exceptions:

<b>Federal Program</b>	<b>Number of Reviews Not Performed</b>	<b>Number of Subrecipients Tested</b>
VR	5	40
Child Care	1	42
Title XX	1	41

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
WIC	\$214,683,000	\$222,911,000	96.3%
Vocational Rehabilitation	20,819,000	107,444,000	19.4%
TANF Cluster	151,252,000	613,848,000	24.6%
Child Care Cluster	203,074,000	212,167,000	95.7%
Title XX	31,842,000	66,560,000	47.8%
SAPT	63,903,000	67,838,000	94.2%

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According to OMB Circular A-133\_\_400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner and are designed to monitor fiscal controls.

In discussing these conditions with IDHS officials, they stated the finding was the result of insufficient staffing levels in order to execute 100% of the monitoring visits timely.

Failure to adequately perform and document on-site monitoring reviews of subrecipients and notify subrecipients of findings in a timely manner may result in subrecipients not properly administering the Federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-009, 12-07, 11-09)

#### **Recommendation:**

We recommend IDHS ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

#### **IDHS Response:**

The Department agrees with the recommendation. The Department will review its process to ensure programmatic on-site reviews are performed and documented for subrecipients in accordance with established policies and procedures. The Department will also review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken.

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**State Agency:** Illinois Department of Human Services (IDHS)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Vocational Rehabilitation Grants to States

**CFDA # and Program Expenditures:** 84.126 (\$107,444,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-010** *Failure to Determine Eligibility In Accordance with Program Regulations*

IDHS did not determine the eligibility of beneficiaries under the Vocational Rehabilitation Cluster program in accordance with federal regulations.

During our testwork of Vocational Rehabilitation Cluster program beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions in our testwork:

- For seven cases, IDHS did not perform a timely eligibility determination. The time between the application date and eligibility determination date exceeded the required 60-day timeframe. Payments made on the behalf of these beneficiaries during the year ended June 30, 2013 were \$12,336. The payments selected in our sample for these beneficiaries were \$3,275.
- For one case, IDHS did not complete the Individualized Plan for Employment (IPE) within 90 days after eligibility was determined. Payments made on the behalf of this beneficiary during the year ended June 30, 2013 was \$340. The payment selected in our sample for this beneficiary was \$195.
- For one case, IDHS could not provide the original certification of eligibility signed by the case worker and beneficiary; however, an unsigned electronic certification of eligibility was provided from the case management system. Payments made on the behalf of this beneficiary during the year ended June 30, 2013 was \$1,131. The payment selected in our sample for this beneficiary was \$168.

Payments made to beneficiaries of the Vocational Rehabilitation Cluster program totaled \$17,827,000 during the year ended June 30, 2013.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In addition, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations,

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and program compliance requirements. Effective internal controls should include procedures in place to ensure beneficiary eligibility determinations are performed and documented in accordance with program regulations.

In discussing these conditions with IDHS officials, they stated that human error and larger than desired caseloads led to the Division of Rehabilitation Services (DRS) failing to meet all eligibility determination guidelines.

Failure to properly determine and document the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being claimed to federal programs. (Finding Code 2013-010, 12-08, 11-11)

#### **Recommendations:**

We recommend IDHS review its process for performing eligibility determinations and consider changes necessary to ensure eligibility determinations are made and documented in accordance with program regulations.

#### **IDHS Response:**

The Department agrees with the recommendation. The Department of Human Services, Division of Rehabilitation Services will review its process for performing eligibility determinations to identify systems that will allow timely eligibility determinations, documented in accordance with program regulations.

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**State Agency:** Illinois Department of Human Services (IDHS)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Child Care Development Fund Cluster  
**CFDA # and Program Expenditures:** 93.575/93.596 (\$212,167,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-011** *Failure to Monitor Child Care Provider Health and Safety Requirements*

IDHS did not perform monitoring reviews of health and safety requirements for providers of the Child Care Development Fund (Child Care) Cluster program.

As a condition of receiving Child Care program funding, IDHS is required to certify that procedures are in place to ensure child care providers comply with all applicable health and safety requirements. Such requirements include prevention and control of infectious disease, building and physical premises safety, and basic health and safety training for providers. IDHS' procedures require health and safety monitoring reviews to be performed on an annual basis. During our review of 25 providers who received child care funding, we noted a health and safety monitoring review was not performed for one provider during the year ended June 30, 2013.

According to 45 CFR 98.41, the State is required to certify that there are monitoring and enforcement requirements designed to protect the health and safety of children that apply to child care providers receiving federal funding.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures in place to ensure child care providers are monitored for health and safety requirements as required under State and federal law.

In discussing these conditions with IDHS officials, they stated the cause of this finding was due to the Illinois Department of Children and Family Services (DCFS) failing to execute an annual health and safety monitoring visit for a licensed child care facility.

Failure to monitor compliance with State health and safety requirements results in noncompliance with federal regulations. (Finding Code 2013-011)

#### **Recommendation:**

We recommend IDHS review its process for monitoring child care provider compliance with State health and safety requirements and implement the changes necessary to ensure required monitoring is performed.

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#### **IDHS Response:**

The Department agrees with the recommendation. Administrative Code, Title 89, Chapter III, Subchapter D, Part 383, states that monitoring visits for child care institutions shall be conducted annually by a DCFS licensing representative. Although IDHS, as the Child Care lead agency, is not responsible for executing monitoring visits to licensed child care centers, the Department does assume responsibility for ensuring child care providers are monitored for compliance with health and safety requirements. The auditors tested IDHS for the proper health and safety monitoring of 25 child care facilities. Five of the tested facilities were license exempt facilities, for which IDHS is responsible for obtaining the self-certification form from the provider, which covers the health and safety issue. IDHS was able to obtain all five self-certification forms. The remaining 20 selections were state licensed providers, for which DCFS is responsible for the health and safety monitoring. We obtained the proper health and safety monitoring documents from DCFS for 19 of the 20 selections. According to DCFS, the required health and safety review was not performed for one of the selections. Prior to the conclusion of the audit, DCFS was able to perform the monitoring visit.

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**State Agency:** Illinois Department of Human Services (IDHS)

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

**Program Name:** Special Supplemental Nutrition Program for Women, Infants, and Children  
Temporary Assistance for Needy Families Cluster  
Child Care Development Fund Cluster  
Social Services Block Grant  
Block Grants for Prevention and Treatment of Substance Abuse

**CFDA # and Program Expenditures:** 10.557 (\$222,911,000)  
93.558/93.714ARRA (\$613,848,000)  
93.575/93.596 (\$212,167,000)  
93.667 (\$66,560,000)  
93.959 (\$67,838,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-012** *Failure to Report Subaward Information Required by FFATA*

IDHS failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, Child Care Development Fund (Child Care) Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. During our testwork of 200 subawards (40 for each program), we noted the following exceptions:

- The subaward amounts reported to the federal government do not agree with the subaward documents for two WIC, one Child Care, and eleven SAPT subawards.
- The subaward dates and amounts reported to the federal government do not agree with the subaward documents for 17 SAPT subawards.
- Subaward information was not reported at all for four Child Care and three SAPT subawards as of the date of our testing (November 15, 2013).
- Subaward information was not reported at all for any awards under FAIN numbers under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) Cluster, and Social Services Block Grant (Title XX) programs as of the date of our testing (November 15, 2013).

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IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
WIC	\$214,683,000	\$222,911,000	96.3%
TANF Cluster	151,252,000	613,848,000	24.6%
Child Care Cluster	203,074,000	212,167,000	95.7%
Title XX	31,842,000	66,560,000	47.8%
SAPT	63,903,000	67,838,000	94.2%

According to 2 CFR 170, a pass through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures (1) to identify awards subject to FFATA and (2) to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with IDHS officials, they stated that the award, CFDA, DUNS, and correct zip code were not available for all grants.

Failure to identify awards subject to FFATA and to report subawards in accordance with FFATA results in noncompliance with federal regulations. (Finding Code 2013-012, 12-11)

**Recommendation:**

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

**IDHS Response:**

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

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**State Agency:** Illinois Department of Human Services (IDHS)

**Federal Agency:** U.S. Department of Agriculture (USDA)

**Program Name:** Supplemental Nutrition Assistance Program Cluster

**CFDA # and Program Expenditures:** 10.551/10.551ARRA/10.561/10.561ARRA (\$3,444,135,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-013** *Inaccurate Special Report for the SNAP Cluster*

IDHS did not prepare an accurate special report for the Supplemental Nutrition Assistance Program (SNAP) Cluster.

IDHS is required to create and maintain a system of records for monitoring claims against households that receive more SNAP benefits than they are entitled to receive. This system of records generates the data that is entered into the special report *Status of Claims Against Households* Food and Nutrition Service-209 (FNS-209) report each quarter. During our testwork, we noted the following errors in the FNS-209 report for the quarter ended September 30, 2012:

<b>Report Line Item</b>	<b>Reported Amount</b>	<b>Actual Amount</b>	<b>Difference Over (Under) -stated</b>
3b. Balance Adjustments	\$9,350,830	\$9,351,174	(\$344)

According to 7 CFR 272.1(e), the State must comply with the requirements necessary to ensure accuracy and verification of reports required to be submitted for the program. Also, 7 CFR 272.10(b)(2)(vii)(B) requires the State to generate the data necessary to meet the reporting requirements of the FNS-209 report and provide for the capability of directly transmitting the data to Food Nutrition Service Office. In addition, the A-102 Common Rule requires non-federal entities receiving Federal Awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure household claim data is accurately reported.

In discussing these conditions with IDHS officials, they stated that the cause of the finding was due to an inaccurate system-generated report.

Failure to accurately prepare special reports prevents USDA from effectively monitoring the SNAP Cluster. (Finding Code 2013-013)

**Recommendation:**

We recommend IDHS review the process and procedures in place to prepare special reports required for the SNAP Cluster and implement procedures necessary to ensure the reports are accurate.

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**IDHS Response:**

The Department agrees with the recommendation. As a result of the audit, a problem with a report has been identified. A formal request has been submitted to the management information system-owner in order to solve the problem.

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**State Agency:** Illinois Department of Human Services (IDHS)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Supplemental Nutritional Assistance Program Cluster  
Special Supplemental Nutrition Program for Women, Infants, and Children  
Vocational Rehabilitation Grants to States  
Temporary Assistance for Needy Families Cluster  
Child Care Development Fund Cluster  
Social Services Block Grant  
Children’s Health Insurance Program  
Medicaid Cluster  
Block Grants for Prevention and Treatment of Substance Abuse

**CFDA # and Program Expenditures:** 10.551/10.551ARRA/10.561/10.561ARRA (\$3,444,135,000)  
10.557 (\$222,911,000)  
84.126 (\$107,444,000)  
93.558/93.714ARRA (\$613,848,000)  
93.575/93.596 (\$212,167,000)  
93.667 (\$66,560,000)  
93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)  
93.959 (\$67,838,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-014** *Inadequate Controls over Information Systems*

IDHS does not have adequate program access and change management controls over information systems used to document and determine beneficiary eligibility and record program expenditures.

The information technology applications that support the IDHS major programs include the following:

- *Concurrent* – serves as the eligibility system for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families (TANF) Cluster, Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs. The system is used by IDHS to store participant information, perform eligibility determinations for participants, and initiate and document the completion of a variety of required cross-matches for its federal programs.
- *Child Care Tracking System (CCTS)* – serves as the main database for the State’s child care activities which is funded by the Child Care Development Fund (Child Care) Cluster and TANF Cluster programs. The system is used by IDHS and its subrecipients to store participant information, perform eligibility determinations for participants, and track the issuance and redemption of child care vouchers.
- *Consolidated Accounting Record System (CARS)* – serves as the financial accounting database for all of IDHS’ federal programs and State funded programs. This system is used by IDHS to track

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cash receipts and disbursements on an individual award basis. Information reported in this system is used to prepare financial reports.

- *Cornerstone* – serves as the data management and analysis system for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This system is used by IDHS to store participant information, perform eligibility determinations for participants, and provide benefit information for payment.

During our testwork of IDHS' controls over user access to IDHS applications, we noted the following:

- One terminated employee (out of 25 tested) retained user access after their termination date for the Concurrent, Child Care Tracking System, and Consolidated Accounting Record System applications.
- Policies and procedures are not in place to review access rights for users at subrecipient organizations who have been contracted to assist IDHS in carrying out compliance requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children, Child Care Development Fund Cluster, and Temporary Assistance for Needy Families Cluster.

Additionally, during our testwork over changes made to IDHS' information systems, we noted IDHS was not able to generate a list of changes made to its information systems from each respective information system or application identified above. IDHS' current procedures include tracking changes made to its information systems in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by IDHS from the database during our audit was complete.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDHS officials, they stated that DHS internal controls are in accordance with federal National Institute of Standards and Technology (NIST) 800-53 standards.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2013-014, 12-12)

#### **Recommendation:**

We recommend IDHS implement policies and procedures to ensure access to its information systems is adequately secured and to generate a list of program changes from its information systems and applications.

#### **IDHS Response:**

Disagree. One terminated employee ID was overlooked by a LAN Coordinator for deletion; internal RACF controls revoked ID after 60 days which resulted in minimal risk to unauthorized access to information system.

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The policies and procedures to review access rights for Subrecipient organization are the same RACF policies and procedures currently in place for internal users. This includes a 3-year rotational review period approved by IDHS internal auditors.

Cornerstone and Case Control Management System (CCMS) utilizes Clearance which produces a system generated change management report due to the advanced technology used in its development. CARS, Concurrent, and CCTS are legacy mainframe systems that were developed 15 to 30 years ago. The capability to produce a system generated report for these mainframe systems does not exist through third party marketplace. To develop a custom application to create such system generated reports would be prohibitively expensive. The current change management process, CAT tracking system, has been utilized in both Concurrent and CCTS and was deemed as an adequate control with low risk. The CARS system utilizes PANVALET. Both CATS and PANVALET change management processes involve programmers submitting their changes to CMS who then move the changes to production. IDHS staff cannot move programs into production. IDHS considers this separation of duties a compensating internal control to our change management process. Due to the age and complexity of the Concurrent and CARS systems, IDHS eventually plans on replacing the systems with newer technologies however, at this time it is not economically feasible. IDHS management accepts the low risk associated with our change management process due to the compensating controls and procedures mentioned.

The internal controls utilized by the four systems provide adequate change management that meets federal National Institute of Standards and Technology (NIST) standards and therefore IDHS disagrees with this finding.

#### **Auditors' Comment:**

As noted in the finding above, we noted exceptions relative to access and change management control procedures implemented by IDHS. Although we agree that certain compensating controls are in place, we are required to design our audit to obtain a low-level of control risk. We have evaluated the exceptions discussed above and have determined the exceptions rise to the level of a material weakness based on the criteria in OMB Circular A-133.

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

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

**Program Name:** Children's Health Insurance Program  
Medicaid Cluster

**CFDA # and Program Expenditures:** 93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-015** *Failure to Initiate and Complete Provider Audits in a Timely Manner*

DHFS did not initiate and complete audits of providers of the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs in a timely manner.

The DHFS Office of Inspector General (OIG) conducts several types of audits and reviews of healthcare providers to monitor the integrity of payments made to providers of the CHIP and Medicaid Cluster programs. Specifically, the OIG performed post-payment compliance audits to identify improper payments which may have been made to providers and quality of care reviews to assess whether healthcare providers are giving proper care and services to CHIP and Medicaid beneficiaries. These audits may lead to sanctions against providers, recoveries of overpayments from providers, and/or criminal prosecution of providers. The OIG reports the results of these audits, as well as its other activities, to the Center for Medicare and Medicaid Services on an annual basis.

During our testwork over 50 providers (40 completed audits and 10 pending audits) recommended by the OIG for audit, we noted there were significant time delays between the date DHFS determined a provider audit should be performed and the start date of the audit. Specifically, we noted the following:

- Ten of the 40 OIG provider audits completed as of June 30, 2013 were not started in a timely manner. The number of days that had elapsed between the dates the provider was recommended for audit and the audit start date ranged from 189 to 541 days.
- Five of the 40 OIG provider audits completed as of June 30, 2013 were not completed in a timely manner. The length of time to perform these audits ranged from 189 to 289 days.

According to 42 CFR 455.17, the OIG is required to report on the results of its activities and investigations periodically. The OIG has a responsibility to investigate violations of the applicable laws, follow up on complaints, and perform provider audits.

Additionally, the A-102 Common Rule Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal control should include procedures to ensure provider analysis and audits are performed and completed in a timely manner. Effective internal controls should also include procedures to ensure overpayments are reported on the quarterly financial expenditure reports and returned to the federal government.

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In discussing these conditions with DHFS officials, they stated that efforts to timely complete provider audits have been hampered in part by insufficient resources, including reduced numbers of staff.

Failure to initiate and perform provider audits in a timely manner may result in federal funds being expended for unallowable purposes and may prevent the State from adequately monitoring payments to providers. (Finding Code 2013-015, 12-17, 11-20, 10-17, 09-18, 08-20)

#### **Recommendation:**

We recommend DHFS evaluate their procedures to ensure provider audits are performed and completed in a timely manner.

#### **DHFS Response:**

The Department accepts the recommendation. It should be noted that there is no federally prescribed timeframe for completion of provider audits; however, the OIG strives to complete all audits in a timely manner. Factors that may extend the time necessary to complete an audit include the type and volume of documentation to be audited and the availability of information to be audited. The Department continues to review its procedures and implement changes to ensure that provider audits are performed and completed in a timely manner.

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

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

**Program Name:** Medicaid Cluster

**CFDA # and Program Expenditures:** 93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-016** *Inadequate Procedures to Monitor and Report Overpayments*

DHFS does not have an adequate process to monitor and report overpayments identified for providers of the Home and Community Based Services Waiver programs administered by the Illinois Department of Human Services (IDHS).

DHFS executed an intergovernmental agreement with IDHS whereby the Division of Rehabilitation Services (DRS) administers three Home and Community Based Services Waiver programs. As part of its responsibilities, IDHS enrolls and reimburses providers for claimed waiver services, and subsequently, submits claims for Medicaid reimbursement to DHFS. The DRS State Benefits Fraud Unit (Fraud Unit), on a post-payment basis, identifies overpayments made to these providers. The Fraud Unit documents the overpayments, contacts the provider that received the overpayment, verifies the overpayment amount with the provider, and sets up a system to track and recoup the identified overpayments.

During our audit, we noted DHFS did not report adjustments for certain overpayments identified by the Fraud Unit in State fiscal year 2012 on its quarterly financial expenditure reports or return these amounts to the federal government within the one year of identification as required. Overpayments identified in State fiscal year 2012 by the Fraud Unit but not adjusted within one year totaled \$32,840.

In accordance with Section 1903(d)(2) of the Social Security Act, states are required to refund the Federal share of a Medicaid overpayment. Further, 42 CFR 433.312 require the State Medicaid agency to refund the Federal share of an overpayment to a provider at the end of the 1 year period following the date of discovery, whether or not the State Medicaid agency has recovered the overpayment. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure overpayments are reported on the quarterly financial expenditure reports and returned to the federal government.

In discussing these conditions with DHFS officials, they stated that the overpayments identified in this audit occurred prior to the Department implementing a system for DRS to process current overpayments through the Medicaid Management Information System (MMIS).

Failure to properly monitor and report overpayments may result in the agency failing to ensure overpayments are reported on the quarterly financial expenditure reports and returned to the federal government. (Finding Code 2013-016, 12-18, 11-22, 10-19)

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**Recommendation:**

We recommend DHFS review its current process for monitoring and reporting overpayments and implement any changes necessary to ensure such overpayments are reported as adjustments on the quarterly financial expenditure reports and returned to the federal government.

**DHFS Response:**

The Department accepts the recommendation. The Department has implemented procedures to monitor whether DRS is reporting overpayments and making the required adjustments. The Department and DRS will continue to work together to monitor the process for submitting the overpayments and adjusting them in a timely manner as required.

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

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

**Program Name:** Medicaid Cluster

**CFDA # and Program Expenditures:** 93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-017** *Inadequate Process to Verify Procedures Billed by Provider with Beneficiaries*

DHFS does not have adequate procedures in place to verify with beneficiaries of the Medicaid Cluster program whether services billed by providers were actually received.

During our testwork, we noted DHFS procedures for verifying with beneficiaries whether services billed by providers were actually received by Medicaid Cluster Beneficiaries consisted of special projects performed by the DHFS Office of Inspector General and Bureau of Comprehensive Health Services. However, the current projects only cover procedures billed by non-emergency transportation providers, optometric providers, and dental providers which only account for 2.44% of total provider reimbursements. Further, DHFS does not perform any verification procedures for services billed by the following provider types:

- Hospitals
- Mental Health Facilities
- Nursing Facilities
- Intermediate Care Facilities
- Physicians
- Other Practitioners
- Managed Care Organizations
- Home and Community-Based Service Providers
- Physical Therapy Providers
- Occupational Therapy Providers

Payments made to non-emergency transportation providers, optometric providers, and dental providers totaled \$185,964,000 during the year ended June 30, 2013. Payments made to providers on behalf of all beneficiaries of the Medicaid Cluster totaled \$7,621,466,000 during the year ended June 30, 2013.

According to 42 CFR 455.20(a), the State must have a method for verifying with recipients whether services billed by providers were received. Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to verify with recipients whether services billed by providers were received.

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In discussing these conditions with DHFS officials, they stated that the Department does not have the staff or resources to implement an expanded recipient verification process at this time.

Failure to verify with recipients whether services billed by providers were received may result in expenditures being made for services not actually provided to beneficiaries, which are unallowable costs. (Finding Code 2013-017, 12-19, 11-23, 10-20)

#### **Recommendation:**

We recommend DHFS implement procedures to verify with recipients whether services billed by providers were received.

#### **DHFS Response:**

The Department accepts the recommendation, but does not have the staff or resources to implement a recipient verification process at this time. The tasks required to appropriately implement such a process are highly complex and burdensome. This process will be implemented as part of the new Medicaid Management Information System (MMIS) through various requirements that include:

- Validation of Explanation of Benefits (EOB) online through the recipient portal;
- Dynamic system functionality that support EOB sample selections;
- Ability to include laymen's description of procedure and diagnosis codes on EOBs; and
- Functionality that support linguistically and culturally appropriate EOBs.

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

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

**Program Name:** Children's Health Insurance Program  
Medicaid Cluster

**CFDA # and Program Expenditures:** 93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-018** *Failure to Update and Implement Reimbursement Rate Methodology Changes for Government Owned Hospitals in a Timely Manner*

DHFS did not update per diem rates and make related adjustments in a timely manner for government-owned hospitals participating in the Medicaid Cluster.

On December 4, 2008, the Department received approval from the Centers for Medicare and Medicaid Services (CMS) for an amendment to the Medicaid State Plan, which changed the methodology for reimbursing government owned hospitals participating in the Medicaid Cluster and was retro-active as of July 1, 2008. According to the amendment, DHFS was to reimburse the government owned hospitals a total per diem rate which is the sum of a calculated inpatient per diem, a calculated disproportionate share adjustment and a calculated supplemental disproportionate share adjustment less the amount of expenditures certified by the respective hospitals. The total per diem rates for these two hospitals are recalculated on an annual basis, with State statute requiring the government owned hospital per diem be set by October 1<sup>st</sup> of each year. Further, each government owned hospital receives an annual disproportionate share hospital award which is required to be paid out in twelve equal monthly installments throughout the year.

During our testwork of 65 CHIP and 125 Medicaid beneficiary payments, we reviewed provider reimbursements for accuracy and the allowability of the related benefits provided. During those procedures, we noted DHFS did not finalize the 2013 per diem rates for two providers until November 2012. Because DHFS did not set the provider per diem rates for 2013 until November 2012 these hospitals' reimbursements for State fiscal year 2013 were subsequently adjusted by \$9,328,957 for inpatient rates and \$2,652 for outpatient rates in January 2013.

In accordance with 42 CFR 447.15 and the approved Medicaid State Plan, DHFS is required to limit participation in the Medicaid program to providers who accept, as payment in full, the amounts paid by the agency for services rendered to beneficiaries. Further, the approved Medicaid State Plan requires the annual amount of each disproportionate share hospital payment for which a government owned hospital qualifies to be made in 12 equal installments throughout the fiscal year. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure hospital reimbursement

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rates are updated in a timely manner and disproportionate share hospital payments are made within the required timeframes.

In discussing these conditions with DHFS officials, they stated that negotiations with the providers caused unforeseen delays in rate implementation.

Failure to ensure hospital reimbursement rates are updated and disproportionate share hospital payments are made in a timely manner may result in inaccurate provider reimbursements, inaccurate financial reporting of expenditures, and provider overpayments, which are unallowable costs. (Finding Code 2013-018, 12-20, 11-24, 10-23)

**Recommendation:**

We recommend DHFS implement procedures to ensure all per diem rates are updated and adjustments are made in a timely manner for government-owned hospitals.

**DHFS Response:**

The Department accepts the recommendation. The Department is working more closely with the government owned providers to ensure there is a negotiated agreement of rates between the two parties, prior to issuing a finalized rate letter. Prior approval of the per diem rates between the Department and the hospitals will aid in calculating rates timely and prevent retroactive adjustments.

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

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

**Program Name:** Medicaid Cluster

**CFDA # and Program Expenditures:** 93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-019** *Inadequate Procedures to Monitor Agencies Operating Home and Community-Based Waivers*

DHFS does not have an adequate process to monitor agencies operating the Home and Community Based Services Waiver programs.

The Illinois Medicaid program, as administered by DHFS, currently has nine federally approved home and community based waiver programs. Eight of the nine waivers are operated by other state agencies. As the single state Medicaid agency, DHFS is responsible for oversight and monitoring of the other state-agencies to ensure compliance with federal waiver assurances. Approximately 40,000 home and community based waiver providers are eligible to participate in the waiver programs. Monitoring procedures primarily consist of medical record reviews, reviews of annual audited financial statements, and comprehensive on-site reviews developed in accordance with the State Plan. DHFS contracts with a service provider to perform the medical claim record reviews and on-site reviews over an annual sample of 600 medical claim records and 28 providers.

During our review of monitoring procedures performed by DHFS and its service provider, we noted DHFS does not have a formalized process to follow up on deficiencies identified during on-site reviews for the Developmentally Disabled, Brain Injury, HIV and AIDS, and Persons with Disabilities waiver programs. Following each on-site review, DHFS sends the other state agencies a letter notifying them of the deficiencies identified, with a request to respond within 60 days with plans for individual and systemic correction. However, no formal follow up procedures are performed to ensure the corrective action plans were implemented or whether the deficiencies may still exist.

According to 42 CFR 431.10, the Medicaid agency is responsible for ensuring that a waiver is operated in accordance with applicable Federal regulations and the provisions of the waiver itself. According to 42 CFR 441.302, states are required to provide assurance that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of the services. Those safeguards must include adequate standards for all types of providers that provide services under the waiver; assurance that the standards of any State licensure or certification requirements are met for services or for individuals furnishing services that are provided under the waiver; and assurance that all facilities covered by section 1616(e) of the Act, in which home and community-based services will be provided, are in compliance with applicable State standards that meet the requirements of 45 CFR Part 1397 for board and care facilities.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations

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and program compliance requirements. Effective internal controls should include establishing follow up procedures on monitoring deficiencies to determine whether corrective action plans are implemented or whether the deficiencies still exist.

In discussing these conditions with DHFS officials, they stated that when the DHFS monitoring process was developed, DHFS expected a timely response from the operating agencies; therefore, the Department did not build in formal follow up procedures.

Failure to adequately monitor agencies operating Home and Community Based waiver programs may result in provider health and safety standard violations and unallowable costs being claimed to the program. (Finding Code 2013-019, 12-25)

#### **Recommendation:**

We recommend DHFS review its current process for monitoring agencies operating Home and Community Based waivers to ensure monitoring is in accordance with the federal regulations.

#### **DHFS Response:**

The Department accepts the recommendation. When the DHFS monitoring process was developed, DHFS expected a timely response from the operating agencies; therefore, the Department did not build in formal follow up procedures. For routine findings that do not impact health, safety or welfare, DHFS requires a response within 60 days from the date of the DHFS notification of findings. DHFS specifically requests that the operating agencies submit a plan of correction, including both individual and systemic remediation. Although a formal response is not received, DHFS and the operating agencies discuss the findings and remediation during quarterly meetings. For non-routine issues that may impact health, safety or welfare of wavier participants, DHFS notifies the operating agency immediately and issues are addressed by the operating agency as quickly as possible. DHFS follows up to closure to ensure the health, safety and welfare of wavier participants. The Department has implemented formal procedures to monitor follow-up responses from the operating agencies to ensure corrective action is taken.

