



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

STATE OF ILLINOIS STATEWIDE SINGLE AUDIT REPORT

SINGLE AUDIT
For the Year Ended June 30, 2017

Release Date: May 15, 2018

FINDINGS THIS AUDIT: 72				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
				2016	16,24,25,27,28,33,36, 44,45,47,62,69,70,72		
				2015	2,9,17,20,42,48,53		
				2014	8,26,34,46,50,55	40	
				2013	11,14,54,57,58		
				2012	6,7,19,32,63		
				2011	12,13,15,38,56,59		
				2010	18		
				2008	49		
				2007	3,37		
				2005	39		
				2003	5		
				2002	1		
				2001	4		
				1999	35		
Category 1:	<u>New</u> 18	<u>Repeat</u> 52	<u>Total</u> 70				
Category 2:	1	1	2				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	19	53	72				
FINDINGS LAST AUDIT: 73							

SYNOPSIS

- The State expended approximately \$27.5 billion from federal awards in FY17.
- A total of 30 programs or program clusters were classified and audited as major programs at thirteen (13) State agencies. These programs constituted approximately 94.0% of all federal spending, or about \$25.9 billion. In addition, 44 State agencies expended federal financial assistance in FY17. Eleven (11) State agencies accounted for about 98.8% of federal dollars spent.

Statewide Finding – Financial Reporting

- The State of Illinois does not have an adequate process in place to permit the timely and accurate completion of the Schedule of Expenditures of Federal Awards. As a result, the State has a *material weakness* on all federal programs for financial reporting.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with laws and regulations.

Auditors' Adverse Opinion on the Aging Cluster Program

- The Illinois Department on Aging (IDOA):
 - did not properly draw and report cash advances made under the Aging Cluster program. IDOA staff had performed cash draws against Federal fiscal 2012 Aging Cluster grant awards in advance of anticipated expenditures expected to be reported by its subrecipients in Federal fiscal year 2015. It was later determined by IDOA personnel that these expenditures had not been incurred as expected which resulted in a cash advance relative to the Federal fiscal year 2012 Aging Cluster program grants and non-Aging Cluster Title III Part D and E programs.
 - expended funds under the Aging Cluster program which were not obligated within required timeframes.

Significant Agency Finding Classified as a Scope Limitation Resulting in an Auditor Qualification

- The Illinois Department Employment Security:
 - The auditors were unable to obtain sufficient and appropriate audit evidence to conclude on the allowable cost/cost principles, cash management, period of performance, and reporting for the Unemployment Insurance program.

Significant Agency Findings Classified as a *Material Weakness* Resulting in an Auditor Qualification

- The Department of Human Services has *material weaknesses* for:
 - failing to establish adequate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed 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.
 - inadequately maintaining and controlling beneficiary case file records of the TANF, CHIP and Medicaid Cluster programs.
 - failing to locate case file documentation supporting eligibility determinations for beneficiaries of the TANF, CHIP and Medicaid Cluster programs.
 - failing to perform eligibility redeterminations within the timeframes prescribed by regulation for the TANF, CHIP, and Medicaid Cluster programs.
 - making improper payments to beneficiaries of the TANF program.
 - failing to maintain the required aggregate State expenditures for the maintenance of effort requirements and not providing adequate supporting documentation for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.
- The Department of Healthcare and Family Services has *material weaknesses* for:
 - failing to establish adequate controls over the Integrated Eligibility System of the SNAP, TANF, CHIP and Medicaid Cluster programs.
- The Department of Children and Family Services has *material weaknesses* for:
 - having an inadequate process for supporting adjustments to the Title IV-E claiming report for the Foster Care and Adoption Assistance programs.
 - not maintaining complete provider licensing files, including documentation of required background checks for foster care service providers for the Foster Care program.
 - making recurring payments of adoption assistance benefits that were not properly supported by adoption assistance agreements for the Adoption Assistance program.
 - not locating case file documentation.
- The Illinois State Board of Education has a *material weakness* for:
 - not performing adequate on-site subrecipient monitoring procedures for the Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Twenty-First Century Community Learning Centers (21st Century), Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) (Title II), and School Improvement Grants (SIG) programs.