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

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

**Program Name:** Child Support Enforcement  
Children's Health Insurance Program  
Medicaid Cluster

**CFDA # and Program Expenditures:** 93.563 (\$134,785,000)  
93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-020** *Failure to Obtain Suspension and Debarment Certifications from Vendors*

DHFS did not obtain required certifications that vendors or medical providers were not suspended or debarred from participation in Federal assistance programs for the Child Support Enforcement, Children's Health Insurance Program, and Medicaid Cluster Programs.

During our review of twenty vendors of the Child Support Enforcement program and twenty vendors allocated to all federal programs, we noted certifications were not obtained from seven vendors to indicate whether or not these vendors were suspended or debarred from participation in Federal assistance programs. Additionally, DHFS did not perform a verification check with the System for Award Management (SAM) maintained by the U.S. Government. We also noted DHFS has not developed procedures to perform verification checks of medical providers with SAM as required by federal regulations.

Payments to vendors allocated to the Child Support Enforcement, Children's Health Insurance Program, and Medicaid Cluster Programs totaled \$6,234,000, \$6,567,000, and \$482,444,000, respectively, during the year ended June 30, 2013. Payments made to providers on the behalf of beneficiaries of the CHIP and Medicaid programs were \$319,664,000 and \$7,621,466,000, respectively, during the year ended June 30, 2013.

According to 45 CFR 74.13, subawards and contracts with parties that are debarred, suspended or otherwise excluded from or ineligible for participation in the Federal assistance programs or activities under Executive Order 12549 and 12689, "Debarment and Suspension" are prohibited. According to 42 CFR 455.436, effective March 25, 2011, a state is required to perform verification checks of providers with the "List of Excluded Individuals/Entities" maintained by the USDHHS and the System for Award Management (SAM) maintained by the U.S. Government no less frequently than monthly. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

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In discussing these conditions with DHFS officials, they stated that the seven vendors identified as exceptions were procured by the Illinois Department of Central Management Services (DCMS) under master contracts and the Department relied on procedures performed by DCMS. In addition, the Department stated that they believed procedures in place to check providers against the Illinois sanction database were adequate to meet this requirement.

Failure to perform verification procedures with the SAM could result in the awarding of Federal funds to vendors that are suspended or debarred from participation in Federal assistance programs. (Finding Code 2013-020, 12-23, 11-31, 10-32, 09-24)

#### **Recommendation:**

We recommend DHFS establish procedures to ensure that vendors contracting with DHFS are not suspended or debarred or otherwise excluded from participation in Federal assistance programs. We also recommend DHFS work with agencies contracting with vendors on the behalf of DHFS to ensure the suspension and debarment certifications are included and the EPLS is checked.

#### **DHFS Response:**

The Department accepts the recommendation. The Department has worked with the Chief Procurement Office (CPO) to ensure the proper language is included in master contracts procured by DCMS. CPO Notice 2012.07 was issued on February 10, 2014, which provides language to be included in solicitations and contracts that may be paid for with federal funds. The CPO Notice states the certification language must be included in all statewide master contracts.

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

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

**Program Name:** Child Support Enforcement  
Children's Health Insurance Program  
Medicaid Cluster

**CFDA # and Program Expenditures:** 93.563 (\$134,785,000)  
93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** \$4,339

**Finding 2013-021** *Failure to Properly Allocate Costs in the Public Assistance Cost Allocation Plan*

DHFS did not properly allocate costs to the Child Support Enforcement (Child Support), Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

DHFS administers federal and state programs to provide healthcare coverage for Illinois adults and children. In administering these programs, DHFS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, DHFS has prepared a Public Assistance Cost Allocation Plan (PACAP) describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate administrative expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies used by DHFS. DHFS has developed the methodologies for allocating costs to its programs, which DHFS believes best represent the actual costs associated with the program.

During our review of costs allocated to Child Support, CHIP, and Medicaid Cluster programs during the quarter ended March 31, 2013, we noted a mathematical error in the computation of the percentage of assistance cases investigated related to DHFS and the Illinois Department of Human Services (IDHS). Specifically, we noted the percentage of cases investigated used in the cost allocation plan workpapers were 98.9% and 1.1% for DHFS and IDHS, respectively; however, the actual percentage of cases investigated for each agency were 97.1% and 2.9% for DHFS and IDHS, respectively. As a result, programs administered by DHFS were allocated \$6,865 (federally funded participation of \$4,339) more than they should have been for the quarter ended March 31, 2013. Total expenditures allocated using this cost allocation methodology during the quarter ended March 31, 2013, were \$373,112.

According to 45 CFR 95.517, a state must claim costs associated with a program in accordance with its approved cost allocation plan. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure costs are properly allocated to its federal programs.

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In discussing these conditions with DHFS officials, they stated that this finding was caused by a clerical error.

Failure to properly calculate and allocate costs in the PACAP may result in disallowances of costs. (Finding Code 2013-021)

**Recommendation:**

We recommend DHFS implement procedures to ensure cost allocation percentages are accurately calculated to ensure costs are properly allocated to its federal programs.

**DHFS Response:**

The Department accepts the recommendation. A prior period adjustment will be made to correct the error.

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

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

**Program Name:** Child Support Enforcement  
Medicaid Cluster

**CFDA # and Program Expenditures:** 93.563 (\$134,785,000)  
93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-022** *Failure to Report Subaward Information Required by FFATA*

DHFS did not report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Child Support Enforcement (Child Support) and Medicaid Cluster programs.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. During our testwork, we noted DHFS did not report information required by FFATA for subawards made to subrecipients of the Child Support and Medicaid Cluster programs during the year ended June 30, 2013. Federal awards passed through to subrecipients of the Child Support and Medicaid Cluster programs subject to FFATA reporting requirements totaled \$18,735,000 and \$57,747,000, respectively, for the year ended June 30, 2013.

According to 2 CFR 170, a pass through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures (1) to identify awards subject to FFATA, (2) to obtain subrecipient DUNS numbers prior to awarding federal financial assistance to subrecipients, and (3) to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with DHFS officials, they stated that technical issues with the federal website prevented them from reporting all subawards.

Failure to identify awards subject to FFATA and to report subaward in accordance with FFATA results in noncompliance with federal regulations. Additionally, failure to obtain subrecipient DUNS numbers inhibits the State's ability to meet its reporting requirements under FFATA. (Finding Code 2013-022, 12-27, 11-36)

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**Recommendation:**

We recommend DHFS establish procedures to: (1) identify awards subject to FFATA reporting requirements, (2) obtain subrecipient DUNS numbers, and (3) report required subaward information in accordance with the FFATA.

**DHFS Response:**

The Department accepts the recommendation. We believe the technical issues with reporting have been resolved. The Department will report past and future sub-awards in a timely manner.

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

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

**Program Name:** Temporary Assistance for Needy Families  
Foster Care – Title IV-E  
Adoption Assistance

**CFDA # and Program Expenditures:** 93.558/93.714ARRA (\$613,848,000)  
93.658/93.658ARRA (\$188,901,000)  
93.659/93.659ARRA (\$82,231,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-023** *Inadequate Monitoring of Subrecipients*

DCFS did not make required communications or perform fiscal and administrative on-site monitoring procedures for subrecipients who receive awards under the Temporary Assistance for Needy Families (TANF), Foster Care – Title IV-E (Foster Care) and Adoption Assistance programs.

DCFS passes through Federal funding under the Foster Care and Adoption Assistance programs to not-for-profit organizations which assist the State in carrying out the State's responsibilities under these programs. Specifically, these organizations assist the State by: (1) performing and documenting on-going casework for children who are wards of the State, (2) providing training, licensing and other supportive services for foster and adoptive parents, and (3) performing Foster Care and Adoption Assistance placement services. The services provided by these organizations assist the State in determining the continuing allowability of maintenance and subsidy payments made to foster and adoptive families on behalf of eligible children. Certain of these costs which are not claimed under or used as match for the Foster Care and Adoption Assistance programs are claimed for reimbursement under the TANF program.

During our testwork over the subrecipient monitoring compliance requirement for these programs, we noted DCFS determined that organizations previously identified as subrecipients should be considered vendors because the initial eligibility determinations for children served under these programs are performed by the State. However, the nature of the services provided by these organizations goes beyond those provided in a vendor relationship. These organizations assist the State in complying with program requirements relative to the allowability of costs and continuing eligibility of program beneficiaries.

As a result of this determination, DCFS did not identify the amounts passed through to these entities as subrecipient expenditures on the State's schedules of Federal awards or in award communications to these organizations. DCFS also did not perform fiscal and administrative on-site monitoring procedures over the programs operated by these organizations.

Amounts passed through to subrecipients of the TANF, Foster Care, and Adoption Assistance programs which were improperly reported as contractual services during the year ended June 30, 2013 were \$28,874,000, \$38,946,000, and \$4,126,000, respectively.

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According to OMB Circular A-133 section .210(b), characteristics indicative of a Federal award received by a subrecipient are when the organization, among other things, has responsibility for programmatic decision-making and uses the Federal funds to carry out a program of the organization as compared to providing goods and services for a program of the pass-through entity. Additionally, according to OMB Circular A-133 section .210(c), characteristics indicative of a payment for goods and services received by a vendor are when the organization, among other things, provides goods and services that are ancillary to the operations of the program and are not subject to the compliance requirements of the Federal program. According to the OMB Circular A-133 section .400(d) and the OMB Circular A-133 2013 Compliance Supplement, a pass-through entity is required to monitor its subrecipients' activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements, to ensure required audits are performed, to require the subrecipient to take prompt corrective action on any audit findings and to evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

In discussing these conditions with DCFS officials, they stated that they disagree with the finding in light of the finding resolution letter received on April 5, 2013 from the Administration of Children and Family Services (ACF).

Failure to properly report subrecipient expenditures and monitor subrecipients results in noncompliance with OMB Circular A-133 and could result in Federal funds being expended for unallowable purposes and subrecipients not properly administering the Federal programs in accordance with laws, regulations and the grant agreement. (Finding Code 2013-023, 12-32, 11-38, 10-37, 09-36, 08-39, 07-36, 06-34, 05-47, 04-36, 03-34, 02-30, 01-18, 00-18 DCFS 99-6, DCFS 99-9)

#### **Recommendation:**

We recommend DCFS properly report federal awards passed through to subrecipients and implement on-site monitoring procedures to review compliance requirements administered by subrecipients of its federal programs.

#### **DCFS Response:**

The Department agrees that federal awards should be properly reported and monitored. While the Department disagreed with the finding in fiscal years 2011, 2012, and 2013, it is currently reviewing the response received from the federal agency and discussing the intention and conditions contained in the letter regarding the classification as vendors and assurances requested.

The federal agency agreed that the Department conducts sufficient monitoring of providers. In its correspondence, the federal agency stated, "Consistent with Illinois' decision to classify the DCFS Child Placement Agencies as vendors for purposes of OMB Circular A-133, and ACF's waiver offer if Illinois provides certain assurances, and our understanding that Illinois will provide those assurances, the Child Placement Agencies should consider these funds received as vendor payments and not Federal awards."

The Department is currently reviewing the response and discussing the intention and conditions contained in the letter regarding the classification as vendors and assurances requested.

The response received permits the Department to classify its providers as vendors, requests the Department to continue its current practices to monitor provider performance and to schedule the auditor

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to include certain tasks within its audit work. Discussions with the Office of the Auditor General, the audit firm contracted to conduct the audit work, and the federal agency are continuing. The response received requests the Department to continue its current practices to monitor provider performance.

The Department continues to perform the following for child placement provider agencies it makes payment to:

- Inform the agencies of pertinent information and requirements imposed on them by Federal law and regulations by including them in their contracts with the Department.
- Monitor the programmatic activities of the agencies as necessary to ensure that funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts including the achievement of performance goals (permanency rates, foster home licensure, placement and worker stability, child safety, case plan and court compliance, and rate of in-person client contact).
- Review the services delivered by the provider agencies and providing feedback for continuous quality improvement. Specifically, the Department will monitor the agencies that provide foster care services, independent and transitional living programs. Intact families, and review and approve adoption and guardian subsidies on behalf of the Department's Guardianship Administrator. The Department will also monitor the performance of the provider agencies in the provision of assessed and/or court ordered services to children and families who are subjects of child abuse and neglect investigations.
- Monitor the fiscal activities of child placement agencies to ensure they are using funds properly and meet contractual compliance requirements, including:
  - Verifying a provider agency is not excluded from contracting with the government by checking the federal government's system for award management before entering into a contract;
  - Verifying the agency has no delinquent debt with the State of Illinois; and
  - Verifying the agencies CWA license and COA accreditation status is current.
- Ensure the accuracy of the reimbursement claim submitted by the provider agencies by verifying agencies invoices with the child welfare information system.
- Review certified audit reports and cost reports to determine:
  - Financial and service unit information is appropriately presented and is consistent with generally accepted accounting principles;
  - Costs incurred in operating the contracted service are not less than the revenues received directly for the program;
  - Related party transactions are appropriately recorded and disclosed;
  - Significant accounting practices and other information that require disclosure (as described by generally accepted accounting principles) are appropriately disclosed; and
  - Funds are used in accordance with Department policy and whether a provider agency has received funds in excess of actual reimbursable costs.
- Determine whether there are any excess revenues (revenues in excess of actual allowable costs), review the determination with the provider agency, and make collection arrangements to recover any excess after the close of the contract period. Make any adjustment for any associated federal claiming.
- Prepare a desk review report that will highlight any deficiencies that are found in the provider's external audit and follow-up for corrective action on any procedural and other recommendations made by the auditor. Prepare a desk review report of any A-133 report the provider agency may have had conducted for the same time period.

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- Maintain the current tracking system to assure timely submission of all required audit reports, other reports including A-133 report the provider may be required to have conducted, and timely resolution of audit findings.

The Department continues to send notices to all providers considered to be program subrecipients (the only subrecipients the Department had contracts with in State fiscal year 2013 were for Title IV-B programs; none currently in Foster Care or Adoption programs) and notices are sent to all providers (including Foster Care and Adoption programs) for which an audit report is required (providers/agencies that receive over \$150,000 during the State's fiscal year).

The Department's policy is that on-site fiscal and administrative reviews should and do include procedures that consider all compliance requirements direct and material to the programs funded by the Department and to ensure compliance with contract program plan requirements established for the services approved and being obtained for children. The Department has further assessed the issues identified and instituted additional steps to improve its fiscal monitoring of providers. Corrective action has been taken to close all gaps in internal control that allowed this instance of fraud to incur including:

- Implementation of Grant Recoveries Act requirements;
- Quarterly Monitoring of program expenditures compared to budget;
- Quarterly Monitoring of program metrics;
- Quarterly Monitor of Provider key Financial indicators; and
- Continuous Monitoring of Program monitors site visits.

#### **Auditors' Comment:**

The guidance provided in the management decision letter referenced in the Department's response contained conflicting guidance. While the decision letter sustained the finding and indicated these providers should be classified as subrecipients, it required procedures to be performed which are not consistent with the OMB Circular A-133 Compliance Supplement dated June 2013.

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

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

**Program Name:** Adoption Assistance

**CFDA # and Program Expenditures:** 93.659/93.659ARRA (\$82,231,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-024** *Failure to Ensure that Adoption Assistance Recertifications are Performed on a Timely Basis*

DCFS did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. A child's eligibility for the program is determined initially at the time of adoption proceedings. However, it is the State's responsibility to establish a process to ensure that children on behalf of whom the State is making subsidy payments are in the continued care of their adoptive parent(s). On a biannual basis, the State sends a recertification form to the adoptive parent(s) of a child on behalf of whom the parent is receiving adoption subsidy payments. The form contains a series of questions concerning the parents' legal and financial responsibility of the child. The adoptive parents must answer the questions, sign and return the form to DCFS to demonstrate their continued legal and financial responsibility over the child.

During our testwork of 50 Adoption Assistance beneficiary payments (totaling \$23,359), we noted one case file (with a sampled assistance payment of \$409) in which DCFS could not locate a recertification form submitted by the adoptive parents within the most recent period. DCFS claimed reimbursement for adoption assistance benefits made on behalf of this child totaling \$4,908 during the year ended June 30, 2013.

DCFS claimed reimbursement for adoption assistance beneficiary payments totaling \$69,395,041 during the year ended June 30, 2013.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursements contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation, including documentation supporting eligibility determinations were performed in accordance with program requirements.

According to 42 USC 673 (a)(4), payments are discontinued when the state determines that the adoptive parents are no longer legally responsible for the support of the child. Parents must keep the state agency

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informed of circumstances which would make the child ineligible for adoption assistance payments or eligible for assistance payments in a different amount. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to obtain adoption re-certification forms on a timely basis.

In discussing these conditions with DCFS officials, they stated that the Department conducts annual recertifications to confirm eligibility for a Medicaid card and that the children are still in continued care but notes there is no Federal statute or provision requiring annual renewals, recertifications or eligibility re-determinations for title IV-E adoption assistance and, that the federal agency did not sustain the finding when it was included in a previous audit (finding 10-39).

Failure to complete the necessary eligibility recertifications may result in payments to ineligible beneficiaries, which are unallowable costs. (Finding Code 2013-024, 12-34, 11-40, 10-39, 09-37, 08-41, 07-39, 06-36)

#### **Recommendation:**

We recommend DCFS implement procedures to ensure recertification forms are received in accordance with the State's established process and maintained in the eligibility files for children receiving adoption assistance benefits.

#### **DCFS Response:**

The Department disagreed with the finding as the federal agency did not agree with and sustain the finding when it appeared in a previous audit report and that the federal agency has no recourse for any exception to the finding. However, the Department plans to continue its procedure to conduct recertification for Title IV-E adoption assistance cases as a part of a process to confirm their eligibility for a Medicaid card.

The Department agrees that annual recertification is a good business practice and is implementing additional procedures to ensure reporting to the Post-Adoption Unit and the reporting of follow-up is completed. Recertification letters are sent out via an automated process. If the first letter is not returned, a second letter is automatically mailed 30 days later. If the second letter was not returned, notification of these cases is sent to the Post-Adoption Unit for further follow up. Although the Department has greatly improved compliance in this area, there remains the obligation to continue monitoring of the process that has been successfully developed. Additionally we will re-look at our procedures and work with the Office of Information Technology Services (OITS) to review the logic related to generation of recertification notices for older subsidy recipients. Additionally, the Department notes that the number of missing recertifications has diminished (down to one for the 2013 audit) as the new procedures were implemented and refined.

#### **Auditors' Comment:**

We respectfully disagree with DCFS' response. The procedures relative to the recertification forms are part of the Department's controls relative to verifying families continue to be eligible for Adoption

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subsidies. Additionally, these procedures are stated in the Title IV-E State Plan and federal regulations require the State to follow the provisions of its State Plan.

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

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

**Program Name:** Foster Care – Title IV-E  
Adoption Assistance

**CFDA # and Program Expenditures:** 93.658/93.658ARRA (\$188,901,000)  
93.659/93.659ARRA (\$82,231,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-025** *Failure to Obtain Suspension and Debarment Certifications*

DCFS did not obtain required certifications that providers and vendors were not suspended or debarred from participation in Federal assistance programs for the Foster Care and Adoption Assistance Programs.

During our review of 25 providers and 25 vendors of the Foster Care and Adoption Assistance program, we noted DCFS did not include a suspension and debarment certification in any of its provider or vendor contracts. As a result, DCFS did not obtain a certification that these vendors were not suspended from participation in Federal assistance programs. Additionally, DCFS did not perform a verification check with the System for Award Management (SAM) maintained by the General Services Administration for any of these organizations.

Payments to providers allocated to the Foster Care and Adoption Assistance Programs totaled \$50,046,000 and \$5,976,000, respectively, during the year ended June 30, 2013. Payments to vendors allocated to the Foster Care and Adoption Assistance programs totaled \$5,431,000 and \$839,000, respectively, during the year ended June 30, 2013.

According to 45 CFR 74.13, subawards and contracts with parties that are debarred, suspended or otherwise excluded from or ineligible for participation in the Federal assistance programs or activities under Executive Order 12549 and 12689, “Debarment and Suspension” are prohibited. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

In discussing these conditions with DCFS officials, they stated that the contracts for the providers tested were processed against the CCR database and since they were completed prior to June 30, 2012 were not verified against the federal SAMS system (for EPLS) as it was not available until July 2012, and, the Department changed the debarment certification in provider contracts but, due to lead times necessary in the contracting process, the provider’s debarment certification was not included in the contracts until the fiscal year 2014 contract cycle.

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Failure to perform verification procedures with the EPLS could result in the awarding of Federal funds to providers and vendors that are suspended or debarred from participation in Federal assistance programs. (Finding Code 2013-025, 12-35, 11-44)

#### **Recommendation:**

We recommend DCFS establish procedures to ensure that providers and vendors contracting with DCFS are not suspended or debarred or otherwise excluded from participation in Federal assistance programs.

#### **DCFS Response:**

The Department agreed with the recommendation from prior years and implemented new procedures in July 2012 and in May 2013. Beginning in July 2012 with the fiscal year 2013 contract cycle, the Department's process was changed to verify with the new federal SAM system (System for Award Management) for both the CCR information (former CCR system) and the Excluded Party Listing information (former EPLS system). That new federal system became operational in July 2012. DCFS' new procedure is to verify before awarding a purchase of service contract to a prospective vendor and before a major modification is awarded and procedures include maintaining evidence (proper audit trail) of those checks within the contract files.

The Department notes that a number of the vendors identified as exceptions are not providers of services but were vendors for paper, moving services, computer supplies and maintenance in DCFS offices, door and lock services covering physical access to DCFS buildings, etc., procured by the Department of Central Management Services under master contracts for the State and the Department relied on procedures performed by the Department of Central Management Services. The Department will implement procedures to ensure that contracts with vendors other than purchase of service providers such as those procured through other agencies where some of the costs may be allocated to federal programs include the SAMS verification and that documentation is included in files.

Additionally, for fiscal year 2014, the revised contract boilerplate for DCFS providers was implemented based on federal requirements that exclude the time limitations contained in the IL Procurement Code.

#### **Auditors' Comment:**

DCFS was not able to provide evidence to support their statements in the response above that a check was performed of the SAM system during fiscal year 2013. Additionally, DCFS has a responsibility to ensure vendors are not suspended or debarred by the federal government prior to claiming expenditures under its federal programs regardless of whether the purchases are made under a master contract negotiated by another State agency or by DCFS.

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

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

**Program Name:** Foster Care – Title IV-E  
Adoption Assistance

**CFDA # and Program Expenditures:** 93.658/93.658ARRA (\$188,901,000)  
93.659/93.659ARRA (\$82,231,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-026** *Failure to Perform Cash Draws in Accordance with the Treasury-State Agreement*

DCFS did not perform its cash draws in accordance with the funding technique prescribed by the Treasury-State Agreement (TSA).

On an annual basis, the State of Illinois negotiates the TSA with the U.S. Department of the Treasury (the Treasury) which details, among other things, the funding techniques to be used for requesting federal funds. The TSA requires DCFS to draw funds in monthly installments (on the median day of the month) equal to 1/3 of the quarterly grant awards for the Foster Care and Adoption Assistance programs. During our testwork over cash draws performed for Foster Care and Adoption Assistance, we noted DCFS drew funds seven times during the year for each program on dates other than the median day of the month. These draws were in varying amounts which is not consistent with the requirements of the TSA.

According to section 6.3.1 of the TSA for the period July 1, 2012 through June 30, 2013, the State is required to apply the funding techniques documented in section 6.3.2 to the federal assistance programs covered by the agreement. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include procedures in place to ensure the cash draws are performed in accordance with the TSA.

In discussing these conditions with DCFS officials, they stated that the Department was doing everything necessary to minimize interest liability to the federal government and making draws in compliance with the CMIA criteria specified in the grant award.

Failure to draw funds in accordance with the TSA results in noncompliance with U.S. Treasury regulations. (Finding Code 2013-026, 12-36, 11-42)

**Recommendation:**

We recommend DCFS implement procedures to ensure cash draws are performed in accordance with the TSA or amend the TSA to reflect cash draw request practices.

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**DCFS Response:**

The Department worked with GOMB to modify the language of the State's TSA to make the TSA more consistent with the Department's procedures. The new TSA was approved by the federal government and the new draw procedures began in July 2013. We have modified procedures and are making draws to be consistent with the revised TSA.

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

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

**Program Name:** Foster Care – Title IV-E  
Adoption Assistance

**CFDA # and Program Expenditures:** 93.658/93.658ARRA (\$188,901,000)  
93.659/93.659ARRA (\$82,231,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-027** *Untimely Reporting of Subawards in Accordance with FFATA*

DCFS did not report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Foster Care – Title VI-E (Foster Care) and Adoption Assistance programs within required timeframes.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 for federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. This information is required to be submitted no later than the last day of the month following the month in which the subaward or modification was made.

During our testwork, we noted DCFS awards contracts to providers (subrecipients) of the Foster Care and Adoption Assistance programs on an annual basis. The amounts to be paid under each federal and state program covered by these contracts are estimated based upon the provider's expected caseload, historical performance, and other factors. During our testwork over contracts subject to FFATA reporting requirements, we noted DCFS did not report any of the contracts within required timeframes. Specifically, we noted there were ten subawards required to be reported under FFATA in fiscal year 2013 which were executed in late June 2011 and were not reported until October 2012 (when final contract amounts were known).

According to 2 CFR 170, a pass through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000 by the end of the month following the month of the award. In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA and amounts reported agree to the State's records.

In discussing these conditions with DCFS officials, they stated that guidance on the reporting requirements relative to the Foster Care and Adoption Assistance programs has not been clear. Because these awards are posted quarterly versus annually on the reporting system by USDHHS and amounts to

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be claimed for reimbursement are only known after the completion of the respective quarter, DCFS reports each quarter after the claim has been determined.

Failure to accurately report subawards in a timely manner in accordance with FFATA inhibits the ability of USDHHS to properly monitor and evaluate the performance of the programs. (Finding Code 2013-027, 12-37)

#### **Recommendation:**

We recommend DCFS implement procedures to ensure subawards are accurately reported within timeframes required by FFATA.

#### **DCFS Response:**

The Department agrees that information required by the Federal Funding Accountability and Transparency Act should be reported and will continue to seek direction from the federal government of how best to meet their expectations. Additionally, the Department will inform the auditor as more information on reporting requirements becomes available to arrive at consistent reporting criteria and continue discussions each year. While the Department is reporting actual expenditures after filing a claim, which is our best estimate of the quarterly obligations, we will continue to seek a method whereby we would be able to report obligations within the time limits required by FFATA.

DCFS is unable to report contract obligations made for the entire year at the start of each fiscal since they are based on state funded appropriations not federal awards of which only a portion may be federally reimbursed after the service has been provided, paid for, and federally claimed. It would be inaccurate to label state obligations prior to service delivery, payment and claim determination as obligations on the FFATA reporting system.

The federal agency posts DCFS foster care and adoption assistance awards quarterly (after the awards are made) and we can only report for the sub awards after the federal awards are posted on the reporting system (the data in the FFATA system is pre-populated only when the federal agency posts the awards). According to the FFATA Subaward Reporting System (FSRS) Awardee Guide, "In order for you to file a FFATA subaward report against your grant (or contract), your Federal grant making official must report your prime grant award information through their Federal Assistance Award Data System (FAADS) . . . the FAADS submission is the authoritative source for the basis grant award information used to pre-populate many of the prime award details in your FFATA report."

If the Department were to report the Department's obligation to providers for each contract at the beginning of our fiscal year, the federal agency will need to post the awards on the website for us at the start of the fiscal year. Additionally, the Federal Funding Accountability and Transparency Act only require the reporting of obligations; it does not require reporting of expenditures. The federal awards we receive each quarter are the reimbursements for foster care and adoption assistance program expenditures.

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

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

**Program Name:** Child Welfare Services – State Grants

**CFDA # and Program Expenditures:** 93.645 (\$10,161,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-028** *Failure to Ensure Timely Preparation of Initial Case Plans*

DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

The case plan serves as DCFS' written documentation of the services planned for each child taken into protective custody. The case plan describes DCFS' plans to improve or protect the welfare of the child. Information documented in the case plan includes the health and education records of the child, a description of the type of home or institution in which the child is to be placed, DCFS' plan for assuring the child receives safe and proper care and services to improve the condition of the child's home in order to facilitate his or her return home, as well as other pertinent information.

During a review of 40 case files selected for testwork, we noted twelve of the initial case plans were completed within a range of one to 102 days over the 60 day federal requirement.

According to 45 CFR 1356.21(g)(2), case plans are required to be developed within a reasonable period, to be determined by the State, but no later than 60 days from the child's removal from their home. Per State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable timeframe as 45 days.

In discussing these conditions with DCFS officials, they stated that timely preparation of case plans is always a concern. Unfortunately, due to staff changes and reductions, placement changes, and coordination with other internal agency procedures and agencies including law enforcement, there are times when case plans are not completed within the established time-frames, however, service delivery is not delayed just because a service plan hasn't been formally written. Services are put in place regardless of whether there is a written service plan; a plan is finalized/completed only when all input is made to the document.

Failure to prepare case plans in a timely manner could result in Child Welfare Services not being performed/provided in accordance with Title IV-E or the State law. (Finding Code 2013-028, 12-38, 11-46, 10-42, 09-39, 08-40, 07-38, 06-37, 05-51, 04-37, 03-35, 02-33, 01-20, 00-20, DCFS 99-5)

**Recommendation:**

We recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal requirements.

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#### **DCFS Response:**

The Department agrees with the recommendation and continues to stress the importance of adequate and timely documentation for child case files through training and communications to all case staff. Since the exceptions are almost all Purchase of Service (POS) cases or involve case transfers, the Department will reach out to all case work staff to provide additional direction. Trainings are used to remind case staff of the importance and need for timely completion of the initial case service plan. Through regular and reinforcement trainings, the Department stresses the importance of adequate and timely case planning as a key component of providing quality service to children.

A change in the automated case file system was implemented on Saturday, April 27, 2013, which is near the end of fiscal year 2013, the year included in this audit. The Statewide Automated Child Welfare Information System (SACWIS) will now allow a service plan to be prepared and completed without an IA which should help improve the issue of delayed plans in fiscal year 2014. SACWIS 5.0 notes and trainings include instructions for case staff on the timely completion of service plans.

An additional component of the new SACWIS 5.0 implementation is the availability of management reports identifying the timeliness of initial service plans, among other things, that is expected to improve the Department's compliance with on-time initial service plan completions.

Service delivery is not delayed just because a service plan hasn't been formally written. Services are put in place regardless whether there is a finalized/completed written service plan. The plan initiation date is not the date that a worker data enters the plan in SACWIS. Rather, that plan initiation date is when the worker and client/family sit down together and develop the outcomes based on the identified needs, some of which do come directly from the Integrated Assessment, yet others come from the investigation, discussions with the child and family team, and self identified goals and outcomes by the family themselves. These interactions are formally documented in the service plan tool, however service delivery has generally begun and referrals are made independent of the finalized service plan.

Additionally, DCFS has established a performance based contracting dashboard that is used to track foster care case compliance for both DCFS and POS.

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

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

**Program Name:** Temporary Assistance for Needy Families  
Foster Care – Title IV-E  
Adoption Assistance

**CFDA # and Program Expenditures:** 93.558/93.714ARRA (\$613,848,000)  
93.658/93.658ARRA (\$188,901,000)  
93.659/93.659ARRA (\$82,231,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-029** *Inadequate Controls over Information Systems*

DCFS does not have adequate program access controls over systems used to document beneficiary eligibility determinations or to record program expenditures.

DCFS utilizes a federal claiming system to determine which expenditures can be claimed under the various federal programs. The system queries the general ledger and eligibility database in order to match expenditures to a beneficiary. Based on the eligibility of the beneficiary, the expenditure is further analyzed by the claiming system for allowability under the federal program for which the beneficiary is eligible. The claiming system applies the applicable eligibility percentage to the expenditure established for the program. Reports generated from the system are used to calculate the amount of expenditures claimable for federal reimbursement and to prepare the quarterly claim reports.

During our testwork over access controls to DCFS' claiming system and related general ledger and eligibility databases, we noted system access changes made for 13 of 25 user accounts during the year ended June 30, 2013 did not have evidence of approval for the additional access privileges granted to these users by DCFS.

In addition, we noted DCFS does not have procedures in place to review access rights for users at provider organizations who have been contracted to assist DCFS in performing and documenting case work. DCFS' IT policies do not currently address users with organizations outside of DCFS.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with DCFS officials, they stated that while we have procedures in place to control access covering all transactions, including access to confidential and critical transactions, the sample pulled contained modifications to access roles that included the removal of access or addition of inquiry access to non-restricted information. The security administrator mistakenly believed that the

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requested changes did not require approval at the individual account level due to the fact that approval would have been automatic based on what was being requested.

Failure to adequately control the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2013-029, 12-40)

#### **Recommendation:**

We recommend DCFS implement policies and procedures to ensure access to its information systems is adequately secured and address processes relative to users employed by provider organizations.

#### **DCFS Response:**

The DCFS Security Administrator has been informed that there should be no exceptions made to the written procedure. A monthly audit report will be developed to identify any access request that does not have an associated account level request.

DCFS will create a process to automatically produce an “employee access listing” monthly to be sent to contractual supervisors requesting that they initiate any required access changes.

The Department has written procedures in place to control access to all transactions. Additional controls are in place to control access to confidential and critical transactions. All restricted access must be approved and is reviewed twice a year by the Data Steward for the transaction. No provider organization is given Add, Update, or Delete access. If Inquiry access to a restricted transaction is granted it is approved and reviewed by the Data Steward. The same procedures apply to internal and external clients. Additionally, individuals from provider organizations may only access the system through the Virtual Private Network (VPN) provided by DCFS, and cannot have their passwords reset without approval by their organizations liaison.

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**State Agency:** Illinois Department on Aging (IDOA)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Aging Cluster  
**CFDA # and Program Expenditures:** 93.044/93.045/93.053 (\$55,063,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-030** *Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports*

IDOA did not issue management decisions on OMB Circular A-133 findings for subrecipients of the Aging Cluster.

IDOA passes through federal funding to thirteen area agencies on aging (subrecipients) throughout the State. IDOA requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDOA staff are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDOA records; and (3) type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, IDOA staff is responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, and adverse) and issuing management decisions on reported findings within the prescribed timeframe.

During our testwork over OMB Circular A-133 audit reports for seven subrecipients of the Aging Cluster (with total expenditures of approximately \$29,955,000), we noted the A-133 audit report for one subrecipient reported a finding for which IDOA did not issue a management decision. Amounts passed through to this subrecipient under the Aging Cluster approximated \$5,256,000 during the year ended June 30, 2013.

Total awards passed through to subrecipients of the Aging Cluster were approximately \$41,992,000 during the year ended June 30, 2013.

According to OMB Circular A-133 \_\_.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2013, a pass-through entity is required to 1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

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In discussing these conditions with IDOA officials, they stated the finding reported in the audit report was noted, however was determined immaterial since the amount in question was \$853.

Failure to issue management decisions for program findings results in noncompliance with OMB Circular A-133 and may result in subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-030, 12-42, 11-48, 10-44, 09-41, 08-43, 07-41, 06-39)

**Recommendation:**

We recommend IDOA establish procedures to ensure that management decisions are issued in accordance with OMB Circular A-133.

**IDOA Response:**

IDOA has established procedures to ensure that the management decision letters are issued in accordance with OMB Circular A-133. All management decision letters will note any findings related to the Department on Aging programs regardless of the amount questioned.

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**State Agency:** Illinois Department of Public Health (IDPH)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Immunization Grants  
**CFDA # and Program Expenditures:** 93.268 (\$103,335,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-031** *Inadequate Monitoring of Immunization Providers*

IDPH is not adequately monitoring providers under the Immunization Grants program.

IDPH receives the majority of its federal Immunization Grants program funding in the form of vaccines which are distributed to medical providers throughout the State. Providers receiving vaccines under the Immunization Grants program are responsible for determining whether vaccine recipients meet program eligibility requirements, ensuring vaccines are properly maintained, accounted for, and safeguarded, and documenting the administration of vaccines in each recipient's permanent medical file. IDPH is responsible for enrolling providers in the program and periodically reviewing the records of its providers to ensure the program requirements are being met.

During our testwork of 65 providers (receiving vaccines valued at \$8,006,689 during the year ended June 30, 2013) of the Immunization Grants program, we noted corrective action plans were not obtained for six providers (receiving vaccines valued at \$274,997 during the year ended June 30, 2013) who had findings identified in on-site monitoring reviews performed by IDPH. Additionally, we noted no follow up procedures were performed to obtain the missing corrective action plans.

IDPH passed through vaccines valued at \$95,723,597 during the year ended June 30, 2013 to providers of the Immunization Grants program.

According to the A-133 Compliance Supplement, dated March 2013, the State is required to perform procedures to ensure immunization records are appropriately documented by medical providers receiving vaccines under the Immunization Grants program. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring all monitoring findings are communicated to providers, corrective action plans are obtained for any deficiencies identified, and follow up procedures are performed. Effective internal controls should also include ensuring medical records are adequately reviewed and documented for all providers of the Immunization Grants program.

In discussing these conditions with IDPH officials, they stated staff shortages in regional offices caused delays in following up on corrective action plans.

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Failure to adequately monitor providers of the Immunization Grants program could result in vaccines being used for unallowable purposes and providers not properly administering the program in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-031, 12-44, 11-50)

**Recommendation:**

We recommend IDPH review its monitoring procedures for providers of Immunization Grants program and implement changes necessary to ensure corrective action plans are obtained and evaluated for all deficiencies identified in provider reviews.

**IDPH Response:**

The Department concurs with the finding and recommendation. The Immunization Section has taken steps in meeting the Centers for Disease Control (CDC) requirement concerning site visits to Vaccines for Children (VFC) providers in Illinois. A formal 2-day training of all compliance staff, including contractual, on the new procedures and follow-up including corrective actions was conducted in January 2014. A new tool has been developed to complete during site visits as well as a formal follow-up plan document. The VFC program will not ship any vaccine to a provider that is not in compliance of the program's rules.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Public Health (IDPH)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Public Health Emergency Preparedness  
Centers for Disease Control and Prevention – Investigations and Technical Assistance  
HIV Care Formula Grants

**CFDA # and Program Expenditures:** 93.069 (\$4,698,000)  
93.283 (\$12,245,000)  
93.917 (\$45,862,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-032** *Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports*

IDPH does not have an adequate process for ensuring subrecipients of the Public Health Emergency Preparedness (PHEP), Centers for Disease Control and Prevention – Investigations and Technical Assistance (CDC Investigations and Technical Assistance), and HIV Care Formula Grants programs have complied with OMB Circular A-133 audit requirements.

IDPH requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDPH finance staff are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records; and (3) Type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified/unmodified, qualified, or adverse) and issuing management decisions on findings reported within required timeframes.

During our testwork of 44 subrecipients (26 for PHEP, 10 for CDC Investigations and Technical Assistance and 8 for HIV Care Formula Grants) of the PHEP, CDC Investigations and Technical Assistance, and HIV Care Formula Grants program with expenditures totaling \$8,087,572, \$8,355,583 and \$5,035,929, respectively, during the year ended June 30, 2013, we noted the following:

- For one subrecipient of the CDC Investigations and Technical Assistance program (with expenditures totaling \$2,081,422 during the fiscal year), A-133 audit reports were not obtained within nine months. We noted that there was no evidence IDPH performed procedures to obtain the delinquent reports and the reports had not been obtained as of the date of our testing (August 30, 2013).
- For one subrecipient of the PHEP program (with expenditures totaling \$104,072 during the fiscal year), and one subrecipient of the HIV Care Formula Grants program (with expenditures totaling \$2,258,794 during the fiscal year), the A-133 reports were received 115 and 16 days after the nine month deadline, respectively. We also noted there was no evidence IDPH performed follow up procedures to obtain the delinquent reports.

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- For one subrecipient of the HIV Care Formula Grants program (with expenditures totaling \$662,073 during the fiscal year) the A-133 audit report contained findings that pertained to IDPH. We noted there was no evidence IDPH performed follow up procedures regarding the IDPH specific findings or issued required management decisions.

Additionally, we noted that a standard desk review checklist was not used to document the review of subrecipient A-133 reports received from subrecipients of the Public Health Emergency Preparedness, CDC Investigations and Technical Assistance, and the HIV Care Formula Grants programs to determine whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconciled to IDPH records to ensure subrecipients properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years.

Subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>Percentage</b>
Public Health Emergency Preparedness	\$3,271,000	\$4,698,000	69.6%
CDC Investigations and Technical Assistance	5,995,000	12,245,000	49.0%
HIV Care Formula Grants	6,763,000	45,862,000	14.7%

According to OMB Circular A-133 §\_\_\_.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2013, a pass-through entity is required to 1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IDPH officials, they stated due to shortage of qualified audit staff, the Department is limited in its ability to fully meet these requirements.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-032, 12-45, 11-51, 10-49 ,09-44, 08-48, 07-45, 06-46, 05-56)

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#### **Recommendation:**

We recommend IDPH establish procedures to ensure all subrecipients receiving federal funds have audits performed in accordance with OMB Circular A-133. Additionally, desk reviews of A-133 audit reports should be formally documented using the A-133 desk review checklist, which includes procedures to determine whether the audit reports meet the requirements of OMB Circular A-133, federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records, and Type A programs are audited at least once every three years.

#### **IDPH Response:**

The Department concurs with the finding and recommendation. The Department will continue to review audit reports for compliance and monitor receipt of audit reports from its subrecipients. The Department continues to be more diligent in its follow-up letters to obtain audit reports. The Department continues to support efforts to consolidate the A-133 audit review function across human services state agencies as recommended in P.A. 96-1141. This consolidation would provide resources and consistency across impacted state agencies. The Department is also looking into obtaining a contract with a CPA firm to perform single audit reviews given current staffing limitations.

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**State Agency:** Illinois Department of Public Health (IDPH)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Public Health Emergency Preparedness Program  
**CFDA # and Program Expenditures:** 93.069 (\$4,698,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-033** *Inadequate Monitoring of PHEP Subrecipients*

IDPH does not sufficiently perform on-site reviews of subrecipients receiving federal awards under the Public Health Emergency Preparedness (PHEP) program.

IDPH passes through PHEP program funding to various local health departments for developing and upgrading state and local response systems for threats from terrorism, pandemic influenza, and other public health emergencies. The awards provided to subrecipients are a combination of cash grants and non-cash awards in the form of vaccines. Subrecipients are also required to provide matching funds from non-federal sources to assist the State in meeting the PHEP program's match requirement.

During our testwork of nine subrecipients of the PHEP program (with expenditures totaling \$1,155,436 during the fiscal year), we noted IDPH monitors subrecipients of the PHEP program by: (1) reviewing periodic expenditure reports, (2) examining single audit reports and findings, (3) performing on-site reviews of compliance with programmatic requirements on a periodic basis, and (4) periodic communication of program requirements. However, for six of the subrecipients (with expenditures totaling \$939,336 during the fiscal year) IDPH did not perform on-site monitoring procedures to review the fiscal and administrative capabilities and internal controls of the subrecipients. IDPH also has not established procedures to monitor the matching amounts reported by subrecipients to ensure the expenditures reported by the subrecipients meet general allowable cost requirements or PHEP program specific requirements.

Total federal awards passed through to subrecipients of the PHEP program were approximately \$3,271,000 for the fiscal year ended June 30, 2013.

According to OMB Circular A-133\_\_\_.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are designed to monitor all applicable compliance requirements and fiscal controls.

In discussing these conditions with IDPH officials, they stated current staff is not sufficient to perform annual on-site reviews of fiscal and administrative controls of all subrecipients.

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Failure to adequately monitor subrecipients could result in federal or matching funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. (Finding Code 2013-033, 12-46, 11-52, 10-48)

#### **Recommendation:**

We recommend IDPH revise the on-site monitoring procedures to include procedures to review each applicable compliance requirement and the fiscal and administrative controls of its subrecipients. IDPH should also evaluate the current staffing of its monitoring department to ensure resources are adequate to complete reviews within prescribed timeframes.

#### **IDPH Response:**

The Department concurs with the finding and recommendation. The on-site fiscal monitoring procedures previously implemented will be reviewed to ensure compliance with all applicable requirements. The current staffing of the monitoring department is not sufficient to perform on-site fiscal compliance reviews annually for each and every subrecipient. However, the results on the on-site fiscal compliance monitoring performed have found that subrecipients are using the PHEP awards for authorized purposes in compliance with laws, regulations and provisions of the grant agreements. In addition to site visits, monitoring activities performed throughout the year include reviewing financial and performance reports submitted by subrecipients, and regular contact with subrecipients, including appropriate inquiries concerning program activities.

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**State Agency:** Illinois Department of Public Health (IDPH)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** HIV Care Formula Grants  
**CFDA # and Program Expenditures:** 93.917 (\$45,862,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-034** *Missing Documentation in HIV Program Client Eligibility Files*

IDPH did not obtain the required documentation supporting eligibility determinations performed for the HIV Care Formula Grants program.

The HIV program administered by IDPH includes an AIDS Drug Assistance Program (ADAP) under which beneficiaries who meet certain eligibility requirements are provided drugs to treat HIV/AIDS. The eligibility criteria for ADAP require that the beneficiary: (1) has been diagnosed with HIV/AIDS; (2) is at an income level at or below 400% of the federal poverty level; (3) is not eligible for 80% or greater coverage of drugs through a third party payer; (4) is not eligible for medical assistance through the Medicaid Cluster (Medicaid); and (5) is an Illinois resident. IDPH's current process for determining eligibility involves an individual completing an application and submitting it to IDPH through the mail or in person to a member of the HIV Consortium (subrecipients of the HIV program). The application requires the applicant to submit proof of income, insurance, residency, and documentation of a medical diagnosis of HIV/AIDS. Additionally, IDPH confirms with the Illinois Department of Healthcare and Family Services that the beneficiary is not receiving benefits under Medicaid.

During our testwork of benefits provided to HIV program beneficiaries, we selected 65 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. In one file tested, we noted the application submitted by the beneficiary disclosed that the he/she previously declined the group health insurance provided by his/her employer. Accordingly, this individual was required to submit documentation from his/her employer detailing the dates of the next open enrollment period prior to receiving benefits.

According to U.S. Code 42 USC 300ff-26(b), an individual receiving benefits under the HIV program is required to 1) have a medical diagnosis of the HIV disease and 2) be a low-income individual as defined by the State. According to Section I. Criteria for Elective and Pending Prescription Coverage Requirements of the IDPH ADAP Policy and Procedure manual, when a beneficiary is found to have opted out of employer offered health insurance, then he/she must provide a documentation stating when next enrollment is before the application can be approved.

Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to collect and maintain adequate documentation to support eligibility.

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In discussing this policy with IDPH officials they stated that the condition noted in this one particular case file was caused due to staff oversight.

Failure to adequately establish a beneficiary's eligibility may result in expenditures being made to or on behalf of ineligible beneficiaries, which are unallowable costs. (Finding Code 2013-034)

#### **Recommendation:**

We recommend IDPH review its current application approval process to consider changes necessary to ensure all required documents are obtained prior to approving an applicant as eligible to receive benefits.

#### **IDPH Response:**

The Department concurs with the finding and recommendation. Although the Ryan White data system did contain notes of correspondence with the applicant and their employer of when the applicant's next open enrollment period, and the client profile was appropriately flagged for follow-up at next enrollment period, the official letter from the Human Resource Department was not on file according to program policy and procedure. Since this finding was identified, the Ryan White administration addressed the oversight and conducted a full staff training to prevent future occurrences.

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**State Agency:** Illinois Department of Public Health (IDPH)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Medicaid Cluster  
**CFDA # and Program Expenditures:** 93.775/93.777/93.778 (\$8,261,953,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-035** *Failure to Investigate Provider Complaints within Required Timeframes*

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required timeframes.

The Office of Health Care within IDPH is responsible for receiving and investigating complaints received against providers of the Medicaid Cluster. State laws require the Office of Health Care to investigate complaints within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within seven days of receipt. As the timeframes for complaint investigations included in the State's laws are more stringent than those included in the federal Medicaid regulations, the State timeframes are required to be followed.

During our testwork of 40 complaints filed against Medicaid providers during the year ended June 30, 2013, we identified 21 complaints that were not investigated within the timeframes required by the State's law. The delays in investigating these complaints ranged from 12 to 227 days in excess of required timeframes.

According to Section 5010 of The Centers for Medicare and Medicaid Services (CMS) State Operations Manual, each state is expected to have written policies and procedures to ensure that the appropriate response is taken for each complaint received against providers. Among other things, these policies and procedures are required to include timelines for investigating complaints which are at least as stringent as those included in federal regulations. Additionally, the Nursing Home Care Act (210 ILCS 45/3-702(d)) requires complaints to be investigated within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within 7 days of receipt.

In discussing these conditions with IDPH officials they stated due to lack of staff and the training of new staff the Office of Healthcare Regulation was unable to complete all complaints within the necessary timeframes.

Failure to investigate complaints against Medicaid providers within required timeframes may prevent the State from identifying and correcting health and safety violations and from protecting the welfare of Medicaid beneficiaries. (Finding Code 2013-035, 12-47, 11-54, 10-52, 09-47, 08-53, 07-48)

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**Recommendation:**

We recommend IDPH review its current process for investigating complaints received against Medicaid providers and consider changes necessary to ensure all complaints are investigated within the timeframes required by State law.

**IDPH Response:**

The Department concurs with the finding and recommendation. The Office of Healthcare Regulation has hired 79 additional staff and continues to hire staff to investigate complaints of abuse and neglect to meet the required federal timeframes. With the hiring of this additional staff and assigning existing staff to a specialized complaint team to focus only on complaints, IDPH has reduced the backlog of complaints. IDPH will continue to emphasize the importance that complaints will be investigated timely.

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**State Agency:** Illinois Department of Public Health (IDPH)  
**Federal Agency:** U.S. Department of Health and Human Services (USDHHS)  
**Program Name:** Medicaid Cluster  
**CFDA # and Program Expenditures:** 93.775/93.777/93.778 (\$8,261,953,000)  
**Award Numbers:** See schedule of award numbers  
**Questioned Costs:** None  
**Finding 2013-036** *Inadequate Procedures to Verify Provider Licenses*

IDPH does not have adequate procedures to verify medical providers are properly licensed in accordance with applicable State laws.

During our testwork over the licensing of 44 providers of the Medicaid Cluster program for the year ended June 30, 2013, we noted a license was not on file for eight providers sampled. Upon further review with IDPH personnel, we noted these providers were end stage renal disease facilities and IDPH stated this provider type was not required to be licensed. The CMS State Operations Manual for End Stage Renal Disease Facilities section 405.2135 requires these facilities to be licensed if State law provides for the licensure of such facilities. The Illinois End Stage Renal Disease Facility Act (210 ILCS 62/10) states that no person shall open, manage, conduct, offer, maintain, or advertise an end stage renal disease facility without a valid license issued by the State.

Payments to these providers under the Medicaid Cluster totaled \$5,635,665,786, during the year ended June 30, 2013. Payments to end-stage renal disease facilities under the Medicaid Cluster totaled \$82,516,456 during the year ended June 30, 2013.

According to 42 CFR 455.412, IDPH is required to have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State and to confirm that the provider's license has not expired and that there are no current limitations on the provider's license. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to verify provider licenses directly with licensing agencies upon enrollment of a provider and on a periodic basis.

In discussing these conditions with IDPH officials, they stated the implementation of licensure rules and regulations were delayed as the result of federal changes to Dialysis Conditions of Participation in Long Term Care (LTC) facilities.

Failure to verify providers have met the State licensing requirements directly with licensing agencies inhibits the State's ability to determine provider eligibility and could result in payments being made to ineligible providers, which are unallowable. (Finding Code 2013-036, 12-48, 11-55)

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#### **Recommendation:**

We recommend IDPH implement policies and procedures to verify providers have met the State licensing requirements directly with licensing agencies upon enrollment and on a periodic basis.

#### **IDPH Response:**

The Department concurs with the finding and recommendation. When the Illinois End Stage Renal Disease Facility Act (210 ILCS 62/10) passed, the Department created the End Stage Renal Disease Advisory Committee. The Advisory Committee met several times and established a workgroup to assist the Department in drafting the implementing regulations. After the federal changes to Dialysis Conditions of Participation in Long Term Care (LTC) facilities, the workgroup redrafted the regulations to be in compliance with federal guidelines. The ESRD workgroup finalized the proposed regulations January 2014. The Department will be scheduling a meeting with the full ESRD advisory committee in the spring of 2014 to approve and move forward with the rules to the Illinois Register.

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**State Agency:** Illinois State Board of Education (ISBE)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Title I, Part A Cluster  
Special Education Cluster  
Twenty-First Century Community Learning Centers  
Improving Teacher Quality State Grants  
School Improvement Grants Cluster  
Education Jobs Fund, Recovery Act

**CFDA # and Program Expenditures:** 84.010/84.389ARRA (\$614,380,000)  
84.027/84.173 (\$513,098,000)  
84.287 (\$48,533,000)  
84.367 (\$88,432,000)  
84.377/84.388ARRA (\$49,471,000)  
84.410ARRA (\$21,607,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-037** *Inadequate Procedures for Monitoring of Subrecipients*

ISBE is not adequately performing on-site monitoring reviews of subrecipients of the Title I, Part A Cluster (Title I), Special Education Cluster, Twenty-First Century Community Learning Centers (21<sup>st</sup> Century), Improving Teacher Quality State Grants (Title II), School Improvement Grants Cluster (SIG), and Education Jobs Fund (ED Jobs) programs (collectively referred to as the Education programs).

ISBE uses a risk based approach to select the Local Education Agencies (subrecipients) for which on-site reviews will be performed. Under this approach, ISBE has identified the following criteria as presenting a higher risk:

- Aggregate amount of program funds expended by the subrecipient;
- Time elapsed since the last on-site review;
- Financial status of subrecipient;
- Past audit findings; and
- Type of entity

During our review of the subrecipients selected for on-site reviews during fiscal year 2013, we noted the criteria used by ISBE is limited and is heavily weighted on the aggregate amount of funding received by the subrecipient. As a result, there will be a small number of subrecipients designated as high risk and they will primarily consist of those subrecipients who receive the most funding from ISBE. While the level of funding is an important criterion, we believe there are other criteria that should be considered.

In addition to selecting those subrecipients with the highest risk scores, we noted ISBE also selected a sample of subrecipients primarily based on their proximity to available ISBE monitoring resources.

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We noted the approach described above resulted in the following distribution of reviews relative to the population of subrecipients of ISBE’s Education programs:

<b>Category</b>	<b>Number of subrecipients</b>	<b>Percentage of total subrecipients</b>
High-risk subrecipients based upon risk score	62	6%
Subrecipients selected for onsite reviews based upon their proximity to monitoring resources	162	15%
Subrecipients not subject to onsite reviews	839	79%
<b>Total subrecipients</b>	<b>1,063</b>	<b>100%</b>

ISBE has not demonstrated that the number of subrecipients and related amount of subrecipient expenditures reviewed for each individual Education program provides adequate coverage for each program under this approach.

We further noted that the risk criteria were evaluated on an entity-wide basis for each subrecipient; however, several subrecipients selected for on-site reviews were comprised of numerous individual school sites of which only a portion were subject to on-site review procedures. There are no measurable selection criteria for determining which individual school sites will be subject to on-site monitoring procedures for each subrecipient selected for review.

Additionally, we noted the standard monitoring tool used by ISBE was not completed for programmatic on-site reviews performed for nine subrecipients of the School Improvements Grants program. Additionally, formal monitoring reports were not prepared and corrective action plans were not obtained in connection with these on-site reviews.

ISBE’s subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
Title I, Part A Cluster	\$607,017,000	\$614,380,000	98.8%
Special Education Cluster	497,552,000	513,098,000	97.0%
21 <sup>st</sup> Century Community Learning Centers	46,755,000	48,533,000	96.3%
Improving Teacher Quality State Grants	85,553,000	88,432,000	96.7%
School Improvement Grants Cluster	43,548,000	49,471,000	88.0%
Education Jobs Fund, Recovery Act	21,607,000	21,607,000	100.0%

According to OMB Circular A-133 \_\_\_\_\_.400(d), a pass through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

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In discussing these conditions with ISBE officials, they stated that this was an oversight during the development of new monitoring procedures in fiscal year 2012, which due to timing carried over to the fiscal year 2013 risk assessment.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-037, 12-49)

#### **Recommendation:**

We recommend ISBE revise its risk assessment criteria to incorporate other risk factors and reconsider the weighting assigned to each criterion to ensure the aggregate amount of funding is not the sole criteria driving the selection. We also recommend ISBE establish measurable selection criteria for selecting individual school sites for on-site reviews.