{Financial Activities and Statistical Information are summarized on the next page.}

STATE OF ILLINOIS
STATEWIDE SINGLE AUDIT
For the Year Ended June 30, 2017

FINANCIAL ACTIVITIES (Amounts in Thousands)	Amount	Percent
EXPENDITURES BY PROGRAM		
Major Programs:		
Medicaid Cluster.....	10,176,779	37.00%
Federal Family Education Loans.....	4,318,128	15.70%
Supplemental Nutrition Assistance Program (SNAP Cluster).....	3,076,531	11.19%
Unemployment Insurance.....	2,011,738	7.31%
Highway Planning and Construction Cluster.....	1,526,095	5.55%
Child Nutrition Cluster.....	689,417	2.51%
Title I Grants to Local Educational Agencies.....	687,800	2.50%
Temporary Assistance for Needy Families.....	572,345	2.08%
Special Education Cluster.....	522,222	1.90%
Children's Health Insurance Program.....	312,580	1.14%
Foster Care Title IV-E.....	194,356	0.71%
Child Care Development Funds Cluster.....	188,076	0.68%
Special Supplemental Nutrition Program for Women, Infants & Children (WIC).....	184,284	0.67%
Child and Adult Care Food Program.....	145,625	0.53%
Low-Income Home Energy Assistance.....	137,641	0.50%
Child Support Enforcement.....	134,282	0.49%
Rehabilitation Services - Vocational Rehabilitation Grants to States.....	108,687	0.39%
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants).....	96,759	0.35%
Immunization Cooperative Agreements.....	95,446	0.35%
Adoption Assistance.....	80,581	0.29%
Disability Insurance/SSI Cluster.....	79,358	0.29%
Community Development Block Grants (CDBG) Cluster.....	71,710	0.26%
Block Grants for Prevention and Treatment of Substance Abuse.....	70,277	0.25%
Capitalization Grants for Drinking Water State Revolving Funds.....	70,056	0.25%
Airport Improvement Program.....	65,651	0.24%
Capitalization Grants for Clean Water State Revolving Funds.....	60,444	0.22%
Social Services Block Grant.....	50,943	0.19%
Twenty-First Century Community Learning Centers.....	43,825	0.16%
Aging Cluster.....	41,973	0.15%
School Improvement Grants.....	36,133	0.13%
Total Major Programs.....	25,849,742	93.98%
Non-Major Programs.....	1,655,897	6.02%
TOTAL EXPENDITURES.....	\$ 27,505,639	100.00%

FEDERAL AGENCIES PROVIDING FUNDING (Amounts in Thousands)	Total	Major Program Expenditures
U.S. Department of Health and Human Services.....	\$ 12,325,822	\$ 12,055,279
U.S. Department of Education.....	5,984,006	5,813,554
U.S. Department of Agriculture.....	4,156,575	4,095,857
U.S. Department of Labor.....	2,197,130	2,011,738
U.S. Department of Transportation.....	2,181,720	1,591,746
U.S. Environmental Protection Agency.....	167,210	130,500
U.S. Department of Homeland Security.....	107,343	0
U.S. Department of Housing and Urban Development.....	81,326	71,710
Social Security Administration.....	79,344	79,358
All Other Federal Agencies.....	225,163	0
TOTAL EXPENDITURES.....	\$ 27,505,639	\$ 25,849,742

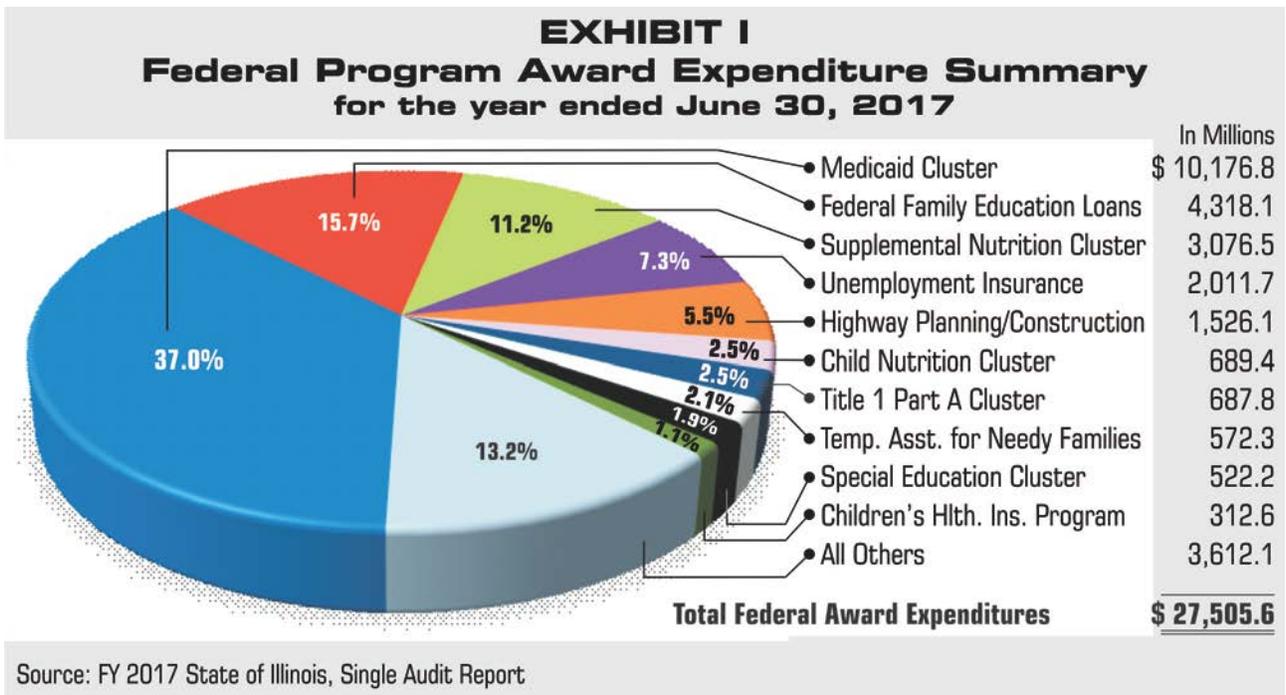
STATISTICAL INFORMATION	
Total Number of Programs in the Schedule of Expenditures of Federal Awards.....	363
Number of Federal Programs or Program Clusters Audited.....	30
Total Number of State Agencies Spending Federal Funds.....	44
Number of State Agencies for Single Audit Requirements (including finding follow-up).....	13