#### **ISBE Response:**

The Agency agrees with the finding. ISBE has revised its risk assessment criteria for fiscal year 2014 to include additional risk factors and has adjusted the weighting assigned to each criterion. ISBE has also implemented measurable selection criteria for the selection of specific school sites.

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**State Agency:** Illinois State Board of Education (ISBE)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Improving Teacher Quality State Grants

**CFDA # and Program Expenditures:** 84.367 (\$88,432,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** \$1,120

**Finding 2013-038** *Inaccurate Calculation of Title II Program Awards*

ISBE did not properly allocate and award federal funds under the Improving Teacher Quality State Grants (Title II) program to Local Education Agencies (LEAs or subrecipients).

Under the Title II program, subrecipients are eligible to receive federal funds for the amount they received under the program (or would have received if the subrecipient did not participate in the program) in fiscal year 2002. If there are additional federal funds available after the minimum award amounts for each subrecipient are determined, the State is required to allocate the remaining federal funds to subrecipients based on the number of low-income individuals served by each LEA (80% of remaining funds) and the number of students enrolled by the LEA (20% of remaining funds).

During our testwork over the allocation of Title II funds, we noted the allocation calculation prepared by ISBE for the low income allocation included erroneous data for foster care children served by the LEAs. As a result, eight LEAs received Title II awards in excess of the amount for which they were eligible which totaled \$1,120. Additionally, 70 LEAs received awards in amounts less than the amount for which they were eligible.

Subawards made under this program were \$85,553,000 for the year ended June 30, 2013, of which \$11,567,023 related to awards that were subject to allocation based on low income and enrollment data.

In accordance with 20 USC 6621(a), the State educational agency shall allocate to each local educational agency in the State an amount equal to the total amount that such agency would have received for fiscal year 2002 or the total amount that the agency would have received for fiscal year 2001 if the agency had elected to participate. For any fiscal year for which the funds reserved by a State under program exceed the total amount required to make allocations, the State educational agency shall allocate to each of the eligible local educational agencies in the State the sum of (a) an amount equal to 20 percent of the excess amount as the number of individuals age 5 through 17 in the geographic area served by the agency divided by the number of those individuals in the geographic areas served by all the local educational agencies in the State and (b) an amount equal to 80 percent of the excess amount as the number of individuals age 5 through 17 from families with incomes below the poverty line in the geographic area served by the agency divided by the number of those individuals in the geographic areas served by all the local educational agencies.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and

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program compliance requirements. Effective internal controls should include procedures to ensure calculations used for the program subaward allocations are accurately prepared.

In discussing these conditions with ISBE officials, they stated the error was due to oversight in using inaccurate foster care data when performing the Title II calculation.

Failure to properly calculate subrecipient awards under Title II program may result in LEAs receiving an over award of federal funds and unallowable costs. (Finding Code 2013-038, 12-50)

#### **Recommendation:**

We recommend ISBE review its current process for calculating subawards under the Title II program and consider changes necessary to ensure all subawards are properly calculated based on correct low income and enrollment data.

#### **ISBE Response:**

The Agency agrees with this finding. ISBE has reallocated resources to ensure the new process is properly implemented for future year calculations. The Agency has worked with the U.S. Department of Education to ensure proper allocation of the identified questioned costs to the LEAs.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois State Board of Education (ISBE)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Title I, Part A Cluster  
Special Education Cluster (IDEA)  
Twenty-First Century Community Learning Centers  
Improving Teacher Quality State Grants

**CFDA # and Program Expenditures:** 84.010/84.389ARRA (\$614,380,000)  
84.027/84.173 (\$513,098,000)  
84.287 (\$48,533,000)  
84.367 (\$88,432,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-039** *Inadequate Process to Report Subaward Information Required by FFATA*

ISBE does not have an adequate process to ensure all subaward information is properly reported as required by the Federal Funding Accountability and Transparency Act (FFATA).

During our review of ISBE's procedures to report subaward information required by FFATA, we noted that ISBE did not report all required information for subawards under the Title I, Part A Cluster (Title I), Special Education Cluster, Twenty-First Century Community Learning Centers (21<sup>st</sup> Century Learning), and Improving Teacher Quality State Grants (Title II), programs. Specifically, we noted the report generated by ISBE for the Title I, Special Education Cluster, and Title II programs did not include subawards made on the last day of each month throughout the year. In addition, ISBE did not report any of the subawards made in October 2012 for the 21<sup>st</sup> Century Learning program. As of the date of our testwork (January 27, 2014), ISBE had not identified how many subawards were not reported as a result of these errors.

According to 2 CFR 170, a pass through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000. In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA.

In discussing these conditions with ISBE officials, they acknowledged that a report in the Financial Reimbursement Information System (FRIS), the electronic system from which FFATA data is extracted, was not capturing all of the data for reporting into the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). The FRIS report in question was coded in error and did not capture the last calendar day of the month when a user entered a transaction range. Consequently, if a FFATA eligible grant was loaded in FRIS on the last calendar day of the month, it was not reflected in the report. The 21<sup>st</sup> Century Learning grants not reported in October 2012 was due to an oversight.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

Failure to properly identify subawards required to be reported under FFATA inhibits the State's ability to meet its FFATA reporting requirements. (Finding Code 2013-039, 12-52)

**Recommendation:**

We recommend ISBE review its process for reporting subaward information required by FFATA and consider any changes necessary to ensure all required subawards are properly reported.

**ISBE Response:**

The Agency agrees with this finding. The FRIS report used to extract the FFATA grant data has been modified to account for the last calendar day of the month. Additionally, internal controls have been established to verify the monthly submissions of FFATA data from FRIS into the FSRS system. A new peer verification process has been implemented ensuring that all FFATA eligible grants extracted from FRIS are transmitted to FSRS site each month. Once the FFATA data is uploaded, another staff member will go into the FSRS site and verify that all the valid projects have been submitted and accepted to the federal web site.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Student Assistance Commission (ISAC)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Federal Family Education Loan Program

**CFDA # and Program Expenditures:** 84.032G (\$208,597,000)

**Award Numbers:** None

**Questioned Costs:** Cannot be determined

**Finding 2013-040** *Inadequate Process to Verify Unreported Loans*

ISAC does not have an adequate process to verify unreported loans.

ISAC maintains loan level information in its guaranty loan subsidiary ledger (guaranty system) for all loans guaranteed by ISAC through the Federal Family Education Loans program. This information is reported to the National Student Loan Data System (NSLDS). The information in the guaranty system is updated by lenders primarily through an electronic lender manifest (update file) submitted to ISAC on a monthly basis.

In addition to lender manifests, ISAC has additional processes in place to identify and adjust the guaranty system records for loans with no activity reported from lenders. The first process is the “presumed paid” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have been in repayment status for twelve years, and that have not been updated through any lender reporting in the past four years. These criteria are consistent with criteria established by the USDE for identifying loans that have been presumed paid. The status of these loans is then changed from repayment to paid in full, and reported as such to the NSLDS.

The second process is called the “unreported loans” process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have not been updated through the lender manifest reporting process during the previous 180 days. Any loans included on this listing are sent to the lenders with instructions to review the loan information and update as appropriate in the next lender manifest. However, ISAC has limited means to follow-up with the lenders to verify that the lenders have made the appropriate changes. The primary mechanism available to ISAC is the bi-annual compliance reviews of the lenders performed by ISAC personnel, in which the status of the unreported loans list is noted.

During our testwork over the accuracy of the loan information included in the guaranty system, we selected a sample of 100 student loans to confirm the accuracy of the loan information with the lender, noting two confirmations that were returned “incorrect”.

In accordance with 34 CFR Section 682.404(a)(4) and (b)(4)((ii)(G)(3) and (c), a guaranty agency shall accurately complete and submit to the Secretary a Form 2000 report as the Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year.

In discussing these conditions with ISAC officials, they stated that ISAC recognizes the importance of obtaining accurate and timely data from its lenders. As there is not a federal requirement for lenders to

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

respond to the unreported loans report, ISAC relies on standard business processes with the approval of the U.S. Department of Education (ED) to verify unreported loans.

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS. (Finding Code 2013-040, 12-53, 11-60, 10-62, 09-58, 08-64)

#### **Recommendation:**

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

#### **ISAC Response:**

The following business processes will remain in place to accept changes and updates to loan records:

- ISAC will continue to process monthly lender manifest submissions.
- ISAC will continue its “presumed paid” process which is a method to change the loan status to presumed paid for loans that have been in repayment status for twelve years and that have not been updated through any lender reporting in the past four years.
- ISAC will continue to create the semi-annual unreported loans report as the means for lenders to report changes and updates to loan records.
- ISAC will continue to initiate an unreported loans follow up process with e-message reminders to lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission. The reminders will be sent at regular intervals to remind lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission.

ISAC will continue to participate in the Common Review Initiative (CRI) to conduct the compliance audits of participating lenders. The CRI review process includes verification and determination that the lender/servicer is diligently working unreported loan reports to reduce overall unreported loan rates.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Student Assistance Commission (ISAC)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Federal Family Education Loan Program

**CFDA # and Program Expenditures:** 84.032G (\$208,597,000)

**Award Numbers:** None

**Questioned Costs:** Cannot be determined

**Finding 2013-041** *Inadequate Process for Assignment of Defaulted Loans*

ISAC does not have an adequate process to ensure all defaulted loans that meet the requirements specified in 34 CFR 682.409 are assigned to the USDE.

ISAC is required to assign all defaulted loans that meet certain criteria as described below as of April 15th of each year to the USDE. During our audit of the Federal Family Education Loan Program, we noted there were approximately 4,480 defaulted loans that meet these criteria as of July 17, 2013 that should have been assigned to the USDE but were not. Management indicated the Department of Education has put a moratorium on the subrogation of loans starting in December 2011 which was subsequently lifted in November 2012. ISAC began subrogating loans again at this time.

According to 34 CFR 682.409(a)(1), unless the Secretary notifies an agency, in writing, that other loans must be assigned to the Secretary, an agency must assign any loan that meets all of the following criteria as of April 15 of each year:

1. The unpaid principal balance is at least \$100.
2. For each of the two fiscal years following the fiscal year in which these regulations are effective, the loan, and any other loans held by the agency for that borrower, have been held by the agency for at least four years; for any subsequent fiscal year such loan must have been held by the agency for at least five years.
3. A payment has not been received on the loan in the last year.
4. A judgment has not been entered on the loan against the borrower.

In discussing these conditions with ISAC officials, they stated the moratorium combined with edit limitations in the ED system did not allow all the accounts to be placed in the noted time frame.

Failure to assign loans to the USDE results in noncompliance with federal regulations. (Finding Code 2013-041, 12-54, 11-62, 10-64)

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**Recommendation:**

We recommend ISAC assign all defaulted loans to the USDE that meet the criteria contained in 34 CFR 682.409 or obtain a written waiver which specifies the number and criteria for assignment of loans to the USDE.

**ISAC Response:**

ISAC has assigned the number of accounts ISAC committed to provide to ED by April 2014. We are also in the process of correcting loans that were rejected for subrogation. In addition to that, we are currently working on a job to correct errors which lead to rejects. We expect that once these are completed, more loans will be submitted to USDE.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Student Assistance Commission (ISAC)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Federal Family Education Loan Program

**CFDA # and Program Expenditures:** 84.032G (\$208,597,000)

**Award Numbers:** None

**Questioned Costs:** Cannot be determined

**Finding 2013-042** *Failure to Accurately Update Borrower Records within Required Timeframe*

ISAC did not accurately update borrower records in accordance with required timeframes.

As the State's guarantor agency for student loans under the Federal Family Education Loan (FFEL) program, ISAC receives payments from borrowers and collection agencies which are manually applied to individual borrower accounts maintained in the loan accounting system. Additionally, ISAC is required to process status and other informational changes it receives relative to borrower loan records within ten business days of receipt.

During our testwork over a sample of 40 borrower status changes we tested, we noted one record was updated 12 days after ISAC was notified of the status change.

According to 34 CFR section 682.414(a), the guaranty agency is required to maintain current, complete records of all loans it holds. The records must be updated at least once every 10 business days. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure borrower records are accurately updated within required timeframes.

In discussing these conditions with ISAC officials, they stated that the employee assigned to this function had been on a leave and this account status update was therefore two days late.

Failure to accurately update borrower records within the required timeframe could result in inaccurate reporting to the NSLDS. (Finding Code 2013-042, 12-56)

**Recommendation:**

We recommend ISAC review its procedures and implement any necessary changes to ensure loan records are accurately updated in accordance with program requirements.

**ISAC Response:**

ISAC agrees with the recommendation and will ensure a second staff member is crosstrained to perform this function.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Student Assistance Commission (ISAC)

**Federal Agency:** U.S. Department of Education (USDE)

**Program Name:** Federal Family Education Loan Program

**CFDA # and Program Expenditures:** 84.032G (\$208,597,000)

**Award Numbers:** None

**Questioned Costs:** Cannot be determined

**Finding 2013-043** Failure to Perform Required On-Site Program Compliance Reviews

ISAC did not perform on-site program reviews of participating schools as required by program regulations.

At a minimum, a State Guaranty Agency is required to perform on-site program compliance reviews on a biennial basis for all Illinois based schools participating in the Federal Family Educational Loan (FFEL) Program with cohort default rates greater than 20% in the last two preceding fiscal years. On an annual basis, the USDE publishes the cohort default rates for all participating schools. Upon receipt of the cohort default rate information, ISAC reviews and analyzes the data to identify Illinois based participating schools that are required to have on-site reviews and schedules the reviews.

During our testwork of the enforcement action special test and provision, we noted ISAC had not performed any reviews for participating schools meeting the review criteria during the year ended June 30, 2013. Based upon the analyses performed by ISAC to identify participating schools meeting the review criteria for fiscal years 2011, 2012, and 2013, we noted the following:

<b>Fiscal Year</b>	<b>Number of Participating Schools Required to be Reviewed</b>	<b>Number of Participating Schools Reviewed as of June 30, 2013</b>	<b>Required Completion Date</b>
2011	2	None	12/31/2012
2012	3	None	12/31/2013

As of the date of our testing (January 10, 2014), ISAC has still not scheduled or completed any of the required on-site program reviews.

Per review of 34 CFR section 682.410(c)(1) guaranty agencies are responsible for “conducting comprehensive biennial on-site program reviews [...] of at least (i)(c) each participating school, located in a State for which the guaranty agency is the principal guaranty agency, that has a cohort default rate [...] for either of the two immediately preceding fiscal years [...] that exceeds 20 percent.”

In discussing these conditions with ISAC officials, they stated because new loan originations and guarantees in the FFEL program ceased effective July 1, 2010, ISAC has not been the principal guaranty agency for participating schools since that date and participating schools have not been issuing new FFEL loans.

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### Schedule of Findings and Questioned Costs

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Failure to perform required biennial reviews may result in participating schools not administering loan programs in accordance with program regulations and results in noncompliance with program regulations. (Finding Code 2013-043)

#### **Recommendation:**

We recommend ISAC implement the procedures necessary to ensure required on-site program reviews are performed in accordance with program regulations.

#### **ISAC Response:**

ISAC is responsible for the oversight and administration of the ISAC-administered gift assistance programs (State Illinois - funded programs), and the FFEL program guarantee portfolio.

As a result, a single Program Review Schedule is developed each fiscal year to systematically plan for reviews for both the State of Illinois funded programs and FFEL schools with ISAC as the principal guaranty agency. The schedule is implemented based on available staff resources and a risk assessment methodology.

The following analysis occurs each year for FFEL schools:

- Participating schools with a cohort default rate that exceeds 20 percent for either of the most recent years for which rates have been calculated are identified.
- A determination is made to identify ISAC as the principal guaranty agency and identify the number of ISAC guaranteed loans.
- FFEL schools are incorporated into the schedule based on available staff resources.

Due to staff retirement and transfers, a limited number of reviews were able to be completed to meet the regulated timeframe for FFEL oversight. Recently, additional institutional compliance examiner staff have been hired.

Based on the added staff resources, one of the required FFEL reviews has been added to the fiscal year 2013-14 fourth quarter (April – June 2014) Program Review Schedule. A tentative selection of schools for the fiscal year 2014-15 program review cycle is being assessed to include six FFEL reviews in addition to schools participating in the ISAC-administered gift assistance programs requiring reviews in accordance to the State of Illinois statutory requirements for State funded programs.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Employment Security (IDES)

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

**Program Name:** Employment Service Cluster  
Unemployment Insurance

**CFDA # and Program Expenditures:** 17.207/17.801/17.804 (\$43,783,000)  
17.225 (\$3,894,269,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-044** *Inaccurate Reporting of Federal Expenditures*

IDES did not accurately report Federal expenditures under the Employment Services Cluster and the Unemployment Insurance programs.

IDES inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following adjustments were made to SEFA expenditures reported for the year ended June 30, 2013:

Program	Expenditures Reported on the Initial SEFA	Expenditures Reported on the Final SEFA	Difference
Employment Services Cluster	\$39,558,000	\$43,783,000	(\$4,225,000)
Unemployment Insurance	2,852,624,000	3,894,269,000	(1,041,645,000)
Unemployment Insurance – ARRA	1,016,419,000	—	1,016,419,000

According to OMB Circular A-133 §\_\_.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. According to 2 CFR 176.210(b), ARRA funded expenditures are required to be separately identified on the SEFA and in the Data Collection Form. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

In discussing this with IDES officials, they stated, due in large part to federal funding reductions, IDES staff dropped by a third in the past two years. As a result, over a hundred employees moved to new positions via the bargaining unit contract’s layoff provisions. As a result, the preparation of the SEFA was done by inexperienced staff that followed the previous year’s reporting methodology.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2013-044)

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

#### **Recommendation:**

We recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

#### **IDES Response:**

We agree that internal controls should include procedures to ensure federal expenditures are properly titled on the SEFA. The ARRA funding at question is the Emergency Unemployment Compensation (EUC08) program. The program provided additional weeks of unemployment insurance to qualified candidates once they exhausted the non-federally funded state Regular Unemployment Insurance program. In 2009, when Congress approved and the President signed legislation authorizing ARRA, federal directions included that EUC08 payments be included when tabulating ARRA payments. In the following four years, Congress passed, and the President signed, nearly a dozen pieces of legislation that re-authorized EUC08. IDES did not shift its reporting to reflect that EUC08 payments should no longer be considered ARRA related. That said, the US Department of Labor (US DOL) did not provide guidance alerting IDES that this funding was no longer considered ARRA related. IDES inquired with US DOL on how this funding should be classified. IDES changed it on our reporting and notified the auditors which is what led to this finding.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Employment Security (IDES)

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

**Program Name:** Employment Service Cluster

**CFDA # and Program Expenditures:** 17.207/17.801/17.804 (\$43,783,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-045** *Inadequate Supporting Documentation for Performance Reports*

Sufficient documentation was not available to support information reported in the ETA 9002D and the VETS 200C performance reports.

The ETA 9902D and VETS 200C performance reports are used to report services, activities, and outcomes of service for all job seekers and veterans. These reports are required to be submitted quarterly, and are used to assess a State's success in meeting its performance goals. The reports include data from the Illinois Job Link (IJL) system, the Unemployment Services Wage Information System (WIS), and the Wage Record Interchange System (WRIS). IDES uses a report writer, the DART reporting system, to accumulate the data from the IJL, WIS, and WRIS systems into the format required for the reports. This data is then submitted electronically through the USDOL's Employment and Training Administration's web-based reporting system. We are required by the OMB Circular A-133 Compliance Supplement to test key line items in these reports; however, complete information supporting the accumulation of average earnings data in these key line items (line 15 of the ETA 9002D report and line 28 of the VETS 200C report) by the DART reporting system was not available for testing.

According to the ETA Handbook No. 406 ETA 9002 and VETS 200 Data Preparation Handbook, (*OMB No. 1205-0240*), IDES is required to prepare and submit to the USDOL the ETA 9002 and the Veterans' Employment and Training Services VETS 200 performance reports on a quarterly basis. The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure detailed information supporting data in performance reports is reviewed and maintained for a period of at least three years.

In discussing this with IDES personnel, they stated that the missing data was from WRIS database which is managed by the federal government and IDES does not have any control over the availability of the data.

Failure to provide sufficient supporting documentation for the performance reports required for the Employment Services Cluster program inhibits the ability to perform an audit of the program in accordance with OMB A-133 in that it inhibits the auditors' ability to select a sample of data reported to validate the accuracy. (Finding Code 2013-045, 12-57)

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For Year Ended June 30, 2013

**Recommendation:**

We recommend IDES establish policies and procedures ensure documentation to support key line items can be provided from the DART system for the ETA 9002D and the VETS 200C performance reports.

**IDES Response:**

We accept this finding. As the WRIS database from which these reports are partially compiled is managed by the federal government, IDES has no control over the information retained in this system. The information the auditors requested dated back to the third quarter of 2010. This data had already been purged from the WRIS database. As a result of this finding on last year's audit, IDES has begun saving our data request file to keep a snapshot of the WRIS data at the time it is requested so it will be available for the auditors if the actual source data from the WRIS database is no longer available. It is also worth noting that 100% of the WIS wage data requested was provided as this is a database that is maintained by IDES.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Employment Security (IDES)

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

**Program Name:** Unemployment Insurance

**CFDA # and Program Expenditures:** 17.225 (\$3,894,269,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-046** *Inadequate Procedures for Follow-up of Invalid Social Security Numbers*

IDES does not have adequate procedures to follow up on invalid social security numbers for claimants of the Unemployment Insurance (UI) program.

To be eligible to receive UI benefits, claimants must be in the labor force, unemployment must be caused by lack of suitable work, and the claimant must be legally authorized to work. As part of determining whether claimants are legally authorized to work, IDES is required to verify the claimant has a valid social security number. With the implementation of the Illinois Benefits Information System (IBIS), IDES planned to automate its process for verifying social security numbers by performing a system cross-match between IBIS and the U.S. Social Security Administration (SSA) to enable social security verification in real-time; however the interface between IBIS and SSA was not fully implemented until December 2012. As a result, IDES had a manual process to verify social security numbers with the SSA on a daily basis prior to December 2012. Upon receipt of the SSA verification file, case workers in local offices manually placed a hold flag on claimant records with invalid social security numbers and benefit payments ceased. Benefit payments would not be reinstated until after the claimant presented evidence of a valid social security number and the hold flag was removed.

During our testwork over the eligibility of UI benefit payments, we selected a sample of 50 claimants from a listing of invalid social security numbers and noted one claimant did not have a hold flag placed on their account and this instance does not appear to have been investigated by IDES. Total benefits paid to this claimant were \$4,670 during the year ended June 30, 2013.

In accordance with 42 U.S.C. Section 1320b-7(a)(1), IDES shall require, as a condition of eligibility for unemployment benefits, that each claimant for benefits furnish to the agency his/her social security number (or numbers if he/she has more than one such number), and IDES shall utilize such numbers in the administration of the unemployment compensation program so as to associate the agency's records pertaining to each claimant with the claimant's social security number(s). If IDES determines that a claimant has refused or failed to provide a Social Security Number, then that individual shall be ineligible to participate in the unemployment compensation program. Any claimant held ineligible for not supplying a social security number may become eligible upon providing IDES with such number retroactive to the extent permitted under State law.

In accordance with 820 ILCS 405/614, an alien shall be ineligible for UI benefits unless the alien was an individual who was lawfully admitted for permanent residence at the time such services were performed or otherwise was permanently residing in the United States under color of law at the time such services

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were performed (including an alien who was lawfully present in the United States as a result of the application of the provisions of Section 212(d) (5) of the Immigration and Nationality Act).

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adequate follow up of invalid social security numbers.

In discussing these conditions with IDES officials, they stated that on this one occasion, the invalid social security number report may not have been properly generated, picked up from the print room, disseminated to the Service Delivery staff and/or these issues may not have been entered into the IBIS system.

Failure to verify claimant social security numbers could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding Code 2013-046, 12-58, 11-64, 10-70, 09-62)

#### **Recommendation:**

We recommend IDES follow established procedures to ensure the automated stop is generated for all invalid social security numbers to prevent payment of benefit to ineligible claimants.

#### **IDES Response:**

IDES has already implemented the recommendation in this finding. IDES went live with real-time social security number validation via the Social Security Administration in December of 2012. As part of this process, when a claimant's social security number does not match their name, an issue is posted in IBIS, which stops any payments from being established for a new UI claimant. The one claimant referenced above who did not have their benefit suspended was matched against the Social Security Administration database prior to the December 2012 implementation of our automated cross-match. All of the claimants who had failed the SSA cross-match after our December 2012 implementation properly had an issue automatically created, and if the claimant failed to rectify the SSN mismatch, their benefits were properly suspended.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Employment Security (IDES)

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

**Program Name:** Unemployment Insurance

**CFDA # and Program Expenditures:** 17.225 (\$3,894,269,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-047** *Inadequate Documentation of Resolution of Exceptions and Supervisory Review of the Claim Exception and Monitoring Reports*

The IDES local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports and the reports did not always indicate that a supervisory review had been performed.

The IDES Central Office generates several system (exception and monitoring) reports to facilitate proper benefit payment which are distributed to and monitored by personnel at local IDES offices. Per federal program emphasis, several of the common reports reviewed locally are designed to report claims with unresolved issues that are preventing payment as a tool to ensure payments to eligible individuals are made timely. These reports include the following:

- *Certification Batch Reconciliation Report* – This report identifies the batches of paper eligibility certifications entered each day as completed or pending. Batches identified as pending are reviewed, processed, certified, and filed by the local office each day.
- *Appeals Requiring Local Action Report* – This report identifies all appealed claims with a central office action that is in conflict with the initial local office action. These claims are reviewed by the local office to ensure the resulting payment actions are appropriate.
- *TRA modified WBA/DC Report* – This report identifies any changes to a TRA claimant's information and provides the local office with a detailed listing of all manual changes made to the weekly benefit amount (WBA) or dependent information. The case records are reviewed centrally at IDES for claimants identified on this report to ensure appropriate documentation exists to support the changes.
- *List of Pending Adjudication Issues* – This report contains all claim issues that have to be adjudicated. The list is normally worked from the top down because IDES only has 21 days to clear the pending issues.
- *Determination End Date Report* – This report identifies all new claims that were stopped because of an issue that should have been resolved at the time the claim was filed. These claims are reviewed by the local office prior to the first certification to prevent late payments.

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During our test work we noted policies and procedures had not been established relative to the review process and retention time period for the reports identified above.

We conducted unannounced site visits to five local offices and requested the above claim exception and monitoring reports for the most recent date that had been reviewed by the local office staff. We reviewed a total of 25 reports and noted that resolution of exceptions and supervisory review was not consistently documented. Specifically, we noted three claim exception and monitoring reports did not contain evidence of being worked by the local office staff within three days or evidence of a supervisory review.

Additionally, during our on-site reviews, we noted IDES only retains claim exception and monitoring reports for a period of three months after the end of a quarter. As such, we were unable to determine whether claim exception and monitoring reports had been worked within three business days or subject to supervisory review prior to April 1, 2013.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adequate timely follow up and documentation of review of claim exception reports.

In discussing these conditions with IDES officials, they stated that under previous business practices this was identified as an issue. In response, the agency has transitioned to automated reporting and task management tracking.

Failure to adequately document resolution of claim and monitoring reports could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding Code 2013-047, 12-60, 11-68, 10-73, 09-65, 08-70, 07-63, 06-62, 05-88)

#### **Recommendation:**

We recommend IDES complete and document the resolution of each claim in a timely manner on the exception and monitoring report (including supervisory review), and retain the reports as considered necessary to facilitate completion of the audit.

#### **IDES Response:**

IDES accepts this finding. With the implementation of our new benefits system in August of 2010, most of the tasks from these monitoring reports were automated. IDES will update its procedures to reflect these changes in our business process.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Employment Security (IDES)

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

**Program Name:** Unemployment Insurance

**CFDA # and Program Expenditures:** 17.225 (\$3,894,269,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-048** *Failure to Issue Eligibility Determinations within Prescribed Timeframes*

IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

UI eligibility determinations are made during the initial intake of the claim and are monitored throughout the benefit payment period. If the claimant does not meet certain eligibility criteria either during the initial intake of the claim or throughout the benefit payment period, or if an employer disagrees with the initial eligibility determination, an issue is identified in the system and the claim appears on a pending issues detail report. The claim is then assigned to a claims adjudicator for resolution. The pending issues detail report monitors the number of days the claim has been outstanding since the initial detection date, which is the date on which IDES detected an issue on the claim which could affect past, present, or future benefit rights.

During our test work we conducted unannounced site visits to five local offices and requested the most recent pending issues detail report as of the date of our visit. We noted a significant backlog in the resolution status of claims in the adjudication process. Specifically, we noted a total of 825 out of 4,144 claims at the five local offices that were outstanding for greater than 21 days of the detection date.

Additionally, during our review of the fiscal year 2014 State Quality Service Plan (Plan) submitted by IDES to the USDOL, we noted IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the federal fiscal year 2013, resolving only 72.8% of these determinations within 21 days of the detection date.

According to 20 CFR Part 640.3, state laws are required to include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible. According to the Unemployment Insurance Program Letter No. 14-05, Attachment C, issued by the Employment and Training Administration Advisor System of the USDOL, 80% of non-monetary determinations must be made by state workforce agencies within 21 days of the detection date.

In discussing these conditions with IDES officials, they stated that the majority of timeliness issues are attributable to significant reductions in staff as a result in reduced federal funding. Leading up to April, 2013, prior to the layoff, the agency was on track to significantly improve timeliness in a number of different areas.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

Failure to issue eligibility determinations within prescribed timeframes could result in the untimely and/or improper payment of unemployment benefits. (Finding Code 2013-048)

#### **Recommendation:**

We recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

#### **IDES Response:**

IDES agrees with this finding. Over the last few fiscal years, IDES federal funding for unemployment insurance has dropped by roughly 25%. At the same time the costs for pensions and health care have increased significantly. Because of these two factors IDES was compelled to reduce its staff by nearly 1/3. This was done through laying-off nearly 200 staff, non-scheduling nearly 200 intermittent employees and not backfilling positions. As a result of the layoff, over a hundred employees moved to new positions via the bargaining unit contract's layoff provisions. Those employees needed to be trained on their new positions. The progress IDES had been making in our timeliness measures suffered as a result.

To improve our timeliness measures with our limited resources, IDES has focused on increase usage of the internet and call centers to provide services. As a result nearly 90% of claims are filed online or over the phone. As a result, instead of staff data entering paper unemployment claims and then processing them, staff is solely focused on processing the claims which is improving our timeliness.

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For Year Ended June 30, 2013

**State Agency:** Illinois Department of Employment Security (IDES)

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

**Program Name:** Unemployment Insurance

**CFDA # and Program Expenditures:** 17.225 (\$3,894,269,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-049** *Inadequate Documentation of Controls over Information Systems*

IDES does not have adequate documentation of the performance of access, program change, and computer operation controls over the information systems that support the Unemployment Insurance (UI) Program.

The information technology systems that support the UI Program include the following:

- The Illinois Benefits Information System (IBIS)
- The Wage Information System (WIS)
- The Benefit Funding System (BFS)
- The Benefit Charging System (BCS)
- The Overpayment Recovery System (ORS)
- The Telephone Certification System (TCS)

The IBIS is the centrally maintained information system designed to perform and document claimant eligibility determinations, to process claims for unemployment insurance benefits, and to assist IDES in complying with the requirements of the UI Act rules, policies, and procedures applicable to the UI benefits. It interfaces with the WIS, which is the system that includes all of the employer wage data and remittance information for the payroll taxes. The BFS includes the employer setup information and the rate calculation process and the BCS is the system that charges the employment tax rates to the employer accounts. The ORS is designed to detect and report over payments. The TCS is used by claimants to certify their continuing eligibility for benefits.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually-assigned identifiers which control/limit access to the systems that support the UI Program.

Requests for new system access or termination of access must be approved by the cost center manager through the use of the TSS-001 Form. The user IDs are automatically deleted once employment has terminated as each pay period a job is run which checks employee status against the personnel data base. When this job identifies employees who have terminated, the user ID for the individual is removed. Any modification of access must also be approved by the cost center manager through the use of the TSS-006 Form. It is the cost center manager's responsibility to determine the proper on-line access for each employee.

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For Year Ended June 30, 2013

During our testwork over the access, program change and development, and computer operations controls of the mainframe system, we noted the following:

- Certain individuals have the ability to modify production code and data, as well as, the ability to migrate changes into production. As a result, these individuals may introduce unintentional changes into production that may not be detected.
- Of 15 new users selected for testwork, a signed UserID request form could not be provided by IDES for one user. This user's signature evidences the user's understanding of and agreement to follow IDES' policies relative to computer data, resource usage, passwords, and confidentiality.
- Controls over verifying the identity of an individual prior to resetting their password and the granting, modifying, or revoking of physical access badges has not been effectively implemented.
- Formal policies and procedures related to change management have not been developed for IBIS.

In addition, because the IBIS system cannot produce a system generated list of all program changes processed within the system, IDES cannot adequately monitor program changes.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDES officials, they stated that the unsigned form was an oversight, and change management procedures have been developed.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2013-049, 12-59, 11-66)

#### **Recommendation:**

We recommend IDES implement procedures to ensure policies and procedures are adequately documented and followed. In addition, we recommend IDES segregate the duties for developing and migrating program changes and perform user access reviews for IBIS and the data center.

#### **IDES Response:**

Bullet 1: IDES policy dictates that forms must be completed by IDES developers and signed off on by senior management for any modifications to be made to the production code. These forms are then submitted to IDES staff who specifically oversees our Library Version Control (LVC) unit. This documentation is filed in our document library for tracking and auditing purposes. Once LVC staff members receive the appropriate paperwork and sign-offs, they migrate changes to our production environment. To ensure we properly monitor code migrated to production, on a monthly basis IDES will produce a system generated list of changes to review to ensure only approved code was promoted.

Bullet 2: We accept this finding. IDES policy dictates that in order to receive RACF access needed for testwork, a RACF UserID request form (TSS-100) must be completed, signed by the user, and reviewed by their cost center manager before our Technical Support and Security staff will grant the user access.

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For Year Ended June 30, 2013

These forms are filed in our document library. For RACF UserID requests, files are organized in alphabetical order by the user's last name. In this instance, however, it does appear RACF access was granted despite the fact that the user's signature was missing from the RACF UserID request. IDES will remind staff of our policy that unsigned RACF UserID requests will not be processed but instead returned to the cost center manager.

Bullet 3: Based on the data provided by the auditors, this finding relates to RACF access for Department of Central Management Services Bureau of Communication and Computer Services (BCCS) staff located in Springfield, Illinois, as well as access to the Central Computer Facility (CCF) in Springfield, IL that is managed by the Department of Central Management Services. IDES has no control or management oversight over the BCCS staff, their RACF access rights or management of the CCF or physical access to this facility. IDES will, however, work with DCMS to try and address this issue. IDES has sought clarification from the auditor as to whether this is an issue with IDES' computer room or the DCMS controlled BCCS computer facility.

Bullet 4: We accept this finding. The Department follows a change management methodology to ensure that new development, maintenance programming tasks and emergency changes are authorized and effectively developed and implemented. IDES has not updated its Policy and Procedures to reflect this change management process. We will do so.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Commerce and Economic Opportunity (DCEO)

**Federal Agency:** U.S. Department of Housing and Urban Development (USHUD)  
 U.S. Department of Labor (USDOL)  
 U.S. Department of Health and Human Services (USDHHS)

**Program Name:** CDBG – State-Administered Small Cities Program Cluster  
 Workforce Investment Act Cluster  
 Low-Income Home Energy Assistance Program

**CFDA # and Program Expenditures:** 14.228/14.255ARRA (\$96,861,000)  
 17.258/17.259/17.278 (\$121,632,000)  
 93.568 (\$205,085,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-050** *Inaccurate Reporting of Federal Expenditures*

DCEO did not accurately report Federal expenditures under the CDBG – State-Administered Small Cities Program (CDBG) Cluster, the Workforce Investment Act (WIA) Cluster, and the Low-Income Home Energy Assistance Program (LIHEAP) programs.

DCEO inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following unreconciled differences for the year ended June 30, 2013:

<b>Program</b>	<b>Federal Expenditures Reported in DCEO’s Records</b>	<b>Federal Expenditures Reported on the Final SEFA</b>	<b>Difference</b>
CDBG Cluster	\$97,190,000	\$96,861,000	\$329,000
WIA Cluster	124,505,000	121,632,000	2,873,000
LIHEAP	205,115,000	205,085,000	30,000

We also noted a correction of \$23 million was necessary to eliminate expenditures reported by DCEO that are not subject to A-133.

Additionally, DCEO provided local municipalities (subrecipients) funding to operate revolving loan funds under the CDBG Cluster in the 1980s which were not initially reported on the SEFA or in the related footnotes. DCEO is responsible for on-going monitoring of the CDBG revolving loan funds operated by its subrecipients and any remaining funds revert back to DCEO should the subrecipient cease participation in the CDBG revolving loan program. During our audit procedures, DCEO personnel identified loan balances of \$59,843,000 were outstanding according to subrecipient records; however, DCEO was unable to determine the amounts originally provided to subrecipients. Accordingly, we were unable to verify if the loan balances ultimately reported in the footnotes to the SEFA were complete and

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

accurate as of June 30, 2013. We also noted DCEO had not implemented procedures to monitor the CDBG revolving loan fund balances as of June 30, 2013.

According to OMB Circular A-133 §\_\_.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. According to 2 CFR section 176.210, ARRA funded expenditures are required to be separately identified on the SEFA and in the Data Collection Form.

Additionally, according to 24 CFR 85.40(a), grantees are responsible for managing the day to day operations of grant and sub-grant supported activities and must monitor grant and sub-grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Further, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA and subrecipient activities are properly monitored.

In discussing this with DCEO officials, they stated that they used a cash basis methodology adjusted for in-transits to prepare financial reports (SCO-563 forms) for the IOC and these amounts needed to be reconciled with cash basis only amounts provided to the auditors. They also indicated it was an error to include the amounts for the WIA Dislocated Workers program in the WIA Cluster. As there were no CDBG revolving loan fund expenditures by DCEO during the audit period, DCEO officials were unaware of the applicability of the A-133 requirement to include a footnote to the SEFA for the loan funds previously passed through to subrecipients.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. In addition, failure to monitor revolving loan funds operated by subrecipient organizations results in non-compliance with program requirements. (Finding Code 2013-050)

#### **Recommendation:**

We recommend DCEO establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC and implement procedures to monitor revolving loan funds operated by subrecipients of the CDBG Cluster program.

#### **DCEO Response:**

DCEO accepts the recommendation and will implement reporting procedures to ensure the IOC has the necessary information to include a footnote to the SEFA to identify the loan balances for the CDBG revolving loan funds held by subrecipients. DCEO completed corrective action for monitoring CDBG revolving loan funds and this was acknowledged by USHUD in a letter sent to DCEO on February 20, 2014. DCEO will review its procedures to ensure it provides the amounts from the SCO-563 forms filed with the IOC and any reconciling adjustments for in-transits to the auditor.

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For Year Ended June 30, 2013

**State Agency:** Illinois Department of Commerce and Economic Opportunity (DCEO)

**Federal Agency:** U.S. Department of Housing and Urban Development (USHUD)

**Program Name:** CDBG – State-Administered Small Cities Program Cluster

**CFDA # and Program Expenditures:** 14.228/14.255ARRA (\$96,861,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Findings 2013-051** *Inadequate Monitoring of CDBG Consultant*

DCEO did not adequately monitor the consultant responsible for the administration of the Community Development Block Grant (CDBG) disaster recovery grants.

DCEO expended approximately \$62,922,000 for CDBG disaster recovery grants of which approximately \$56,862,000 was passed through to subrecipients during the year ended June 30, 2013. DCEO contracted with a consultant to administer the CDBG disaster recovery grants. The consultant's grant administration responsibilities as outlined in the contract include but are not limited to: (1) designing and planning a program management model, (2) developing and/or revising application guidelines for grant awards, (3) conducting program outreach and marketing, (4) reviewing program applications and grant recommendations, including verifying program eligibility for all applicants, (5) counseling grant applicants, (6) facilitating the buyouts of homes and businesses in eligible communities, (7) performing environmental clearances on all grant awards, (8) providing quarterly reporting submissions to USHUD, and (9) monitoring grant activities not administered by the consultant to ensure compliance with all federal, state laws, regulations, and other requirements for the program.

DCEO performs on-going monitoring of the consultant administering the CDBG disaster recovery grants by: (1) reviewing consultant payment invoices and comparing against established contract budgets and allowable costs, and (2) reviewing required monthly program progress reports during monthly meetings with consultants.

During our testwork, we noted the USHUD Office of Community Planning and Development had previously conducted (August 2012) a monitoring review of the CDBG disaster recovery grants at DCEO which indicated that DCEO had no policies or procedures in place to monitor consultants responsible for administering the CDBG disaster recovery grants. DCEO submitted a corrective action plan to USHUD in December 2012 describing the monitoring plan DCEO planned to implement; however, we noted DCEO had not yet performed any on-site monitoring of the consultant as of June 30, 2013.

According to 24 CFR 85.40(a), grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities to assure compliance with applicable Federal requirements and to assure that performance goals are being achieved. Grantee monitoring must cover each program, function or activity. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing

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policies and procedures for monitoring, and conducting such monitoring of, consultants responsible for administering grant awards on behalf of DCEO.

In discussing these conditions with DCEO personnel, they stated that a lack of resources in the Office of Community Development contributed to the lack of an on-site review of the CDBG disaster recovery program consultant during the audit period.

Failure to perform monitoring activities could result in vendors not properly administering the federal programs in accordance with laws, regulations and the grant agreement and federal funds being expended for unallowable purposes. (Finding Code 2013-051)

#### **Recommendation:**

We recommend DCEO implement procedures to monitor the consultant responsible for administering the CDBG disaster recovery grants.

#### **DCEO Response:**

DCEO accepts the recommendation and completed the on-site monitoring review of the disaster recovery program consultant in July 2013. DCEO used the procedures and the monitoring review checklist provided to USHUD in December 2012.

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For Year Ended June 30, 2013

**State Agency:** Illinois Department of Commerce and Economic Opportunity (DCEO)

**Federal Agency:** U.S. Department of Energy (USDOE)

**Program Name:** State Energy Program  
Weatherization Assistance for Low Income Persons

**CFDA # and Program Expenditures:** 81.041/81.041ARRA (\$2,823,000)  
81.042/81.042ARRA (\$25,148,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Findings 2013-052** *Inadequate Documentation of Monitoring of Subrecipients of the State Energy and Weatherization Programs*

DCEO did not adequately document on-site monitoring procedures performed for subrecipients of the State Energy and the Weatherization Assistance for Low Income Persons (Weatherization) programs.

DCEO monitors subrecipients of the State Energy and Weatherization programs by: (1) reviewing periodic expenditure reports, (2) examining single audit reports and findings, (3) periodic communication of program requirements, and (4) on-site monitoring procedures. However, DCEO does not adequately document its performance of on-site monitoring procedures to review subrecipient compliance with programmatic requirements or the fiscal and administrative capabilities of any of the subrecipients of the State Energy and Weatherization programs. Specifically, we noted the checklists used for these programs are highly summarized and do not adequately document the compliance requirements being reviewed or the procedures being performed. We also noted the results of the review procedures are not formally communicated to subrecipients.

DCEO passed through approximately \$1,366,000 and \$20,006,000 of federal funding to subrecipients of the State Energy and Weatherization programs, respectively, during the year ended June 30, 2013.

According to OMB Circular A-133 \_\_\_\_400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated March 2013, a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulation, and provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include adequately documenting the on-site review procedures performed and implementing formal procedures for communicating the results of on-site reviews to subrecipients.

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In discussing these conditions with DCEO personnel, they stated that corrective action to improve the State Energy Program's (SEP) monitoring procedures and checklists began soon after becoming aware of the monitoring inadequacies from the prior audit but the current year audit period had already ended. For the Weatherization Assistance Program (WAP), Office of Energy Assistance (OEA) staff had assumed existing monitoring procedures were adequate.

Failure to adequately document subrecipient monitoring reviews and related findings could result in subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement and federal funds being expended for unallowable purposes. (Finding Code 2013-052, 12-63)

#### **Recommendation:**

We recommend DCEO review its current procedures for monitoring SEP and Weatherization subrecipients to ensure monitoring tools adequately document the compliance requirements and fiscal/administrative controls being reviewed. Additionally, we recommend DCEO implement procedures to formally communicate the results of monitoring reviews in writing.

#### **DCEO Response:**

DCEO accepts the recommendation and has reviewed and modified monitoring procedures and documents for the SEP program to adequately review and document compliance requirements for subrecipients. Specifically, SEP staff has revised or implemented the following: enhanced monitoring procedures, checklists and forms; a spreadsheet for SEP staff to track and follow-up on monitoring activities to ensure subrecipients are adequately addressing and resolving findings; and letters which communicate, in writing, the results of monitoring reviews to the subrecipients. SEP's corrective action will continue by implementing and training staff on these new procedures and monitoring tools.

The OEA staff will review current monitoring procedures and tools for programmatic monitoring of the WAP. The OEA staff will design and implement new procedures and monitoring checklists and/or enhance existing ones to ensure monitoring staff routinely and uniformly document compliance requirements and monitoring activities. The OEA staff will ensure adequate compliance monitoring is conducted on the subrecipient as well as individual weatherization projects funded through the subrecipient.

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For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Highway Planning and Construction Program  
 High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants  
 Formula Grants for Rural Areas  
 Surface Transportation Discretionary Grants for Capital Investment

**CFDA # and Program Expenditures:** 20.205/20.205ARRA/20.219 (\$1,429,781,000)  
 20.319/20.319ARRA (\$133,031,000)  
 20.509/20.509ARRA (\$15,452,000)  
 20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-053** *Inaccurate Reporting of Federal Expenditures*

IDOT did not accurately report Federal expenditures under the Highway Planning and Construction (Highway Planning) Cluster and the Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.

IDOT inaccurately reported federal expenditures which were used to prepare the schedule of expenditures of federal awards (SEFA) to the Illinois Office of the Comptroller (IOC). Specifically, we noted the following unreconciled differences for IDOT’s major programs for the year ended June 30, 2013:

<b>Program</b>	<b>Expenditures Reported on IDOT’s Expenditure Pattern</b>	<b>Expenditures Reported on the Final SEFA</b>	<b>Difference</b>
Highway Planning Cluster	\$1,443,775,000	\$1,429,781,000	\$13,994,000
Surface Transportation (TIGER) Program	34,177,000	28,657,000	5,520,000

We also noted a correction of \$689,000 was necessary to eliminate expenditures reported by IDOT that are not subject to A-133. Further corrections were required to properly identify ARRA and non-ARRA funded expenditures reported under the Highway Planning and Construction Cluster, High Speed Rail, Formula Grants for Rural Areas, and TIGER programs.

According to OMB Circular A-133 §\_\_.300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the SEFA. According to 2 CFR section 176.210, ARRA funded expenditures are required to be separately identified on the SEFA and in the Data Collection Form. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the SEFA.

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In discussing this with IDOT officials, they stated that adjustments necessary for the GAAP packages were flowed through to the SEFA.

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with OMB Circular A-133 which may result in the suspension of federal funding. (Finding Code 2013-053, 12-81, 11-87)

**Recommendation:**

We recommend IDOT establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

**IDOT Response:**

The Department agrees with the recommendation. The Department will seek out training/guidance on the SEFA preparation to improve accuracy of the report.

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For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** Highway Planning and Construction Cluster  
Surface Transportation Discretionary Grants for Capital Investment  
**CFDA # and Program Expenditures:** 20.205/20.205ARRA/20.219 (\$1,429,781,000)  
20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-054** *Failure to Obtain Certified Payrolls Prior to Making Highway Planning and TIGER Contractor Payments*

IDOT did not obtain certified payrolls prior to making payments to contractors for the Highway Planning and Construction Cluster (Highway Planning) and Surface Transportation Discretionary Grants for Capital Investment (TIGER) programs.

Non-federal entities are required to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations applicable to contracts governing federally financed and assisted construction. These regulations require, in part, that all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid prevailing wage rates established for the locality of the project. Each subcontractor subject to the Davis-Bacon Act must submit payrolls on a weekly basis and include a signed certification that they have complied with the prevailing wage rates. The resident engineer on the construction site is required to keep a log of contractors and monitor payroll submission. These logs are reviewed by the resident engineer, which indicates the certified payrolls for that period have been received prior to payment.

During our testwork of 48 Highway Planning contractor payments for regular construction projects (totaling approximately \$32,163,000), 17 Highway Planning contractor payments for advanced construction projects (totaling approximately \$6,412,000), and three TIGER contractor payments for regular construction projects (totaling approximately \$2,424,000), we noted the following:

- The certified payrolls for two Highway Planning contractor payments on advanced construction projects (totaling approximately \$315,100) were not received prior to payment. The number of days the certified payrolls were received subsequent to the payments made to the contractors ranged from 2 to 235 days.
- The certified payrolls for 28 Highway Planning contractor payments on regular construction projects (totaling approximately \$17,693,000) and 3 TIGER contractor payments on regular construction projects (totaling approximately \$2,424,000) were not date stamped. As a result, we were unable to determine whether they were received prior to making payments to the contractors.
- The certified payrolls for 23 Highway Planning contractor payments on regular construction projects (totaling approximately \$14,601,000) were not signed by either the Resident Engineer,

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documentation staff, or EEO personnel. As a result, we were unable to determine whether the certified payroll was approved prior to making payments to the contractor.

Payments made for construction contracts under the Highway Planning and TIGER programs were approximately \$1,151,816,000 and \$4,641,000, respectively, during the year ended June 30, 2013.

According to 29 CFR Section 5.5(a)(3)(ii)(A), the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Resident Engineer. Each payroll submitted shall be accompanied by a "Statement of Compliance" signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure certified payrolls are received prior to making payments to the contractors.

In discussing these conditions with IDOT personnel, they stated that with the reduced staffing coupled with the departure or retirement of experienced staff, specific training has not been adequately provided for the procedure of submission and review of certified payrolls.

Failure to obtain certified payrolls prior to making payments to the contractors could result in contractors not paying the prevailing wage rate to employees. (Finding Code 2013-054, 12-66, 11-77)

#### **Recommendation:**

We recommend IDOT establish procedures to ensure weekly payroll certifications are received prior to making payments to the contractors.

#### **IDOT Response:**

The Department agrees with the recommendation. Direction was provided at the Annual Winter Project Implementation meeting held in January 2014. An FHWA process review is being conducted to review the current process for ensuring prevailing wage requirements are being met. This process review is anticipated to be completed in December 2014. Any deficiencies identified in the current process will be reviewed and implemented by April 2015.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Airport Improvement Program  
Highway Planning and Construction Cluster  
Surface Transportation Discretionary Grants for Capital Investment

**CFDA # and Program Expenditures:** 20.106 (\$84,967,000)  
20.205/20.205ARRA/20.219 (\$1,429,781,000)  
20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-055** *Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports*

IDOT does not have an adequate process to review subrecipient OMB Circular A-133 reports.

IDOT passed through approximately \$45,575,000, \$253,298,000, and \$24,016,000 to subrecipients of the Airport Improvement Program, the Highway Planning and Construction Cluster (Highway Planning) program, and the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program, respectively, during the year ended June 30, 2013. During our testwork of 27 subrecipients of the Airport Improvement Program with total expenditures of approximately \$34,013,000, 42 subrecipients of the Highway Planning program with total expenditures of approximately \$224,337,000, and one subrecipient of the TIGER program with total expenditures of approximately \$4,304,000 we noted the following regarding the desk review process:

- The OMB Circular A-133 audit report for one subrecipient of the Airport Improvement program and one subrecipient of the Highway Planning program were not received timely and IDOT did not perform follow up procedures to obtain the reports. Amounts passed through to these subrecipients during the year ended June 30, 2013 totaled \$12,177,000 and \$44,000, respectively.
- The OMB Circular A-133 report for one subrecipient of the Highway Planning program was received on April 11, 2013 but had not been reviewed by IDOT as of November 20, 2013, the date of our testwork. Amounts passed through to this subrecipient during the year ended June 30, 2013 totaled \$6,271,000.
- IDOT did not issue a management decision related to findings reported within 6 months after receipt of the subrecipient's audit report for three subrecipients of the Airport Improvement Program. Amounts passed through to these subrecipients totaled \$20,377,000 during the year ended June 30, 2013.
- IDOT did not issue a management decision related to findings reported within 6 months after receipt of the subrecipient's audit report for three subrecipients of the Highway Planning program. Amounts passed through to these subrecipients totaled \$199,707,000 during the year ended June 30, 2013.
- IDOT did not issue a management decision related to findings reported within 6 months after receipt of the subrecipient's audit report for one subrecipient of the TIGER program. Amounts passed through to this subrecipient totaled \$4,304,000 during the year ended June 30, 2013.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

- IDOT did not reconcile the SEFA reported by the subrecipient to the amounts passed through per IDOT’s records for seven subrecipients of the Airport Improvement program. Amounts passed through to these subrecipients totaled \$23,888,000 during the year ended June 30, 2013.

Subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
Airport Improvement Program	\$45,575,000	\$84,967,000	53.6%
Highway Planning Program	253,298,000	1,429,781,000	17.7%
Surface Transportation (TIGER) Program	24,016,000	28,657,000	83.8%

According to OMB Circular A-133 §\_\_\_.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to OMB Circular A-133 §\_\_\_.400(d)(5), a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipients’ OMB Circular A-133 audits, (2) subrecipients expending \$500,000 or more in Federal awards during the subrecipients fiscal year have met the audit requirements of OMB Circular A-133, including that the audits are completed within nine months after the end of the subrecipients fiscal year end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after receipt of the subrecipients’ audit reports.

In discussing these conditions with IDOT officials, they stated that the majority of the issues noted were due to complex subrecipient audits that required additional processing. These processes were not completely defined until the revised procedure manual was implemented in April 2013.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner and issue management decisions in accordance with OMB Circular A-133 may result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-055, 12-67, 11-78, 10-84, 09-76, 08-80, 07-72, 06-72, 05-77, 04-62, 03-54, 02-48)

**Recommendation:**

We recommend IDOT establish procedures to ensure that: (1) expenditures passed through to subrecipients per IDOT’s records are reconciled to the schedule of expenditures of federal awards

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

submitted in the subrecipients' OMB Circular A-133 audit reports, (2) follow up procedures are performed for all delinquent OMB Circular A-133 reports, (3) desk reviews are performed on a timely basis, and (4) management decisions are issued within six months after receipt of the subrecipients' OMB Circular A-133 audit reports.

**IDOT Response:**

The Department agrees with the finding. The Department has developed a procedures manual for monitoring subrecipient's OMB Circular A-133 reports. The procedures include the use of an updated checklist that addresses reconciliation of expenditures, follow-up requirements for corrective action plans and established a timeline and workflow processes to ensure timely follow-up and completion of the desk review process. Implementation was in April 2013.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** Airport Improvement Program  
Highway Planning and Construction Cluster  
Surface Transportation Discretionary Grants for Capital Investment

**CFDA # and Program Expenditures:** 20.106 (\$84,967,000)  
20.205/20.205ARRA/20.219 (\$1,429,781,000)  
20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-056** *Failure to Notify Subrecipients of Federal Funding*

IDOT did not provide required federal program information to its subrecipients of the Airport Improvement Program, the Highway Planning and Construction Cluster (Highway Planning) program, and the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program for the year ended June 30, 2013.

During our testwork of forty grant awards to 34 subrecipients who received approximately \$14,857,000 of Airport Improvement Program funds, forty grant awards to 31 subrecipients who received approximately \$21,093,000 of Highway Planning funds, and five grant awards to three subrecipients who received approximately \$24,016,000 of TIGER funds, we noted the following:

- Six grant award notices for the Airport Improvement Program and five grant award notices for the Highway Planning program did not communicate the need for an audit in accordance with OMB Circular A-133.
- Eighteen grant award notices for the Airport Improvement Program, twenty-nine grant award notices for the Highway Planning program, and one grant award notice for the TIGER program included incorrect information regarding the need for an audit in accordance with OMB Circular A-133. Specifically, IDOT notified those subrecipients that an audit in accordance with OMB Circular A-133 is required if the subrecipient receives (rather than expends) federal financial assistance totaling \$500,000 or more from any source during its fiscal year.
- Six grant award notices for the Highway Planning program did not communicate the specific program or CFDA number and title under which federal financial assistance had been provided.
- Five grant award notices for the TIGER program did not communicate the specific program CFDA title under which federal financial assistance had been provided.
- One grant award notice for the TIGER program did not communicate (1) the requirement to register with the Central Contractor Registration, and (2) the SEFA and SF-SAC presentation requirements for ARRA-funded awards.