INTRODUCTION

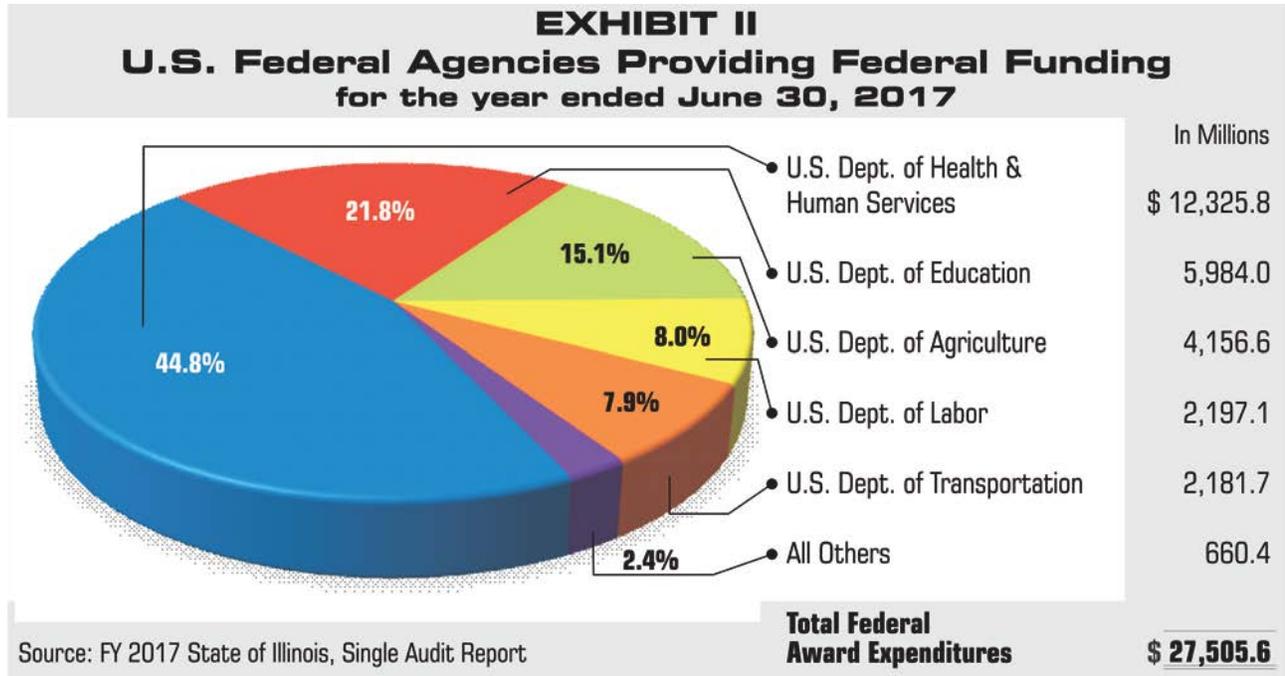
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY17 federal grant programs. The audit was conducted in accordance with the Uniform Guidance (Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*).

The Statewide Single Audit includes State agencies that are a part of the primary government and expend federal awards. In total, 44 State agencies expended federal financial assistance in FY17. A separate supplemental report has been compiled by the Illinois Office of the Auditor General. This report provides summary information on federal spending by State agency. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities. The component units continue to have separate single audits when required.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$27.5 billion for the year ended June 30, 2017. Overall, the State participated in 363 different federal programs, however, 10 of these programs or program clusters accounted for approximately 86.9% of the total federal award expenditures. (See Exhibit I)



The funding for the 363 programs was provided by 22 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY17.