Subrecipient expenditures under the federal programs for the year ended June 30, 2013 were as follows:

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

<b>Program</b>	<b>Total Fiscal Year 2013 Subrecipient Expenditures</b>	<b>Total Fiscal Year 2013 Program Expenditures</b>	<b>%</b>
Airport Improvement Program	\$45,575,000	\$84,967,000	53.6%
Highway Planning Program	253,298,000	1,429,781,000	17.7%
Surface Transportation (TIGER) Program	24,016,000	28,657,000	83.8%

According to OMB Circular A-133\_\_400(d), a pass-through entity is required to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, and award year. The pass through entity is also required to advise subrecipients of the need for an audit in accordance with OMB Circular A-133 if a subrecipient expends more than \$500,000 in federal financial assistance during its fiscal year. According to 2 CFR Section 176.50(c), recipients and their first tier recipients must maintain current registrations in the Central Contractor Registration at all times during which they have active federal awards funded with Recovery Act funds. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure required federal award notifications are made to subrecipients.

In discussing these conditions with IDOT officials, they stated that corrective action had been implemented in a previous fiscal year, however due the length of time an agreement is active, the majority of the issues noted were with agreements executed prior to implementation of the corrective action. Due to the number of open agreements and staffing levels, it has not been feasible to amend all open agreements to include the proper language.

Failure to inform subrecipients of federal award information could result in subrecipients improperly omitting expenditures from their schedule of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code 2013-056, 12-68, 11-79, 10-86, 09-77, 08-81, 07-73, 06-74, 05-78, 04-63)

**Recommendation:**

We recommend IDOT review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

**IDOT Response:**

The Department agrees with the recommendation. The Department will explore the ability to provide written notice to all subrecipients with active agreements to notify them of the correct federal program information as required by OMB Circular A-133. In addition, a memo will be sent to all business areas processing subrecipient agreements to instruct them to use the revised template when processing all future agreements.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Airport Improvement Program

**CFDA # and Program Expenditures:** 20.106 (\$84,967,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-057** *Inadequate Cash Management Procedures for the Airport Improvement Program*

IDOT does not have procedures to ensure cash draws are performed in accordance with the Treasury-State Agreement.

Annually, the State of Illinois negotiates the Treasury-State Agreement (TSA) with the U.S. Department of the Treasury (the Treasury) which details the funding techniques to be used for the drawdown of federal funds. The TSA specifies that IDOT draw funds for the Airport Improvement Program using the pre-issuance method, an advance funding technique. This method requires IDOT to request funds such that they are deposited in a State account not more than three days prior to the day the State makes a disbursement. During our review of eighty (80) expenditures totaling approximately \$25,675,000 we noted a warrant was not issued for three expenditure vouchers totaling approximately \$8,814,000 within three business days of receiving the federal funds intended to finance these expenditures. The number of days between receipt of federal funds and the issuance of warrants for these expenditures was five business days.

The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the cash draws are performed in accordance with U.S. Treasury Regulations.

In discussing this condition with Department officials, they stated that the Cash Managed Hold procedures had been implemented; however this was the first draw after implementation so the Department's processing of vouchers may not have been timely.

Failure to draw funds in accordance with U.S. Treasury Regulations could result in an interest liability to the Federal government. (Finding Code 2013-057, 12-71, 11-82, 10-88)

#### **Recommendation:**

We recommend IDOT implement procedures to ensure cash draws are performed in accordance with U.S. Treasury Regulations.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**IDOT Response:**

The Department agrees with the recommendation. The Department will coordinate with the Comptroller's Office to review the Cash Managed Hold Program to ensure the Department's vouchering process maximizes the benefit of this program to ensure compliance with the U.S. Treasury Regulations.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Airport Improvement Program

**CFDA # and Program Expenditures:** 20.106 (\$84,967,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-058** *Incomplete and Inaccurate Airport Improvement Financial Status Reports*

IDOT did not prepare accurate financial status reports for the Airport Improvement program.

IDOT is required to prepare annual financial status (SF-425) reports for each of its open Airport Improvement Program grant awards. During our testwork of the SF-425 report submitted for the federal fiscal year ended September 30, 2012, we noted IDOT has not completed all information required to be reported on the SF-425 report. Specifically, we noted lines 10(d) through 10(o) which contain information on federal expenditures, obligations, recipient share of program expenditures, and program income were not completed. Additionally, we noted the following errors in completed lines on the SF-425 report for the Federal fiscal year ended September 30, 2012:

<b>Report Line Items</b>	<b>Reported Amount</b>	<b>Actual Amount</b>	<b>Difference</b>
Line 10a – cash receipts	\$708,185,581	\$236,192,469	\$471,993,112
Line 10b – cash disbursements	\$708,185,581	\$236,192,469	\$471,993,112

According to 49 CFR Part 18.41 as amended by Program Guidance Letter 12-10 issued by the Federal Aviation Administration Airports Division, recipients of Airport Improvement program grants must submit accurate SF-425 reports on an annual basis. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial information reported in the financial status reports is accurate and agrees or reconciles to financial records.

In discussing these conditions with IDOT officials, they stated that this was the first time the Department had been required to provide the SF-425 and the instructions were unclear causing the amounts reported to be inaccurate.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the Airport Improvement program. (Finding Code 2013-058)

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**Recommendation:**

We recommend IDOT review the process and procedures in place to prepare financial status reports required for the Airport Improvement program and implement the additional procedures necessary to ensure the reports are complete, accurate, and agree or reconcile to its financial records.

**IDOT Response:**

The Department agrees with the recommendation. The Department has communicated with the Federal Aviation Administration to obtain accurate instructions for completing their SF-425 annual reporting form. The reporting process will be reviewed and the accurate instructions will be implemented to ensure complete and accurate reporting of the financial status reports.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Highway Planning and Construction Cluster

**CFDA # and Program Expenditures:** 20.205/20.205ARRA/20.219 (\$1,429,781,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-059** *Failure to Follow Sampling and Testing Program for Construction Materials*

IDOT did not test materials used for construction activities under the Highway Planning and Construction Cluster (Highway Planning) program in accordance with their approved sampling and testing program.

The Highway Planning program administered by IDOT provides federal funding to construct and rehabilitate interstate highways and public roads. IDOT is required to have a sampling and testing program in place to ensure that materials and workmanship generally conform to approved plans and specifications. Each State is required to develop their own sampling and testing program which must conform to requirements established by Federal law and must be approved by the Federal Highway Administration (FHWA). IDOT has developed a comprehensive sampling and testing program as documented in the Project Procedures Guide for Sampling Frequencies for Materials Testing and Inspection (the Guide) and the Manual for Materials Inspection (the Manual) that meets these requirements.

IDOT utilizes the Materials Integrated System for Test Information and Communication (MISTIC) system to track which materials require testing and the method of testing to be used. This system is integrated with IDOT's construction billing system in which resident engineers enter quantities used during construction to generate payments to the contractors. If quantities entered do not have a test number which conforms to the type of testing required by the Guide assigned in MISTIC, it is the resident engineer's responsibility to ensure the proper test is completed before payment is made.

During our test work, we selected 65 materials from ongoing (open) construction projects and advanced construction projects and noted the following:

- In one instance, the material was accepted using a method of acceptance that was not in accordance with the Manual.
- In one instance, the testing method of the material was not in accordance with the Manual.
- In one instance, the source documents for the material sampling could not be located and accordingly, we were unable to determine whether the proper method of testing was performed.

According to 23 CFR Section 637.205(a), each State's transportation department shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each Federal-aid highway construction project on the National Highway System are in conformity with the requirements of the approved plans and specifications, including approved changes.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

Additionally, according to 49 CFR Section 18.36(i)(10) and 18.36(i)(11), records must be retained for three years after grantees or subgrantees make final payments and all other pending matters are closed to allow access to the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives for the purpose of making audits or examinations.

Finally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure materials used in each Federal-aid highway construction project on the National Highway System are tested in accordance with the sampling and testing plan approved by the FHWA.

In discussing these conditions with IDOT officials, they stated that the items identified were due to error, oversight and computer system limitations.

Failure to follow the sampling and testing program approved by the FHWA could result in substandard materials and workmanship in the State's interstate highways and public roads. (Finding Code 2013-059, 12-69, 11-80, 10-87, 09-79)

#### **Recommendation:**

We recommend IDOT implement procedures to ensure all materials are tested in accordance with the sampling and testing program approved by the FHWA and retain documentation in accordance with federal regulations.

#### **IDOT Response:**

The Department agrees with the recommendation. The Department will review its aggregate inspection data input practices and notify/remind the districts to correctly document/input aggregate inspection in MISTIC. Also, the Department will re-emphasize to the districts the importance of always using the current Manual for Materials Inspection to determine the method of acceptance for all construction materials.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Highway Planning and Construction Cluster

**CFDA # and Program Expenditures:** 20.205/20.205ARRA/20.219 (\$1,429,781,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-060** *Failure to Perform a Value Engineering Analysis on Highway Planning Construction Projects*

IDOT did not perform a value engineering (VE) analysis for construction projects under the Highway Planning and Construction (Highway Planning) program in accordance with the approved VE program.

According to IDOT's approved VE program, IDOT is required to perform an analysis during the planning and development stages for applicable projects that utilize Federal highway funding to determine whether: (1) the project provides the needed functions, considering community and environmental commitments, safety, reliability, efficiency, and overall life-cycle cost; (2) improvements can be made for the value and quality of the project; and (3) improvements can be made to reduce the time to develop and deliver the project. During our test work, we selected 30 applicable construction projects and noted one instance where a VE analysis was required, but was not performed.

According to 23 CFR Section part 627(a), a VE analysis shall be conducted prior to the completion of final design on each applicable project that utilizes Federal-aid highway funding, and all approved recommendations shall be included in the project plans, specifications, and estimates. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure a VE analysis is performed on all applicable Federal-aid highway construction projects in accordance with the VE program approved by the Federal Highway Administration (FHWA).

In discussing these conditions with IDOT officials, they stated that there were several years between approval of the project for development of contract plans and the actual time plan production commenced for the occurrence in question.

Failure to perform a value engineering analysis in accordance with the standards set forth by the FHWA could result in unallowable costs. (Finding Code 2013-060)

#### **Recommendation:**

We recommend IDOT implement procedures to ensure a value engineering analysis is performed for all applicable construction projects in accordance with its approved VE program.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**IDOT Response:**

The Department agrees with the recommendation. The Department will first review the existing procedures in place to ensure VE studies are conducted on required projects. If deficiencies in those procedures are identified, the procedures will be revised in order to more effectively assure compliance with 23 CFR 627. Review and any revisions of the Department's VE procedures will be coordinated with the FHWA pursuant to the Stewardship/Oversight Agreement between the Department and FHWA.

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** Surface Transportation Discretionary Grants for Capital Investment

**CFDA # and Program Expenditures:** 20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-061** *Failure to Communicate ARRA Information and Requirements to TIGER Subrecipients*

IDOT did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

During our testwork of fifteen ARRA disbursements totaling approximately \$11,256,000 to three subrecipients of the TIGER program, we noted one subrecipient agreement with expenditures totaling \$4,304,000 for the year ended June 30, 2013 did not communicate the requirement to separately report ARRA program expenditures on the schedule of expenditures of federal awards (SEFA) and the data collection form. Additionally, this agreement did not include Buy American Act certifications required for ARRA awards. IDOT passed through ARRA funds of approximately \$24,016,000 to three subrecipients of the TIGER program during the year ended June 30, 2013.

According to 2 CFR, Chapter I, Part 176.210 (c) and (d), recipients of ARRA funds agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal Award number, CFDA number, and the amount of ARRA funds. When a recipient awards ARRA funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program. Recipients of ARRA funds also agree to require their subrecipients to provide similar identification in their SEFA and data collection form. Additionally, 2 CFR 176.60 prohibits the use of recovery funds for project for construction, alteration, maintenance, or repair of public buildings or public work unless all of the iron, steel, manufactured goods used in the project are produced in the U.S.

The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required ARRA information is communicated to subrecipients and Buy American Certifications are obtained.

In discussing these conditions with IDOT officials, they stated that the business area responsible for processing these agreements was not aware of these requirements prior to the fiscal year 2012 audit.

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Failure to communicate required ARRA information and obtain Buy American certifications could result in subrecipients not properly administering the federal programs in accordance with federal regulations and unallowable costs. (Finding Code 2013-061, 12-70, 11-81, 10-85)

**Recommendation:**

We recommend IDOT implement procedures to ensure ARRA information and requirements are properly communicated to its subrecipients and obtain required Buy American certifications.

**IDOT Response:**

The Department agrees with the recommendation. The Department revised the subrecipient agreements to properly communicate the required ARRA information and obtain Buy American certifications for all new subrecipients. In addition, the Department will provide notification to current subrecipients of the required ARRA information.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** Surface Transportation Discretionary Grants for Capital Investment  
**CFDA # and Program Expenditures:** 20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-062** *Failure to Obtain Suspension and Debarment Certifications for TIGER Subrecipients*

IDOT did not obtain required certifications that subrecipients and their principals were not suspended or debarred from participation in Federal assistance programs for the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

IDOT's procedures to comply with suspension and debarment requirements include the receipt of a signed certification from its subrecipients as a part of the subrecipient grant agreement stating that the subrecipient and its principals are not suspended or debarred from participation in federal assistance programs. During our review of five grant agreements with three subrecipients program, we noted IDOT did not include a suspension and debarment certification in four of the grant agreements with expenditures totaling approximately \$25,559,000 during the year ended June 30, 2013. As a result, IDOT did not receive a certification that these subrecipients and their principals were not suspended or debarred from participation in Federal assistance programs. During the year ended June 30, 2013, IDOT passed through approximately \$24,016,000 to three subrecipients of the TIGER program.

According to 49 CFR 18.35, grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension." The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

In discussing these conditions with IDOT officials, they stated that the business area responsible for processing these agreements was not aware of these requirements prior to the fiscal year 2012 audit.

Failure to obtain the required certifications could result in the awarding of Federal funds to subrecipients that are suspended or debarred from participation in Federal assistance programs. (Finding Code 2013-062, 12-80)

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Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**Recommendation:**

We recommend IDOT follow its established procedures to ensure grantees receiving individual awards for \$25,000 or more certify that their organization and its principals is not suspended or debarred or otherwise excluded from participation in Federal assistance program.

**IDOT Response:**

The Department agrees with the recommendation. The Department confirmed that procedures were being followed to ensure that subrecipients are not suspended or debarred. In addition to the fiscal year 2012 revisions to the State Rail Agreements and the Phase III document, additional documentation of these procedures will be included in Phase II design and/or the Phase III construction documents.

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### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** Surface Transportation Discretionary Grants for Capital Investment  
**CFDA # and Program Expenditures:** 20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-063** *Inadequate Monitoring of TIGER Program Subrecipients*

IDOT did not monitor all applicable compliance requirements for subrecipients receiving funding under the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

IDOT received a grant for approximately \$100 million to install new traffic control systems, construct a new rail bridge, and make other significant improvements to signals, switches, roadways, sidewalks and other components which will provide substantial congestion relief and safety benefits for the passenger rail and highway systems in Illinois. The agreement between USDOT and IDOT specified that two for-profit first-tier subgrantees or subrecipients would assist IDOT in completing the grant activities. Although IDOT did not consider these entities to be subrecipients, these for-profit organizations are responsible for carrying out significant programmatic compliance requirements that normally would be carried out by the State. Specifically, the for-profit organizations (for-profit subrecipients) are responsible for: (1) completing the installation or construction activities as defined in each project agreement, (2) purchasing any materials required to complete the projects and complying with the Buy America provisions, (3) selecting and contracting with subcontractors to assist in the construction activities, (4) collecting the required certified payrolls in accordance with the Davis-Bacon Act, and (5) providing quarterly reporting as required by the grant agreement.

During our testwork, we noted IDOT has implemented certain procedures to monitor its for-profit subrecipients, which include reviewing supporting documentation for time and material charges incurred by the for-profit subrecipients and its subcontractors and performing site visits to monitor the progress of on-going construction and installation activities. However, IDOT has not established procedures to monitor whether the for-profit subrecipients and their subcontractors have: (1) complied with the Buy American provisions when purchasing materials, (2) procured services relative to the projects in accordance with the Illinois Procurement Code, and (3) complied with Davis-Bacon Act prevailing wage rate requirements. Additionally, IDOT has not established procedures to monitor the accuracy of the financial and other data reported by these organizations which is used by IDOT to prepare reports filed with USDOT.

Amounts passed through under the TIGER program to IDOT's for-profit subrecipients during the year ended June 30, 2013 approximated \$22,374,000.

According to OMB Circular A-133 section .210(b), characteristics indicative of a federal award received by a subrecipient include when the organization, among other things, has responsibility for programmatic decision making and uses the federal funds to carry out a program of the organization as compared to

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providing goods and services for a program of the pass-through entity. OMB Circular A-133 section .210(c), also states characteristics indicative of a payment for goods and services received from a vendor include when the organization, among other things, provides goods or services that are ancillary to the operations of the program and are not subject to the compliance requirements of the federal program.

In addition, according to the OMB Circular A-133 Compliance Supplement, dated June 2013, a pass-through entity is required to monitor its subrecipients' activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements.

Finally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure procedures designed to monitor subrecipients cover all applicable program compliance requirements.

In discussing these conditions with IDOT officials, they stated that the business area responsible for processing these agreements was not aware of these requirements prior to the fiscal year 2012 audit.

Failure to properly monitor subrecipients results in noncompliance with OMB Circular A-133 and could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-063, 12-77)

#### **Recommendation:**

We recommend IDOT implement procedures to monitor each compliance requirement administered by its for-profit subrecipients of the TIGER program.

#### **IDOT Response:**

The Department agrees with the recommendation. Procedures to better monitor the federal compliance requirements applicable to its subrecipients will be implemented. The Department will review the procedures in place for federal grant compliance for TIGER projects and work with appropriate CREATE partners to improve procedures to ensure those federal compliance requirements are implemented.

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**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** Surface Transportation Discretionary Grants for Capital Investment  
**CFDA # and Program Expenditures:** 20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-064** *Inaccurate TIGER Financial Reports*

IDOT did not prepare accurate financial reports for the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program.

IDOT is required to prepare financial status (SF-425) and ARRA 1512, reports on a quarterly basis for the TIGER program. During our testwork of two SF-425 reports and fourteen ARRA 1512 reports, we noted IDOT did not prepare the reports based upon its financial records. Additionally, IDOT could not demonstrate how the information reported agreed or reconciled to its financial records.

According to 2 CFR 176.50, IDOT is required to submit a quarterly ARRA 1512 report within 10 days after the reporting period. According to 74 Federal Register 29916, Appendix 3.5, IDOT is required to submit quarterly financial status reports (known as SF-425 reports effective October 1, 2010) within 30 days after the reporting period. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports agree or reconcile to financial records.

In discussing these conditions with IDOT officials, they stated that due to staff turnover, reporting requirements were not fully communicated in order to accurately complete the necessary forms.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the TIGER program. (Finding Code 2013-064, 12-78)

#### **Recommendation:**

We recommend IDOT review the process and procedures in place to prepare financial reports required for the TIGER program and implement the additional procedures necessary to ensure the reports agree or reconcile to its financial records.

#### **IDOT Response:**

The Department agrees with the recommendation. Multiple sources of reporting information are used for the three federal quarterly reports required for TIGER projects. The Department agrees to review the process and procedures in place to prepare the financial reports, and develop and implement additional

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quality assurance/quality control measures within that process to ensure consistently accurate financial and project information is being reported quarterly as required.

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**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants

**CFDA # and Program Expenditures:** 20.319/20.319ARRA (\$133,031,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-065** *Failure to Monitor Activities of a High Speed Rail Vendor*

IDOT did not perform procedures to determine whether a vendor receiving funding under the High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (High Speed Rail) program complied with the Davis Bacon Act or the Illinois Procurement Code.

IDOT received a grant for approximately \$1.1 billion to construct and install the infrastructure necessary to operate high speed passenger rail service between Illinois and Missouri. The agreement between USDOT and IDOT specified a for-profit organization would assist IDOT in completing the construction and installation of the high speed rails. Specifically, the for-profit organization (vendor) is responsible for: (1) designing and engineering the rails, (2) purchasing any materials required to construct and install the rails, (3) selecting and contracting with vendors to assist in constructing and installing the rails, and (4) purchasing real estate along the project route and paying relocation assistance, as necessary.

During our testwork, we noted IDOT has implemented certain procedures to monitor its vendor, which include reviewing supporting documentation relative to time and material charges incurred by the for-profit organization or vendor and its subcontractors, inspecting materials used in the construction of the rails, and performing site visits to monitor the progress of on-going construction and installation activities. However, IDOT has not established procedures to monitor whether the vendor and its subcontractors have complied with the Davis-Bacon Act prevailing wage rate requirements or procured services in accordance with the Illinois Procurement Code in carrying out their assigned duties.

Amounts paid to this vendor under the High Speed Rail program to IDOT's during the year ended June 30, 2013 totaled \$91,768,000.

According to 74 FR 29927 Section 6.2, grant recipients must follow all administrative and national policy requirements including procurement standards. According to 74 FR 29927 section 6.4, grant recipients receiving PRIIA authorized grants must comply with all requirements set forth in Passenger Rail Investment and Improvement Act of 2008 (PRIIA) including adhering to Buy America, Labor Protection, and Davis-Bacon Act.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure vendors working on behalf of IDOT have complied with all applicable program compliance requirements.

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In discussing these conditions with IDOT officials, they stated that monitoring procedures were put into place during fiscal year 2013 to ensure compliance with the Davis Bacon Act. As for monitoring the Illinois Procurement Code, the Department did not provide the auditors with current processes and documentation to support the monitoring activities by the Department.

Failure to determine if vendors have complied with the Davis Bacon Act and the Illinois Procurement Code may result in noncompliance with applicable regulations and in federal funds being expended for unallowable purposes. (Finding Code 2013-065)

**Recommendation:**

We recommend IDOT implement procedures to verify the High Speed Rail program vendor has complied with the Davis Bacon Act and the Illinois Procurement Code.

**IDOT Response:**

The Department agrees with the recommendation. The Department developed monitoring procedures for the Davis Bacon Act requirements during fiscal year 2013 and written procedures were finalized in June 2013. The Department has been monitoring the Illinois Procurement Code requirements since inception of the agreement with the vendor in question; however, we acknowledge the need to revise our procedures to include those processes and ensure proper documentation is retained to support that monitoring requirements are being met.

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**State Agency:** Illinois Department of Transportation (IDOT)

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

**Program Name:** High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants

**CFDA # and Program Expenditures:** 20.319/20.319ARRA (\$133,031,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-066** *Inaccurate High Speed Rail Financial Reports*

IDOT did not prepare accurate financial reports for the High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (High Speed Rail) program.

IDOT is required to prepare financial status (SF-425) and ARRA 1512 reports on a quarterly basis for the High Speed Rail program. During our testwork over two SF-425 reports and two ARRA 1512 reports, we noted the Expenditure Amount reported did not agree to the Federal Share of Expenditures reported on the SF-425 Federal Financial Report filed for the applicable quarter. Specifically, we noted the following differences:

<b>Quarter End</b>	<b>Expenditure Amount (1512 Report)</b>	<b>Federal Share of Expenditures (SF-425 Report)</b>	<b>Difference</b>
September 30, 2012	\$249,566,163	\$254,835,462	(\$5,269,299)
March 31, 2013	319,830,295	322,696,223	(2,865,928)

Upon further review of the supporting documentation, we noted that although IDOT indicated federal expenditures on the SF-425 and ARRA 1512 reports were reported using the accrual basis of accounting, the expenditure amounts reflected the best available data at the time the report was prepared, and did not include estimates through the end of the reporting period. Additionally, IDOT did not have a process in place to review the submitted reports and determine if there are any material differences that would require the report to be corrected. IDOT was unable to quantify the amounts that should have been reported on the accrual basis of accounting.

According to 2 CFR 176.50, IDOT is required to submit a quarterly ARRA 1512 report within 10 days after the reporting period. According to 74 Federal Register 29916, Appendix 3.5, IDOT is required to submit quarterly financial status reports (known as SF-425 reports effective October 1, 2010) within 30 days after the reporting period. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure financial and other award information reported in required financial reports is accurate.

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In discussing these conditions with IDOT officials, they stated that the business area responsible for the reporting was unaware of the need to revise the ARRA 1512 to match or reconcile to the SF-425 reports which are generated later in the reporting month.

Failure to accurately prepare financial reports prevents the USDOT from effectively monitoring the High Speed Rail program. (Finding Code 2013-066, 12-75, 11-86)

**Recommendation:**

We recommend IDOT review the process and procedures in place to prepare financial reports required for the High Speed Rail program and implement the additional procedures necessary to ensure the reports are complete and accurate.

**IDOT Response:**

The Department agrees with the recommendation. The Department reviewed the ARRA 1512 and SF-425 reporting processes and requirements. Corrective action for all deficiencies identified by this review were implemented at the beginning of fiscal year 2014.

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**State Agency:** Illinois Department of Transportation (IDOT)  
**Federal Agency:** U.S. Department of Transportation (USDOT)  
**Program Name:** Airport Improvement Program  
Highway Planning and Construction Cluster  
Surface Transportation Discretionary Grants for Capital Improvement  
**CFDA # and Program Expenditures:** 20.106 (\$84,967,000)  
20.205/20.205ARRA/20.219 (\$1,429,781,000)  
20.932ARRA (\$28,657,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-067** *Inadequate Controls over Information Systems*

IDOT does not have adequate program change management controls over the IDOT Integrated Transportation Project Management system.

The information technology applications that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

The ECM and ELM systems are used during the initial letting stages of the construction contract. The ECM houses the estimates made for the projects and the ELM system stores the bids from the contractors. The ICORS system is used by the resident engineers to record the progress of each job for billing purposes, which is interfaced with the BCM system. The data from the BCM system is interfaced with the FOA system to generate the payment to the contractor, and is also interfaced with the FPC system to generate the federal billing.

During our testwork of IDOT’s controls over user access to IDOT applications, we noted the following:

- Ten terminated employee (out of 25 tested) retained user access after their termination date for the FOA system.
- A shared ID is used by five IDOT employees to complete the federal billing process and access to the account is not logged.

Additionally, during our testwork over changes made to IDOT’s information systems, we noted IDOT was not able to generate a list of changes made to its information systems from each respective information system or application. IDOT’s current procedures include tracking changes made to its

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information systems in a database; however, the information input into the database is based on manual change request forms. Accordingly, we were unable to determine whether the list of changes provided by IDOT from the database during our audit was complete.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDOT officials, they stated that corrective measures were implemented to address the prior year finding in May 2013. The user access issues are due to oversight by the business area responsible for these functions.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 2013-067, 12-82)

#### **Recommendation:**

We recommend IDOT implement procedures to ensure all information systems are adequately secured and to generate a list of program changes from the information systems and applications.

#### **IDOT Response:**

The Department agrees with the recommendation. In May 2013, the Department implemented procedures to address the tracking of changes to information systems. In addition, IDOT will review our current practices and communication protocols with the Bureau of Personnel Management to ensure that Information Processing is promptly notified when an employee separates from the agency so that their access permissions can be removed. Finally, the agency will issue a policy reminder to all system users that it is in violation of agency security policy to share user accounts and passwords.

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**State Agency:** Illinois Emergency Management Agency (IEMA)  
**Federal Agency:** U.S. Department of Homeland Security (USDHS)  
**Program Name:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
Homeland Security Grant Program  
**CFDA # and Program Expenditures:** 97.036 (\$5,554,000)  
97.067 (\$117,242,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-068** *Inadequate Review of Subrecipient OMB Circular A-133 Reports*

IEMA did not have an adequate process to review subrecipient OMB Circular A-133 reports.

IEMA requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IEMA staff is responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IEMA records; and (3) Type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, IEMA staff is responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, and adverse) and issuing management decisions on reported findings within the prescribed timeframe.

During our testwork of five subrecipients of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Public Assistance) program and eight subrecipients of the Homeland Security Grant program, we noted the following:

- IEMA did not obtain the OMB Circular A-133 audit reports for five subrecipients of the Public Assistance program, and did not perform follow up procedures to obtain the reports. Amounts passed through to these subrecipients totaled \$4,134,000 during the year ended June 30, 2013.
- The standard checklist used by IEMA for A-133 desk reviews completed prior to May 2013 did not contain sufficient documentation to determine whether the audit reports met all audit requirements of OMB Circular A-133 and whether Type A programs were audited every three years. Of the subrecipients sampled for each program, we noted the deficient checklist was used for two Homeland Security subrecipients who expended \$8,000, respectively, during the year ended June 30, 2013.
- IEMA did not reconcile the federal expenditures reported in the schedule of expenditures of federal awards included in subrecipient A-133 reports to IEMA’s records for any subrecipients of the Public Assistance program selected for testwork.

Total awards passed through to subrecipients of the Public Assistance and Homeland Security Grant programs were approximately \$4,975,000 and \$111,199,000, during the year ended June 30, 2013.

According to OMB Circular A-133 \_\_\_\_400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance

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with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2013, a pass-through entity is required to 1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IEMA officials, they stated they have been working towards implementing new procedures for ensuring compliance. In addition, a new employee has been hired in the Public Assistance grant program to help perform these reviews.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner and issue management decisions in accordance with OMB Circular A-133 may result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 2013-068, 12-83, 11-90, 10-91)

#### **Recommendation:**

We recommend IEMA use its revised A-133 Audit Desk Review checklist and continue to evaluate the adequacy of the checklist as monitoring requirements continue to evolve.

#### **IEMA Response:**

IEMA agrees with the finding and is currently implementing a new checklist to serve as the standard guidance for employees agency-wide working on any grant program. The agency is also exploring the possibility of hiring one employee to perform one consolidated review for all grant programs.

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**State Agency:** Illinois Emergency Management Agency (IEMA)  
**Federal Agency:** U.S. Department of Homeland Security (USDHS)  
**Program Name:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
**CFDA # and Program Expenditures:** 97.036 (\$5,554,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-069** *Failure to Draw Funds Only for Immediate Cash Needs*

IEMA did not minimize the time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

During our review of 15 expenditures (totaling \$4,316,219) funded under the advanced basis related to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program, we noted warrants were not issued for 8 expenditure vouchers (totaling \$1,201,806) within three business days of receiving federal funds intended to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from 4 to 11 business days. Total expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program administered by IEMA were \$5,554,000 during the year ended June 30, 2013.

According to 44 CFR 13.21(b), grantees are required to implement methods and procedures for payment which minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of funds in accordance with the Treasury Regulations at 31 CFR part 205 (Treasury Regulations). The Treasury Regulations require programs with less than \$65,520,000 in expenditures follow Subpart B – Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State agreement. According to 31 CFR 205.33(a), grantees following Subpart B are required to implement procedures to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs, which based on discussions with Federal agencies, has been interpreted to be within 3 business days of receipt of federal funds. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures in place to minimize the time elapsing between the receipt of federal funds and their disbursement.

In discussing these conditions with IEMA personnel, they stated the agency is doing everything possible to minimize the amount of time between draws and expenditures but in some instances, unfortunately a three-day turnaround is just not possible.

Failure to draw and disburse federal funds in accordance with program regulations may result in an interest liability to the federal government. (Finding Code 2013-069, 12-85, 11-93, 10-93, 09-87)

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**Recommendation:**

We recommend IEMA implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.

**IEMA Response:**

IEMA agrees that 31 CFR 205.33(a) requires grantees to ensure that the timing and amount of fund transfers be as close as is administratively feasible to a State's actual cash outlay for program costs. We understand that Federal agencies have interpreted that to mean within three business days. Although we continually strive to time the draws as close as possible to the vouchering process, in some cases it is just not possible. IEMA plans to seek further guidance from the Department of Homeland Security in regards to acceptable timing under the above mentioned rule.

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**State Agency:** Illinois Emergency Management Agency (IEMA)

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

**Program Name:** Homeland Security Grant Program

**CFDA # and Program Expenditures:** 97.067 (\$117,242,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-070** *Inadequate Process to Obtain and Report Required Subaward Information*

IEMA does not have an adequate process to ensure all subaward information is properly obtained and reported as required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Homeland Security Grant program.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 for federal grants awarded on or after October 1, 2010. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the subaward agreement was signed, and (5) the subaward or other identifying number assigned by the State. As of the date of our testwork (October 31, 2013), we noted IEMA had not reported the required FFATA information for all subawards made in State fiscal year 2013 under the Homeland Security Grant program. Subaward information was required to be reported by November 30, 2012.

Additionally, during our review of 25 subrecipient awards (19 of which required to be reported under FFATA), we noted IEMA had not obtained DUNS number for six subrecipients (with expenditures totaling \$9,473,000 during the year ended June 30, 2013) prior to executing final grant award agreements. Total awards passed through to subrecipients of the Homeland Security Grant program during the year ended June 30, 2013 were approximately \$111,199,000.

According to 2 CFR 170, a pass through entity is required to report certain identifying information for each subaward of federal funds greater than or equal to \$25,000 no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/modification was made. Also, according to 2 CFR 25.110 and Appendix A to 2 CFR 25, a pass through entity is responsible for determining whether an applicant for non-ARRA assistance has provided a DUNS number as part of its subaward application or, if not, before award.

In addition, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure subawards are properly reported in accordance with FFATA and required information is obtained prior to issuance of final grant award agreements.

In discussing these conditions with IEMA personnel, they stated that subrecipients of federal preparedness funds are required to submit their DUNS number to IEMA at the time of application for

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funds. However, federal rules also require that IEMA obligates the local share of the Homeland Security Grant Program within 45 days of issuance of the federal award. This resulted in some of the DUNS numbers not being obtained. Additionally, the agency had problems uploading the FFATA reports into the federal system and tried a number of times.

Failure to report subawards under FFATA in a timely manner reduces the transparency of the federal spending to the public and results in noncompliance with federal regulations. Additionally, failure to obtain DUNS numbers results in noncompliance with program regulations. (Finding Code 2013-070, 12-86)

#### **Recommendation:**

We recommend IEMA establish procedures to: (1) report required subaward information in accordance with FFATA on a timely basis and (2) obtain DUNS numbers from subrecipients prior to issuing final grant awards.

#### **IEMA Response:**

We agree with the finding and will improve our process to ensure the FFATA reports are uploaded timely, or in the instances that there are federal system issues, we will document our attempts to upload the reports and ensure we are repeatedly following up. The agency will also ensure we collect all DUNS numbers from grantees.

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**State Agency:** Illinois State Police (State Police)  
**Federal Agency:** U.S. Department of Homeland Security (USDHS)  
**Program Name:** Homeland Security Grant Program  
**CFDA # and Program Expenditures:** 97.067 (\$117,242,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-071** *Failure to Maintain Accurate Equipment Inventory Records*

State Police did not consistently maintain accurate inventory records of equipment purchased with Homeland Security Cluster program funding.

During our physical observation of 40 pieces of equipment (totaling \$2,537,825) purchased with Homeland Security Grant Funds, we noted one item selected from the equipment inventory listing (with a cost value of \$48,279) was not tagged. The asset description included in the inventory records appear to be consistent with the asset tested; however, other identifying information (i.e. serial number) was not available or documented in the asset records to verify the asset.

In addition, we noted the State Police did not document supervisory review procedures performed over monthly inventory reconciliations completed for the months of July through December 2012.

As of June 30, 2013, the cumulative cost value of equipment purchased by the State Police with Homeland Security Cluster program funding was \$13,344,863.

According to the 2013 OMB Circular A-133 Compliance Supplement, a State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with the State's laws and procedures. According to the Illinois Compiled Statutes State Property Control Act, 30 ILCS 605/6.03, the record for each item of property shall contain such information as will in the discretion of the administrator provide for the proper identification thereof. The Illinois Administrative Rules (44 Ill. Adm. Code 5010.210) requires a unique identification number be assigned. The A-102 Common Rule requires non-Federal entities receiving Federal Awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure equipment inventory records are accurately maintained and supervisory reviews are adequately documented.

In discussing these conditions with State Police personnel, they stated that this piece of equipment must have been overlooked when a tag should have been applied. The officer in charge of this grant inventory stated that the tag number was hand written on the item. In regards to the reconciliations, the Public Safety Shared Service Center is responsible for the monthly inventory reconciliation process.

Failure to appropriately maintain inventory records and tag assets results in noncompliance with property management regulations. (Finding Code 2013-071, 12-88)

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#### **Recommendation:**

We recommend the State Police implement procedures to ensure all inventory items are appropriately tagged. Additionally, we recommend the State Police implement procedures to ensure supervisory reviews performed over monthly inventory reconciliations are documented.

#### **State Police Response:**

Agree. We have procedures in place for property management. Human oversight was the cause of one item allegedly not being tagged. This unit will be directed to have a second officer check all equipment items after being tagged to ensure that none are overlooked.

The Public Safety Shared Service Center is responsible for the monthly inventory reconciliations for the Illinois State Police. They are aware of the need to document supervisory reviews of the reconciliations and now have procedures in place.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Criminal Justice Information Authority (ICJIA)

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

**Program Name:** Justice Assistance Grant Cluster

**CFDA # and Program Expenditures:** 16.738/16.803ARRA (\$18,966,000)

**Award Numbers:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-072** *Failure to Review Subrecipient OMB Circular A-133 Audit Reports*

ICJIA did not review all OMB Circular A-133 audit reports for subrecipients of the Justice Assistance Grant (JAG) Cluster program.

During our review of 40 subrecipient monitoring files for the JAG Cluster program, we noted ICJIA did not perform a review of the A-133 reports for any of its subrecipients during fiscal year 2013. As a result, any management decisions were not issued within six months of receiving the OMB Circular A-133 audit report. ICJIA passed through approximately \$11,329,000 to subrecipients of the JAG Cluster program during the year ended June 30, 2013.

According to OMB Circular A-133 §\_\_\_,400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2013, a pass-through entity is required to: 1) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with ICJIA officials, they stated that the timing of the implementation of the ICJIA procedural changes did not leave enough time to not repeat the original finding.

Failure to review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. Additionally, failure to issue management decisions within six months of receiving OMB Circular A-133 audit reports results in noncompliance with federal regulations. (Finding Code 2013-072, 12-91)

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**Recommendation:**

We recommend ICJIA establish procedures to ensure all subrecipients receiving federal funds have audits performed in accordance with OMB Circular A-133 and management decisions are issued where required.

**ICJIA Response:**

We agree with this finding, which is a repeat of the 2012 finding, since the timing of the 2012 finding and the implementation of the ICJIA procedural changes did not leave enough time to not repeat the original finding. We have revised our procedure for obtaining and reviewing subrecipient OMB Circular A-133 Audit Reports to provide a mechanism for tracking whether the grantee has met the requirements for a Circular A-133 audit, date audit received and audit period in our Grant Management Information Systems software for all subrecipient grants. The Fiscal Management procedures have been changed to provide a checklist that determines if the required audits are completed within nine months of the end of the subrecipient's audit period, that a management decision is issued within six months after receipts of the subrecipient's audit report, and a follow up to ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. The Grants Unit management will be informed of any subrecipient who is unable or unwilling to have the required audits.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Governor’s Office of Management and Budget (GOMB)

**Federal Agency:** U.S. Department of Housing and Urban Development (USHUD)  
U.S. Department of Transportation (USDOT)

**Program Name:** CDBG – State-Administered Small Cities Program Cluster  
Airport Improvement Program  
High Speed Rail Corridors and Intercity Passenger Rail Service –  
Capital Assistance Grants

**CFDA # and Program Expenditures:** 14.228/14.255ARRA (\$96,861,000)  
20.106 (\$84,967,000)  
20.319/20.319ARRA (\$133,031,000)

**Award Number:** See schedule of award numbers

**Questioned Costs:** None

**Finding 2013-073** *Inadequate Procedures for Amending the Treasury-State Agreement*

The State does not have adequate procedures in place to ensure the Treasury-State Agreement (TSA) is amended in accordance with federal regulations.

Annually, the State of Illinois negotiates the TSA with the U.S. Department of the Treasury (the Treasury), which details the funding techniques to be used for the draw down of federal funds. The TSA is required to include all major federal assistance programs exceeding \$84,342,000 based on the most recent Statewide Single Audit Report; however, the State is also required to amend the TSA within 30 days of determining that a program will exceed the expenditure threshold.

During our audit, we noted the Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii, Airport Improvement Program, and High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants programs were expected to exceed the \$84,342,000 program expenditure threshold in fiscal year 2013 based on amounts awarded; however, the TSA was not amended to include these programs during fiscal year 2013.

According to 31 CFR 205.9(b), a State must use its most recent Single Audit report as a basis for determining the funding thresholds for major Federal assistance programs to be included in the TSA, and the TSA must be amended as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. According to 31 CFR 205.7(c), a State must notify the Treasury within 30 days of the time the State becomes aware of a change, and must describe the change in the notification. Amendments may address, but are not limited to, additions and deletions of Federal assistance programs subject to the TSA.

In discussing these conditions with GOMB personnel, they stated they stated that their revised procedures were put in place toward the end of fiscal year 2013, and it is possible that oversight led to the failure to amend in a timely fashion.

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

Failure to amend the TSA when required is a violation of the Cash Management Improvement Act (CMIA) and may result in interest liabilities being assessed to the State. (Finding Code 2013-073, 12-90, 11-100, 10-101)

**Recommendation:**

We recommend the State establish procedures to ensure the TSA is amended for any necessary changes in accordance with federal regulations.

**GOMB Response:**

GOMB agrees with the auditors' recommendation. We believe that as our adopted procedures become routine for agencies, compliance will improve. The agency continues to be in close communication with the federal Bureau of the Fiscal Service to improve the State's performance under the CMIA.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**State Agency:** Illinois Department of Central Management Services (DCMS)  
**Federal Agency:** U.S. Department of Agriculture (USDA)  
U.S. Department of Housing and Urban Development (USHUD)  
U.S. Department of Labor (USDOL)  
U.S. Department of Transportation (USDOT)  
U.S. Environmental Protection Agency (USEPA)  
U.S. Department of Education (USDE)  
U.S. Department of Health and Human Services (USDHHS)  
U.S. Department of Homeland Security (USDHS)

**Program Name:** SNAP Cluster  
Special Supplemental Nutrition Program for Women, Infants and Children  
CDBG – State-Administered Small Cities Program Cluster  
Employment Services Cluster  
Unemployment Insurance  
Workforce Investment Act Cluster  
Airport Improvement Program  
Highway Planning and Construction Cluster  
High Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants  
Surface Transportation Discretionary Grants for Capital Investment  
Clean Water State Revolving Fund  
Drinking Water State Revolving Fund  
Title I, Part A Cluster  
Special Education Cluster  
Federal Family Education Loans – Guaranty Program  
Rehabilitation Services – Vocational Rehabilitation Grants to States  
Twenty-First Century Community Learning Centers  
Improving Teacher Quality State Grants  
School Improvement Grants Cluster  
Aging Cluster  
Immunization Cluster  
Temporary Assistance for Needy Families Cluster  
Child Support Enforcement  
Low Income Home Energy Assistance Program  
Child Care Development Funds Cluster  
Foster Care – Title IV-E  
Adoption Assistance  
Social Services Block Grant  
Children’s Health Insurance Program  
Medicaid Cluster  
HIV Care Formula Grants  
Block Grants for the Prevention and Treatment of Substance Abuse  
Homeland Security Cluster

**STATE OF ILLINOIS**

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

**CFDA # and Program Expenditures:** 10.551/10.551ARRA/10.561/10.561ARRA (\$3,444,135,000)  
10.557 (\$222,911,000)  
14.228/14.255ARRA (\$96,861,000)  
17.207/17.801/17.804 (\$43,783,000)  
17.225/17.225ARRA (\$3,894,269,000)  
17.258/17.259/17.278 (\$121,632,000)  
20.106 (\$84,967,000)  
20.205/20.205ARRA/20.219 (\$1,429,781,000)  
20.319/20.319ARRA (\$133,031,000)  
20.932ARRA (\$28,657,000)  
66.458 (\$92,158,000)  
66.468 (\$40,724,000)  
84.010/84.389ARRA (\$614,380,000)  
84.027/84.173 (\$513,098,000)  
84.032G (\$208,597,000)  
84.126 (\$107,444,000)  
84.287 (\$48,533,000)  
84.367 (\$88,432,000)  
84.377/84.388ARRA (\$49,471,000)  
93.044/93.045/93.053 (\$55,063,000)  
93.268 (\$103,335,000)  
93.558/93.714ARRA (\$613,848,000)  
93.563 (\$134,785,000)  
93.568 (\$205,085,000)  
93.575/93.596 (\$212,167,000)  
93.658/93.658ARRA (\$188,901,000)  
93.659/93.659ARRA (\$82,231,000)  
93.667 (\$66,560,000)  
93.767 (\$348,937,000)  
93.775/93.777/93.778 (\$8,261,953,000)  
93.917 (\$45,862,000)  
93.959 (\$67,838,000)  
97.067 (\$117,242,000)

**Award Number:** See schedule of award numbers

**Questioned Costs:** Cannot be determined

**Finding 2013-074** Failure to Properly Maintain Procurement Records

DCMS did not properly retain documentation supporting procurements in accordance with the Illinois Procurement Code.

Certain administrative functions of the State, including purchases of goods and services, are coordinated on a State-wide basis and are billed to State agencies through the use of internal service funds. DCMS is responsible for the procurement and payment of such goods and services and the coordination of the billings through the internal service funds to all State agencies. State agencies may claim amounts billed by DCMS through the internal service funds to Federal programs.

## STATE OF ILLINOIS

### Schedule of Findings and Questioned Costs

For Year Ended June 30, 2013

During our testwork of 65 internal service fund expenditures (totaling approximately \$12,797,000), we noted the bid and contract file supporting one expenditure (totaling approximately \$505,700) could not be located for our testwork.

In accordance with 45 CFR 92.36(a), a State must follow the same policies and procedures it uses for procurements for its non-Federal funds. Section 20-155b of the Illinois Procurement Code (30 ILCS 500/20-155b) requires the procurement file to contain the basis on which the award is made, all submitted bids and proposals, all evaluation materials, score sheets and all other documentation related to or prepared in conjunction with evaluation, negotiation, and the award process. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Effective internal controls should include maintaining all required procurement documentation.

In discussing these conditions with DCMS officials, they stated that the one requested file was unable to be located. We believe the file was likely just misfiled or checked out to external parties and therefore not available for testing.

Failure to properly retain procurement records in accordance with the Illinois Procurement Code violates federal procurement regulations and may result in unallowable costs being claimed to federal programs. (Finding Code 2013-074)

#### **Recommendation:**

We recommend DCMS review its current process for maintaining procurement files and consider any changes necessary to ensure all required documentation is maintained in accordance with State and federal regulations.

#### **DCMS Response:**

The Department concurs. We strive to ensure that all required documentation is maintained per State and Federal regulations. We currently scan all procurement files for portfolios other than equipment and commodities (E&C). However we are looking into the possibility of beginning that process for the E&C portfolio. Due to the volume of these files it has not be attainable to date. In the interim we plan to utilize a checkout system so that files will be able to be located upon request.

**STATE OF ILLINOIS**  
 Schedule of Award Numbers  
 Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**

**Supplemental Nutrition Assistance Program Cluster (10.551/10.551ARRA/10.561/10.561ARRA):**

<b>Award Number</b>			
2011IQ390342	12IE2518	12S2520	2012IQ390342
2012IS251442	2012IS251942	2012IS803642	13IE2518
13S2520	2013IQ390342	2013IS251442	2013IS251942
2013IS803642			

**Special Supplemental Nutrition Program for Women, Infants, and Children (10.557):**

<b>Award Number</b>			
2011IW500342	2012IW500342	12W1003	12W1003SF
12W1006	13W1003	13W1006	

**Emergency Food Assistance Cluster (10.568/10.569):**

<b>Award Number</b>			
2013Y810542			

**Community Development Block Grant - State-Administered Small Cities Program Cluster (14.228/14.255ARRA):**

<b>Award Number</b>			
B-05-DC-17-0001	B-06-DC-17-0001	B-07-DC-17-0001	B-08-DC-17-0001
B-09-DC-17-0001	B-10-DC-17-0001	B-11-DC-17-0001	B-12-DC-17-0001
B-08-DF-17-0001	B-08-DI-17-0001		

**Edward Byrne Memorial Justice Assistance Grants Cluster (16.738/16.803ARRA):**

<b>Award Number</b>			
2008-DJ-BX-0034	2008-DJ-BX-0758	2009-DJ-BX-0023	2009-SU-B9-0055
2010-DJ-BX-0015	2011-DJ-BX-2214	2012-DJ-BX-0203	

**Employment Services Cluster (17.207/17.801/17.804):**

<b>Award Number</b>			
ES220621155A17	ES229941255A17	DV196381055517 / DV19638D34	DV196381055517 / DV19638D24
DV196381055517 / DV19638L24	DV196381055517 / DV19638L34		

**Unemployment Insurance Program (17.225):**

<b>Award Number</b>			
UI180180955A17	UI195801055A17	UI210971155A17	UI222741255A17
UI238891355A17	ES220621155A17	ES229941255A17	

**Workforce Investment Act Cluster (17.258/17.259/17.278):**

<b>Award Number</b>			
AA-20192-10-55-A-17	AA-21393-11-55-A-17	AA-22933-12-55-A-17	AA-24090-13-55-A-17

**Airport Improvement Program (20.106):**

<b>Award Number</b>			
3-17-0000-005	3-17-0022-96	3-17-0088-62	3-17-SBG-66
3-17-0000-006	3-17-0025-77	3-17-0088-63	3-17-SBG-69
3-17-0006-45	3-17-0025-78	3-17-0088-64	3-17-SBG-73
3-17-0006-48	3-17-0027-08	3-17-0088-66	3-17-SBG-74
3-17-0006-49	3-17-0027-09	3-17-0088-67	3-17-SBG-76
3-17-0006-53	3-17-0033-31	3-17-0096-48	3-17-SBG-80
3-17-0006-56	3-17-0033-33	3-17-0096-54	3-17-SBG-82
3-17-0006-57	3-17-0033-39	3-17-0096-55	3-17-SBG-84
3-17-0006-58	3-17-0065-27	3-17-0096-59	3-17-SBG-85
3-17-0006-59	3-17-0068-63	3-17-0096-60	3-17-SBG-87
3-17-0016-027	3-17-0068-67	3-17-0096-61	3-17-SBG-88
3-17-0016-028	3-17-0068-68	3-17-0096-62	3-17-SBG-89
3-17-0016-26	3-17-0068-69	3-17-0096-63	3-17-SBG-90
3-17-0022-106	3-17-0068-70	3-17-0146-029	3-17-SBG-91
3-17-0022-109	3-17-0068-72	3-17-0146-030	3-17-SBG-93
3-17-0022-115	3-17-0080-45	3-17-0146-28	3-17-SBG-94
3-17-0022-116	3-17-0080-51	3-17-SBG-100	3-17-SBG-95
3-17-0022-117	3-17-0080-52	3-17-SBG-101	3-17-SBG-96
3-17-0022-118	3-17-0080-56	3-17-SBG-102	3-17-SBG-97
3-17-0022-119	3-17-0080-57	3-17-SBG-104	3-17-SBG-98
3-17-0022-121	3-17-0080-58	3-17-SBG-62	3-17-SBG-99
3-17-0022-128	3-17-0088-61	3-17-SBG-64	

**STATE OF ILLINOIS**  
 Schedule of Award Numbers  
 Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**

**High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants Program (20.319/20.319ARRA):**

Award Number			
FR-HSR-0015-11-01-02	FR-HSR-0030-11-01-02	FR-HSR-0052-11-01-00	FR-HSR-0019-12-01-00
FR-HSR-0113-12-01-00			

**Formula Grants for Rural Areas (20.509/20.509ARRA):**

Award Number			
IL-18-X023	IL-18-X024	IL-18-X026	IL-18-X027
IL-18-X028	IL-18-X029	IL-86-X001	

**Surface Transportation Discretionary Grants for Capital Investment (20.932ARRA):**

Award Number			
0020054	0020055	0020057	0020059
0020060	6000331	9003709	

**Clean Water State Revolving Fund (66.458):**

Award Number			
CS17000110			

**Drinking Water State Revolving Fund (66.468):**

Award Number			
FS98577710	FS98577711		

**State Energy Program (81.041/81.041ARRA)**

Award Number			
DE-FG-07NT43162	DE-EE-0000119		

**Weatherization Assistance for Low-Income Persons (81.042/81.042ARRA)**

Award Number			
DE-EE0000490	DE-EE0000125		

**Title I, Part A Cluster (84.010/84.389ARRA):**

Award Number			
S010A100013	S010A110013	S010A120013	S389A090013A

**Special Education Cluster (84.027/84.173):**

Award Number			
H027A100072	H027A110072	H027A120072	H173A100101
H173A110101	H173A120101		

**Federal Family Education Loans (84.032G):**

Award Number			
None			

**Career and Technical Education - Basic Grants to States (84.048)**

Award Number			
V048A100013	V048A110013	V048A120013	

**Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126):**

Award Number			
H126A110018A	H126A110018B	H126A110018C	H126A110018F
H126A120018A	H126A120018B	H126A120018C	H126A120018F

**Twenty-First Century Community Learning Centers (84.287):**

Award Number			
S287C100013	S287C110013	S287C120013	

**Improving Teacher Quality State Grants (84.367):**

Award Number			
S367A100012	S367A110012	S367A120012	

**School Improvement Grants (84.377/84.388ARRA):**

Award Number			
S377A090014	S377A100014	S377A110014	S388A090014

**Education Jobs Fund (84.410ARRA)**

Award Number			
S410A100014			

**STATE OF ILLINOIS**  
 Schedule of Award Numbers  
 Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**

**Aging Cluster (93.044/93.045/93.053):**

Award Number			
12AAILNSIP	12AAILT3SP	13AAILNSIP	13AAILT3SP

**Public Health Emergency Preparedness (93.069)**

Award Number			
5U90TP516966-10	2U90TP516966-11		

**Immunization Grants Program (93.268):**

Award Number			
1-H23IP000722-01	5-H23IP522568-10		

**Centers for Disease Control and Prevention - Investigations and Technical Assistance (93.283):**

Award Number			
5U58DP003883-01			

**Temporary Assistance for Needy Families Cluster (93.558/93.714ARRA):**

Award Number			
G1201ILTANF	G1301ILTANF	Z0901ILTANF2	

**Child Support Enforcement (93.563):**

Award Number			
1104IL4004	1204IL4005	1304IL4005	

**Low Income Home Energy Assistance Program (93.568):**

Award Number			
G-1102ILLIEA	G-1202ILLIEA		

**Child Care Development Fund Cluster (93.575/93.596):**

Award Number			
G1201ILCCDF	G1301ILCCDF		

**Child Welfare Services - State Grants (93.645):**

Award Number			
G-1101IL1400	G-1201IL1400	G-1301ILCWSS	

**Foster Care - Title IV-E (93.658/93.658ARRA):**

Award Number			
1101IL1404	1201IL1401	1301IL1401	

**Adoption Assistance (93.659/93.659ARRA):**

Award Number			
1101IL1405	1201IL1407	1201IL1405	1301IL1407

**Social Services Block Grant (93.667)**

Award Number			
G1201ILSOSR	G1301ILSOSR		

**Children's Health Insurance Program (93.767):**

Award Number			
05-1105IL5021	05-1205IL5021	05-1105ILCPBP	05-1205ILCPBP

**Medicaid Cluster (93.775/93.777/93.778):**

Award Number			
05-1205IL5ADM	05-1305IL5ADM	05-1205ILIMPL	05-1305ILIMPL
05-1205ILINCT	05-1305ILINCT	05-1205IL5MAP	05-1305IL5MAP

**HIV Care Formula Grants (93.917):**

Award Number			
2X07HA00012-22-00	2H08HA16837-04-00	1X09HA24704-01-00	6X09HA23303-02-01

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

Award Number			
11B1ILSAPT	12B1ILSAPT	13B1ILSAPT	

**STATE OF ILLINOIS**  
Schedule of Award Numbers  
Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**

**Disaster Grants Public Assistance (Presidentially Declared Disasters) (97.036):**

<b>Award Number</b>			
IL02PA1416	1771DRILP00000001	1850DRILP00000001	1991DRILP00000001
1800DRILP00000001	1935DRILP00000001	1960DRILP00000001	1729DRILP00000001
1826DRILP00000001			

**Homeland Security Cluster (97.067):**

<b>Award Number</b>			
2008GET80012	2009SST90031	2010SST00026	EMW2011SS00035
EMW2012SS00039			

**STATE OF ILLINOIS**  
 Schedule of Award Numbers  
 Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**  
**Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):**