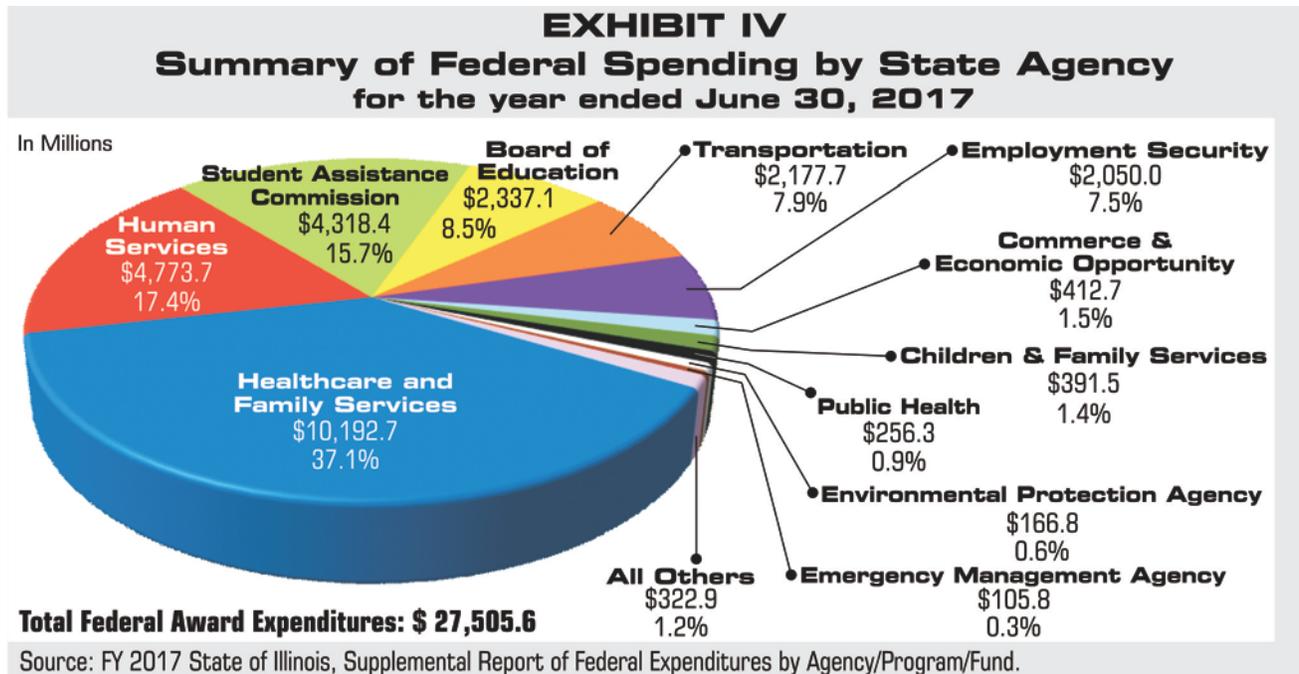


A total of 30 federal programs or program clusters were identified as major programs in FY17. A major program was defined in accordance with the Uniform Guidance as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief summary of the number of programs classified as “major” and “non-major” and related federal award expenditures.

EXHIBIT III
Classification of Federal Programs
“Major vs. Non-Major”
and Related Federal Award Expenditures
for the year ended June 30, 2017

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs (or clusters)	30	\$25,849.7	94.0%
Non-Major Programs (or clusters)	<u>333</u>	<u>1,655.9</u>	<u>6.0%</u>
Total	<u>363</u>	<u>\$27,505.6</u>	<u>100.0%</u>

Eleven State agencies accounted for approximately 98.8% of all federal dollars spent during FY17 as depicted in Exhibit IV.



AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

The auditors' report contained qualifications on compliance as summarized below. The complete text of the Auditors' Report may be found on pages 24-29 of the audit.

Adverse Opinion

The auditors rendered an adverse opinion on a major program for the following noncompliance findings:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department on Aging	Aging Cluster program	Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting	2017-067	211-214
IL Department on Aging	Aging Cluster program	Allowable Costs/Cost Principles, Cash Management and Period of Performance	2017-068	215-216

Qualifications (Scope Limitation)

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Employment Security	Unemployment Insurance program	Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting	2017-052	176-177

Qualifications (Noncompliance)

The auditors qualified their report on major programs for the following noncompliance findings:

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Human Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2017-002	42-44
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-002	42-44
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-002	42-44
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-002	42-44
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-003	45-47
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-003	45-47
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-003	45-47
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-004	48-51
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-004	48-51

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-004	48-51
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-005	52-55
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-005	52-55
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-005	52-55
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility and Maintenance of Effort	2017-006	56-57
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles and Maintenance of Effort	2017-008	61-63
IL Department of Healthcare and Family Services	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions	2017-017	87-89
IL Department of Healthcare and Family Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2017-017	87-89
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-017	87-89
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-017	87-89
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2017-024	105-107
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2017-024	105-107
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-025	108-110
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-026	111-113