Project Number												
0001068	0020031	0041098	0067082	0089123	0113028	0165028	0191063	0301069	0312034	0325050	0334020	0348041
0001091	0020032	0041100	0067083	0089127	0113032	0165034	0191064	0301070	0312036	0325051	0334021	0348044
0001105	0020039	0041132	0067130	0089133	0113033	0165035	0193038	0301071	0312038	0325055	0334113	0348046
0001108	0020040	0041134	0067136	0089134	0113034	0165037	0193051	0301072	0312040	0325057	0335013	0348047
0001109	0020041	0042096	0067137	0089137	0115065	0167053	0193054	0301074	0312041	0326047	0335099	0348049
0001112	0020042	0042099	0067138	0089138	0115068	0167057	0193058	0301075	0312125	0326060	0336004	0348144
0001113	0020043	0042102	0067140	0089142	0116051	0167061	0193059	0303046	0313021	0326073	0336010	0349016
0003099	0020044	0042103	0067145	0089147	0116055	0167064	0193063	0303049	0313022	0326074	0336021	0349017
0003126	0020045	0042104	0068104	0089149	0116056	0167065	0197097	0303050	0314003	0326080	0336029	0350019
0003127	0020047	0042106	0068107	0089151	0116057	0169038	0197099	0303051	0315043	0326082	0336030	0350025
0005054	0020048	0043020	0068108	0089155	0117069	0169039	0197106	0303052	0315046	0326083	0336031	0350030
0005409	0020050	0043022	0068109	0089160	0117071	0171034	0197109	0303053	0315047	0326084	0336035	0350036
0006034	0020051	0043023	0068110	0089161	0117075	0171035	0197110	0303054	0315053	0327030	0336036	0350038
0009221	0020052	0043024	0068111	0089163	0117077	0173153	0197112	0303144	0315056	0327041	0336045	0351017
0009222	0020053	0043025	0069011	0089167	0119067	0173161	0197118	0304028	0315057	0327042	0336049	0351018
0010003	0020061	0043026	0071055	0090102	0121052	0173165	0197119	0304042	0315059	0327046	0336051	0351023
0010076	0020062	0043027	0071061	0091069	0121053	0173166	0199026	0304043	0315061	0327050	0337010	0351108
0010078	0020063	0043028	0071065	0091071	0121056	0173169	0199039	0304044	0315062	0327051	0338032	0352014
0011070	0021047	0045047	0071118	0091072	0121057	0173170	0201026	0305036	0316036	0327052	0338034	0352015
0011071	0021069	0047034	0071120	0091128	0121058	0173171	0201028	0305038	0316037	0327055	0338035	0353019
0011072	0021163	0047035	0072103	0093014	0121060	0173175	0201031	0305043	0316038	0327058	0338037	0353020
0011075	0021178	0047037	0072104	0094016	0125017	0173177	0201032	0305044	0316039	0327103	0338042	0353021
0011077	0021179	0049111	0073058	0094105	0125018	0173179	0203023	0305046	0316110	0328023	0338043	0358102
0011079	0022074	0049147	0073061	0095052	0127018	0175026	0203105	0305050	0316111	0328025	0338044	0360013
0011080	0022078	0049154	0073103	0095054	0127022	0175101	0206113	0305999	0317016	0328026	0338045	0362001
0011081	0022079	0049158	0073104	0095056	0129020	0177033	0206115	0307012	0317079	0328028	0338103	0362002
0011082	0022080	0049159	0074010	0095057	0129022	0177034	0206118	0307028	0317081	0328029	0339028	0365012
0011083	0025061	0049160	0075136	0095128	0129023	0177035	0209004	0307029	0317085	0328030	0341024	0365013
0011084	0025063	0049201	0075137	0095130	0129025	0177038	0209006	0307030	0317086	0329013	0341035	0365014
0011085	0025064	0051083	0075138	0095132	0131049	0178104	0209007	0307031	0317088	0329105	0341046	0365105
0011086	0025069	0051090	0075140	0099039	0131051	0178105	0209017	0307033	0317089	0330042	0341048	0366003
0011087	0025070	0051091	0075141	0099041	0131052	0179028	0209019	0307035	0317090	0330046	0341049	0366007
0011100	0026003	0051092	0075142	0099046	0132131	0179031	0209020	0307036	0317091	0330049	0341050	0369010
0011102	0026104	0052109	0075143	0101034	0132132	0179034	0209021	0307037	0317092	0330057	0341051	0370005
0011105	0026105	0053101	0075144	0101035	0132133	0179035	0209026	0308033	0317093	0330063	0341053	0370010
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0011114	0027042	0055058	0075148	0101041	0137027	0179038	0214109	0308036	0317106	0330066	0342009	0372010
0011115	0027043	0055059	0075152	0101042	0137029	0181042	0214111	0308037	0317108	0330068	0343017	0374013
0011117	0028107	0055060	0075153	0103063	0139061	0181045	0217102	0308038	0317111	0330069	0344037	0374014
0011118	0029106	0055061	0075156	0103069	0140004	0181047	0217105	0308039	0317115	0330071	0344040	0376002
0011119	0029113	0055068	0075157	0103070	0141067	0181050	0217106	0308103	0318013	0330072	0344041	0376109
0011120	0029115	0055071	0076104	0103071	0141068	0181057	0231110	0309011	0318014	0330073	0344051	0377038
0013011	0029282	0055105	0077051	0103138	0141069	0181103	0242003	0309012	0318015	0330074	0344053	0378007
0013134	0029289	0055400	0077053	0103139	0142006	0183301	0246092	0309014	0319111	0331048	0344054	0379004
0013135	0029293	0057005	0077054	0104020	0143037	0183302	0248105	0310013	0319112	0331049	0344055	0379101
0013136	0031027	0057100	0077057	0105048	0143048	0183303	0248106	0310088	0320026	0331050	0344060	0387005
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0015043	0031034	0059020	0077061	0105050	0145019	0183308	0258104	0310129	0320037	0331054	0345045	0389005
0015045	0031108	0059021	0077063	0105052	0145037	0183309	0260105	0310136	0320038	0331055	0345053	0389104
0015048	0033007	0061050	0079133	0105053	0145040	0183310	0267106	0310139	0321014	0331056	0345056	0391015
0017114	0034028	0061051	0079147	0105054	0149001	0183311	0277103	0310140	0321116	0331057	0345212	0391025
0017121	0034102	0061053	0081052	0107037	0149040	0183312	0287106	0310141	0321117	0331059	0346014	0391031
0017122	0034107	0061054	0081063	0109051	0149041	0183313	0296102	0310142	0322067	0331060	0346015	0391032
0017124	0035040	0063059	0081065	0109053	0149042	0183314	0297003	0310145	0322091	0331061	0347015	0392008
0017128	0036107	0063060	0081067	0109054	0156059	0184107	0299105	0310146	0322092	0331063	0347016	0393007
0019008	0037051	0063100	0083041	0109055	0157041	0185031	0299106	0310148	0322094	0331119	0347017	0393009
0019125	0037053	0063106	0083044	0109057	0157042	0185032	0301040	0310149	0322109	0331151	0347023	0397004
0019126	0037054	0063110	0083047	0111049	0157043	0185103	0301047	0310150	0323028	0332091	0347024	0397005
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0019128	0037056	0065045	0085049	0111053	0162009	0188117	0301059	0311033	0323031	0332110	0347027	0399009
0019129	0037058	0065047	0085053	0111056	0162010	0188118	0301061	0311040	0324014	0332111	0347029	0400011
0019130	0040011	0065049	0085055	0111058	0162012	0188119	0301064	0311043	0324016	0332113	0348032	0400106
0019131	0041091	0065050	0087109	0111061	0163032	0191059	0301065	0311044	0324019	0333015	0348034	0400107
0020011	0041092	0067076	0087130	0111064	0163033	0191062	0301066	0311045	0324020	0334019	0348040	0407001

**STATE OF ILLINOIS**  
 Schedule of Award Numbers  
 Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**  
**Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):**

<b>Project Number</b>												
0422107	0554175	0574132	0614031	0662066	0726056	0761010	0823009	0921105	1285103	1566004	2008114	2775003
0423105	0554176	0574205	0614032	0662067	0726060	0761011	0823012	0921106	1312001	1570001	2008125	2783007
0432125	0554325	0574206	0614033	0664102	0726061	0761012	0824014	0923001	1317103	1570002	2008127	2806050
0447107	0555001	0574207	0615005	0665007	0729014	0769011	0826114	0923105	1319001	1572001	2008132	2812009
0452116	0555110	0574209	0619020	0665009	0732147	0770015	0827005	0924123	1320004	1573001	2008134	2815103
0461119	0555111	0575195	0622006	0665012	0733007	0770106	0828023	0924124	1321017	1573002	2008136	2817102
0464104	0555112	0575196	0622009	0666021	0733110	0776024	0828105	0927109	1321019	1574002	2010137	2818109
0470108	0555113	0575312	0623024	0666022	0733111	0776028	0832014	0932190	1321021	1582106	2040001	2818110
0473108	0555205	0576185	0623025	0669032	0733112	0778007	0836029	0934106	1322123	1582107	2040002	2826106
0493103	0556225	0576186	0623026	0669033	0734044	0779010	0836030	0937115	1323001	1585100	2052001	2831002
0502015	0556227	0576190	0623030	0670023	0734103	0783107	0836114	0937116	1324006	1587003	2076103	2840001
0502110	0556229	0576191	0623031	0674007	0736111	0785032	0840060	0938113	1327001	1587006	2079105	2843007
0505020	0556232	0576192	0623106	0678107	0738109	0785033	0840064	0942244	1340009	1588108	2081100	2845006
0505023	0556234	0576194	0623107	0680003	0741097	0786008	0840065	0942246	1343104	1588109	2106002	2845007
0505024	0556236	0576307	0624111	0680109	0741099	0786009	0840066	0942247	1345103	1595104	2111103	2857009
0506012	0556238	0577276	0624112	0681036	0741100	0788005	0840067	0943340	1346001	1598050	2179109	2870001
0510034	0556239	0577277	0626006	0681038	0741104	0788112	0846019	0943347	1350002	1600001	2179111	2881102
0510037	0556242	0577281	0627012	0681042	0741105	0789044	0846022	0943369	1360105	1600002	2199001	2882105
0510038	0556243	0577282	0627106	0681044	0741106	0789048	0846023	0943394	1360108	1603102	2267001	2903061
0514011	0556244	0577284	0635107	0685026	0741107	0789049	0846025	0943399	1362114	1610102	2269001	2903063
0517057	0556245	0577285	0638023	0685032	0741109	0789050	0848123	0943406	1365111	1620007	2295001	2903064
0517058	0556246	0577286	0638110	0685034	0742123	0793021	0849012	0943417	1365113	1620050	2295002	2903107
0517059	0556247	0577288	0639018	0686011	0742129	0794107	0852012	0943419	1378103	1631001	2312107	2904115
0517109	0557258	0577289	0639019	0690010	0742130	0794108	0852013	0949001	1381001	1706105	2356003	2904116
0520001	0557259	0577290	0641116	0693065	0742131	0796013	0855006	0958001	1381106	1707104	2361107	2904117
0520002	0557260	0577291	0641118	0693066	0742133	0796014	0856022	0960106	1384111	1720102	2368111	2907002
0520003	0557261	0577292	0641121	0696106	0742134	0796016	0856026	0963001	1386002	1721002	2400105	2916004
0520004	0557263	0577294	0641122	0696108	0742135	0796017	0865006	0985002	1386005	1737104	2401102	2937004
0522008	0557264	0580105	0641125	0697029	0742136	0797123	0866007	0985003	1386007	1746107	2421002	2937005
0524001	0559007	0582030	0641126	0697032	0742137	0798005	0866011	0998001	1388001	1749102	2429003	2937050
0524004	0559104	0582031	0641128	0698022	0744228	0801145	0869039	0999002	1388102	1756100	2463001	2943016
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0524006	0561029	0585008	0642047	0698032	0744231	0802065	0869041	0999004	1405002	1780122	2473150	2961100
0525117	0562013	0586039	0642119	0698033	0744233	0802067	0869107	1018002	1419007	1785101	2503012	2992001
0525118	0562103	0587020	0642121	0698034	0744238	0803126	0870010	1019003	1419010	1801101	2503018	3000037
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0533011	0566107	0591023	0644088	0701183	0744244	0803137	0872101	1036003	1459004	1818106	2557216	3000043
0533102	0567097	0591024	0645112	0702234	0744245	0803138	0873032	1036004	1463001	1832101	2557217	3000044
0534008	0567116	0591026	0645150	0702235	0745060	0803150	0876063	1042106	1467007	1848106	2592002	3000045
0534009	0567117	0592041	0646063	0704098	0745152	0804185	0876075	1043109	1468004	1857124	2592103	3000046
0535103	0567127	0592049	0646072	0704140	0745161	0804189	0876104	1074102	1472104	1877111	2601106	3000047
0537013	0568102	0592050	0646074	0704141	0745162	0804190	0880106	1077101	1472105	1877112	2605001	3000048
0538010	0569106	0595031	0646075	0704142	0745165	0804191	0881116	1099002	1501010	1878109	2607001	3000049
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0543001	0572146	0596105	0649016	0709026	0746158	0804193	0885041	1149100	1515001	1879117	2658103	3033001
0543105	0572148	0597103	0650008	0709027	0746159	0804194	0885043	1155001	1517111	1881113	2688002	3045003
0544104	0572151	0599024	0653029	0709028	0746160	0805057	0885044	1166001	1517112	1897107	2692003	3056001
0548103	0572153	0599025	0654019	0711011	0746161	0805060	0885046	1177111	1517113	1918116	2692004	3162001
0551080	0572155	0600058	0656011	0711012	0748110	0805067	0887002	1179101	1519004	1919106	2697005	3163002
0551081	0572304	0600060	0656112	0711013	0749022	0805071	0887003	1180003	1527009	1964001	2703102	3183001
0551082	0572305	0600061	0657003	0711109	0749024	0805072	0892107	1190105	1527012	1964003	2703103	3246003
0551084	0573156	0600062	0657007	0713008	0752005	0805073	0892108	1191003	1527015	1984001	2705083	3246004
0552122	0573159	0603115	0657008	0714017	0753028	0805074	0897008	1207102	1527025	1984002	2705084	3260002
0553137	0573160	0607077	0657100	0716013	0753036	0805075	0898108	1231009	1527027	1984003	2706104	3261001
0553142	0573161	0608021	0658025	0717026	0753038	0805108	0901032	1233103	1527029	1984004	2711018	3424011
0553148	0573162	0608111	0658026	0717029	0753039	0809004	0903215	1252101	1527032	1985001	2711019	3461003
0553150	0573163	0609016	0662050	0717031	0753040	0809105	0904116	1257001	1527034	2008102	2714003	3462002
0553153	0573316	0609109	0662054	0721078	0753041	0812002	0904117	1271107	1527035	2008103	2722001	3463006
0553154	0573317	0611012	0662055	0721080	0753042	0815103	0904210	1279001	1527036	2008104	2742006	3465002
0554169	0573319	0612015	0662061	0721082	0754011	0817008	0905083	1279103	1531100	2008106	2743001	3466001
0554170	0573320	0613017	0662062	0721221	0755113	0817009	0912002	1279108	1536106	2008107	2744002	3510001
0554172	0574130	0613020	0662063	0722093	0757009	0817010	0913050	1279111	1551010	2008108	2746015	3525003
0554173	0574131	0614025	0662065	0723007	0758013	0821044	0919110	1285004	1560001	2008113	2774002	3537006

**STATE OF ILLINOIS**  
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**Name of Federal Program or Cluster (CFDA #)**  
**Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):**

Project Number												
3562006	4008544	4064003	5013015	5093138	6000231	6757005	8003602	8003935	9003127	9003304	9003529	9003689
3565003	4009004	4065002	5014009	5093151	6000232	6758002	8003609	8003936	9003128	9003305	9003530	9003690
3565004	4009007	4065006	5015005	5093153	6000237	7003372	8003612	8003939	9003130	9003313	9003537	9003696
3565005	4009008	4066003	5016040	5093154	6000238	7003530	8003622	8003949	9003132	9003319	9003538	9003699
3576002	4009010	4068002	5017041	5094003	6000239	7003539	8003637	8003950	9003136	9003332	9003541	9003705
3578006	4009012	4070001	5017042	5094004	6000241	7003716	8003643	8003956	9003146	9003337	9003544	9003715
3578010	4009025	4071001	5017043	5099065	6000242	7003750	8003644	8003957	9003147	9003343	9003548	9003716
3581001	4009028	4072001	5017046	5099070	6000244	7003868	8003659	8003966	9003153	9003345	9003549	9003720
3596002	4009032	4074001	5017047	5099075	6000257	7003885	8003660	8003968	9003157	9003348	9003555	9003721
3597003	4009037	4076001	5017048	5099076	6000258	7003913	8003661	8003971	9003159	9003352	9003557	9003722
3638011	4009039	4081001	5018015	5099080	6000263	7003939	8003676	8003979	9003162	9003353	9003558	9003725
3644001	4009041	4085007	5018017	5099085	6000264	7003952	8003681	8003983	9003163	9003355	9003559	9003732
3650001	4009043	4086002	5021025	5099100	6000265	7003960	8003711	8003985	9003164	9003366	9003563	9003733
3666011	4009047	4091014	5021027	5099105	6000269	7003964	8003722	8003993	9003166	9003367	9003566	9003735
3738011	4009051	4094001	5022010	5099106	6000271	7003976	8003736	8003994	9003167	9003372	9003569	9003738
3774011	4009052	4097003	5023011	5099108	6000274	7003985	8003740	8003997	9003169	9003382	9003571	9003743
3778001	4009054	4099001	5024030	5146061	6000280	7623001	8003744	8003998	9003177	9003383	9003574	9003746
3865011	4009055	4112001	5025040	5146063	6000282	7968001	8003748	8006005	9003178	9003384	9003575	9003748
3887002	4009060	4116001	5025050	5146064	6000283	8003021	8003772	8012013	9003181	9003385	9003579	9003749
3887003	4009062	4117001	5025052	5146065	6000284	8003032	8003773	8159001	9003182	9003395	9003583	9003753
3887005	4009063	4747103	5025054	5146067	6000285	8003038	8003776	8173001	9003185	9003396	9003585	9003756
3887006	4009064	4747104	5027009	5146073	6000286	8003040	8003790	8354001	9003188	9003399	9003588	9003757
3887007	4009065	5000914	5027010	5146074	6000287	8003043	8003791	9003011	9003190	9003411	9003590	9003761
3887008	4009067	5000993	5027011	5146077	6000290	8003050	8003792	9003015	9003191	9003412	9003592	9003762
3923011	4009070	5000994	5029010	5169046	6000293	8003058	8003797	9003017	9003192	9003420	9003595	9003768
3968011	4009075	5001003	5032028	5181047	6000294	8003060	8003798	9003024	9003193	9003421	9003596	9003772
4000044	4009076	5002021	5033008	5181048	6000295	8003076	8003808	9003026	9003195	9003423	9003598	9003773
4000047	4009083	5005011	5034017	5181051	6000297	8003100	8003809	9003029	9003197	9003425	9003606	9003774
4003005	4009084	5009005	5034024	5227039	6000298	8003111	8003813	9003034	9003199	9003426	9003611	9003777
4003009	4009085	5011192	5034025	5227046	6000299	8003121	8003816	9003035	9003202	9003427	9003612	9003779
4003012	4009086	5011197	5035014	5227054	6000300	8003148	8003818	9003037	9003204	9003428	9003614	9003784
4003021	4009087	5011210	5036027	5291016	6000301	8003216	8003820	9003042	9003205	9003429	9003615	9003788
4003022	4009103	5011228	5039011	5564002	6000302	8003230	8003823	9003043	9003206	9003435	9003616	9003796
4003030	4009104	5011230	5040009	5855003	6000303	8003271	8003827	9003044	9003207	9003437	9003617	9003798
4003074	4009106	5011245	5041019	5857001	6000305	8003295	8003831	9003050	9003208	9003441	9003618	9003801
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4003131	4009121	5011272	5052027	6000080	6000313	8003404	8003851	9003059	9003220	9003472	9003632	9003818
4003145	4009123	5011278	5054008	6000082	6000315	8003426	8003854	9003060	9003227	9003474	9003633	9003822
4003146	4009124	5011279	5056016	6000108	6000316	8003432	8003856	9003063	9003234	9003476	9003634	9003823
4003147	4009135	5011282	5057006	6000111	6000324	8003434	8003857	9003065	9003241	9003481	9003637	9003826
4003149	4009149	5011285	5059104	6000122	6000325	8003444	8003867	9003072	9003242	9003484	9003639	9003828
4008006	4009153	5011287	5060008	6000123	6000326	8003453	8003868	9003073	9003243	9003485	9003643	9003833
4008007	4009172	5011293	5061014	6000130	6000327	8003471	8003870	9003077	9003244	9003491	9003644	9003838
4008008	4009174	5011297	5062028	6000133	6000328	8003473	8003873	9003078	9003247	9003493	9003645	9003841
4008011	4009175	5011301	5062029	6000154	6000334	8003492	8003879	9003080	9003251	9003495	9003650	9003842
4008013	4009180	5011304	5066013	6000155	6000336	8003502	8003880	9003081	9003258	9003496	9003659	9003843
4008018	4009181	5011306	5066016	6000167	6000337	8003503	8003881	9003082	9003260	9003500	9003660	9003847
4008021	4009182	5011307	5067018	6000171	6000339	8003504	8003888	9003086	9003262	9003503	9003662	9003855
4008025	4009183	5011315	5071010	6000173	6000341	8003506	8003892	9003097	9003263	9003504	9003664	9003860
4008026	4009188	5011317	5071013	6000176	6000344	8003508	8003894	9003100	9003266	9003505	9003665	9003863
4008027	4009193	5011318	5074084	6000181	6000345	8003518	8003895	9003102	9003267	9003506	9003667	9003869
4008032	4009198	5011319	5074088	6000184	6000346	8003520	8003904	9003103	9003270	9003508	9003668	9003871
4008089	4009223	5011327	5074089	6000191	6000350	8003527	8003911	9003104	9003275	9003509	9003669	9003876
4008090	4009231	5011328	5076007	6000198	6000351	8003533	8003913	9003107	9003278	9003511	9003670	9003878
4008108	4009236	5011329	5080006	6000201	6000374	8003542	8003917	9003108	9003279	9003513	9003671	9003879
4008110	4009242	5011339	5093099	6000202	6000529	8003543	8003919	9003110	9003280	9003514	9003673	9003883
4008111	4009245	5011362	5093107	6000206	6003881	8003546	8003921	9003113	9003287	9003520	9003677	9003886
4008112	4052001	5011367	5093108	6000211	6176002	8003553	8003922	9003116	9003294	9003522	9003678	9003887
4008114	4053001	5011370	5093113	6000215	6578002	8003560	8003923	9003119	9003295	9003524	9003680	9003890
4008115	4054001	5012016	5093119	6000216	6578003	8003569	8003925	9003124	9003297	9003526	9003681	9003893
4008511	4056001	5013013	5093127	6000217	6658003	8003580	8003932	9003125	9003298	9003527	9003684	9003896
4008535	4064002	5013014	5093129	6000218	6757004	8003594	8003933	9003126	9003299	9003528	9003686	9003900

**STATE OF ILLINOIS**  
 Schedule of Award Numbers  
 Year ended June 30, 2013

**Name of Federal Program or Cluster (CFDA #)**  
**Highway Planning and Construction Cluster (20.205/20.205ARRA/20.219):**

<b>Project Number</b>													
9003901	9257005	000S600	000S806	000S859	000S905	00D1718	00D1827	00D3056	00D6085	00D8114	02IL023	IL10001	
9003903	9481002	000S602	000S808	000S861	000S906	00D1728	00D1829	00D3058	00D6086	00D8118	02IL088	IL10004	
9003905	9517302	000S604	000S810	000S862	000S907	00D1731	00D1832	00D3059	00D6089	00D8120	08IL003	IL10100	
9003906	9588003	000S608	000S813	000S863	000S908	00D1742	00D1833	00D3061	00D6091	00D8131	08IL014	IL10101	
9003907	000S043	000S609	000S815	000S865	000S909	00D1744	00D1834	00D3066	00D6093	00D8142	08IL022	IL10102	
9003908	000S363	000S610	000S816	000S866	000S910	00D1753	00D1838	00D3067	00D6094	00D8144	D001672	IL10103	
9003909	000S371	000S611	000S817	000S867	000S912	00D1756	00D1839	00D3070	00D6095	00D8145	D001711	IL10105	
9003918	000S376	000S614	000S820	000S869	000S914	00D1761	00D1841	00D3072	00D6096	00D8153	D001766	IL11036	
9003919	000S378	000S646	000S822	000S870	000S915	00D1767	00D1842	00D3073	00D6097	00D8155	IL05001	ILSB806	
9003920	000S379	000S658	000S824	000S871	000S916	00D1768	00D1845	00D4083	00D6098	00D8161	IL06016	9003709	
9003928	000S385	000S659	000S825	000S872	000S917	00D1769	00D1848	00D4085	00D6099	00D8165	IL07001	2001019	
9003929	000S428	000S660	000S826	000S874	000S918	00D1777	00D1850	00D4098	00D6100	00D8175	IL07002	2003003	
9003934	000S471	000S664	000S828	000S876	000S922	00D1780	00D1853	00D4100	00D6102	00D8179	IL07005	2007001	
9003936	000S478	000S666	000S829	000S877	000S923	00D1781	00D1855	00D4101	00D6103	00D8183	IL07022	2007003	
9003937	000S484	000S672	000S830	000S878	00D1479	00D1795	00D1856	00D4102	00D6107	00D8186	IL07023	2007018	
9003938	000S486	000S676	000S832	000S879	00D1627	00D1796	00D1859	00D4103	00D6108	00D8836	IL07027	2007036	
9003939	000S489	000S677	000S835	000S880	00D1632	00D1798	00D1861	00D4105	00D6109	00D9083	IL08001	2008009	
9003941	000S518	000S679	000S836	000S881	00D1633	00D1802	00D1862	00D4107	00D7021	00D9084	IL08003	2008010	
9003943	000S519	000S683	000S837	000S882	00D1639	00D1804	00D1872	00D4110	00D7035	00D9091	IL08021	2008011	
9003949	000S531	000S686	000S838	000S883	00D1642	00D1805	00D1873	00D4112	00D7037	00D9094	IL08024	2008015	
9003950	000S539	000S688	000S839	000S884	00D1652	00D1808	00D1880	00D4116	00D7038	00D9095	IL08027	2008021	
9003954	000S541	000S689	000S840	000S886	00D1653	00D1809	00D1891	00D4117	00D7039	00D9098	IL08030	2008029	
9003955	000S543	000S690	000S841	000S890	00D1664	00D1810	00D2090	00D4118	00D7040	00D9106	IL08031	2009003	
9003964	000S547	000S692	000S847	000S891	00D1666	00D1812	00D2094	00D5087	00D7042	00D9107	IL09020	2009004	
9003969	000S548	000S694	000S848	000S892	00D1667	00D1814	00D2113	00D5091	00D7043	00D9110	IL09021	2009005	
9003976	000S554	000S695	000S849	000S893	00D1673	00D1815	00D2114	00D5095	00D7047	00D9112	IL09023	2009006	
9003977	000S556	000S696	000S850	000S894	00D1680	00D1818	00D2139	00D5096	00D7051	00D9113	IL09024	2009007	
9003980	000S558	000S697	000S851	000S896	00D1683	00D1819	00D2140	00D5097	00D7054	00D9121	IL09025	2009008	
9003982	000S561	000S701	000S852	000S897	00D1691	00D1820	00D2142	00D5098	00D7055	00DC053	IL09026	2009009	
9003987	000S564	000S703	000S854	000S898	00D1701	00D1821	00D2143	00D5099	00D7056	00EP111	IL09028	2009011	
9117003	000S573	000S704	000S855	000S899	00D1702	00D1822	00D2145	00D5100	00D7058	00EP114	IL09031	2009012	
9166019	000S577	000S800	000S856	000S901	00D1705	00D1823	00D2147	00D5101	00D8110	00HP017	IL09033	2009013	
9170002	000S579	000S802	000S857	000S903	00D1710	00D1824	00D2149	00D6079	00D8111	00SP009	IL09034	2009014	
9251011	000S594	000S805	000S858	000S904	00D1712	00D1825	00D2151	00D6084	00D8113	02IL009	IL09042	2009015	