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Eligibility, and Matching	2017-027	114-117
IL State Board of Education	Title I – Grants to Local Educational Agencies	Subrecipient Monitoring	2017-041	148-150
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2017-041	148-150
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2017-041	148-150
IL State Board of Education	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Subrecipient Monitoring	2017-041	148-150

Internal Control Over Financial Reporting

We noted a matter involving internal control over financial reporting for the Schedule of Expenditures of Federal Awards (Schedule) that was considered to be a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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. The auditors noted that during the past fifteen years there have been various errors identified and reported on the audits of State agencies and the Office of the State Comptroller (IOC) in its annual data gathering on the SCO forms that are used to present the Schedule. Thus, the auditors recommended the Office of the Governor and the Illinois Office of the Comptroller work together with the State agencies to establish a corrective action plan to address the quality of the accounting information provided to and maintained by the IOC as it relates to year-end preparation of the Schedule.

Internal Control Over Compliance

We noted certain matters involving internal control over compliance that were considered to be significant deficiencies. A control deficiency in an entity’s 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 significant deficiency in internal control over compliance is a deficiency, or 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. Overall, 2 of the 72 findings reported in the single audit were classified as compliance significant deficiencies.

Material weaknesses were also disclosed in our report. 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. Overall, 69 of the 72 findings reported in the single audit were classified as a material weakness.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Exhibit V summarizes the number of report findings by State agency, identifies the number of repeat findings, and references the findings to specific pages in the report.

**EXHIBIT V
Summary Schedule of Findings By Agency**

State Agency	Number of Findings	Number of Repeat Findings	Page References to Findings
State Comptroller/Office of the Governor	1	1	34-36
Human Services	15	14	42-86
Healthcare and Family Services	7	4	87-104
Children and Family Services	12	9	105-136
Public Health	4	4	137-145
Insurance	1	1	146-147
State Board of Education	6	4	148-164
Illinois Community College Board	2	2	165-168
Student Assistance Commission	3	2	169-175
Employment Security	6	5	176-188
Commerce and Economic Opportunity	1	1	189-190
Transportation	5	3	191-203
Environmental Protection Agency	3	n/a	204-210
Aging	<u>6</u>	<u>3</u>	211-227
Totals	<u>72</u>	<u>53</u>	

Exhibit VI summarizes the total number of findings, number of repeated findings and the percentage of repeated findings for the past ten years.

**EXHIBIT VI
Ten Year Analysis of Number of Findings, Number of Findings Repeated and Percentage of Repeat Findings**

Year	Number of Findings	Number of Repeated Findings	Percentage of Repeated Findings
2017	72	53	74%
2016	73	49	67%
2015	75	51	68%
2014	69	47	68%
2013	74	59	80%
2012	91	63	69%
2011	101	71	70%
2010	103	64	62%
2009	93	65	70%
2008	97	58	60%

THE FINANCIAL REPORTING PROCESS FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) IS INADEQUATE TO PERMIT TIMELY AND ACCURATE REPORTING

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).

Process overly dependent on the post-audit program, which cannot be a substitute

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 even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post-audit function **is not** a substitute for appropriate internal controls at State agencies.

The State of Illinois has a highly-decentralized financial reporting process

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.

Current process continues to lack sufficient internal controls at State agencies

Although these financial reporting packages are subject to review by the IOC's financial reporting staff during the Comprehensive Annual Financial Report (CAFR) preparation process and there are minimum qualifications for all new GAAP Coordinators who oversee the preparation of financial reporting forms, the current process still lacks sufficient internal controls at State agencies. As a result, adjustments relative to the SEFA continue to occur.

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past fifteen 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 at DHS, HFS, DCFS, DPH, ISBE, ICCB, DES, DCEO, DOT and Aging

Errors identified in the SEFA reporting process in the current year included: (1) corrections to amounts reported or provided during the audit; (2) adjustments to accurately report loan balances; and (3) unreconciled amounts. These items have been reported in agency level findings for the Illinois Department of Human Services (Finding Code 2017-011), the Illinois Department of Healthcare and Family Services (Finding Code 2017-023), the Illinois Department of Children and Family Services (Finding Code 2017-030), the Illinois Department of Public Health (Finding Code 2017-036), the Illinois State Board of Education (Finding Code 2017-046), the Illinois Community College Board (Finding Code 2017-048), the Illinois Department of Employment Security (Finding Code 2017-057), the Illinois Department of Commerce and Economic Opportunity (Finding Code 2017-058), the Illinois Department of Transportation (Finding Code 2017-062), and the Illinois Department on Aging (Finding Code 2017-072). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

Deficiencies relative to the SEFA financial reporting processes have been reported by the auditors for a number of years

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**.

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 by the Uniform Guidance and may result in the suspension of federal funding. (Finding 1, pages 34-36) **This finding was first reported in the Statewide Single Audit in 2002.**

We recommended 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.

Governor's Office concurred with recommendation

The Office of the Governor concurred with the recommendation and stated the Office of the Governor and the Office of the State Comptroller will continue to work together to address the core issues of the State's inability to produce timely and accurate GAAP basis financial information. Both offices are in the midst of a multi-year implementation of an Enterprise Resource Planning (ERP) system to develop an integrated enterprise-wide application system for financials. *(For previous agency responses, see Digest Footnote #1.)*

State Comptroller accepted the recommendation

The State Comptroller's Office accepted the recommendation and stated that while it is expected that the 2017 SEFA audit

will be submitted prior to the March 31st deadline, the Office agrees that the existing financial reporting systems need to be upgraded with a cost-effective statewide grants management system that is designed to provide the information needed to complete the SEFA report and to improve the quality of the accounting information provided to the IOC. (For previous agency response, see Digest Footnote #1.)

FAILURE TO PROPERLY DRAW AND REPORT CASH ADVANCES FOR THE AGING CLUSTER

IDOA did not properly draw and report cash advances made under the Aging Cluster program.

During our testwork over 25 cash draws (totaling \$40,548,437), we sampled one draw in the amount of \$1,454,195 from the federal fiscal year 2014 Aging Cluster grant awards. We noted the draw related to the close out of the award and that the underlying expenditures supporting the sampled draw had been incurred and paid in 2014. We also noted IDOA had not established a grant receivable in its accounting records or otherwise identified the previously paid expenditures had not yet been claimed under this award prior to performing the draw to close out the award in February 2017.

Advance cash draws made from 2012 award in anticipation of future expenditures

Upon further discussion with IDOA management relative to this cash draw, IDOA management disclosed IDOA staff had performed cash draws against Federal fiscal 2012 Aging Cluster grant awards in advance of anticipated expenditures expected to be reported by its subrecipients in Federal fiscal year 2015. It was later determined by IDOA personnel that these expenditures had not been incurred as expected which resulted in a cash advance relative to the Federal fiscal year 2012 Aging Cluster program grants and non-Aging Cluster Title III Part D and E programs.

Future expenditures not incurred, resulting in overdraw

Future draws reduced in lieu of returning overdraw

Rather than reporting and returning the advance funding to the USDHHS, IDOA staff reduced draws on subsequent awards to reduce the overdrawn amounts throughout the period; however, additional advances resulted on subsequent awards for Federal fiscal years 2013, 2014, and 2015 which had not been reconciled by IDOA as of the date of our initial testing in January 2018.

Additional overdraws created due to draw reductions from 2012 advance

IDOA management determined 12 awards impacted by overdraws of over \$4.6 million

In March 2018, IDOA management prepared reconciliations of cumulative cash draws compared to cumulative expenditures for each Title III grant administered for Federal fiscal years 2012 through 2017. As a result of those reconciliation procedures, IDOA management determined twelve Aging Cluster awards had cash draws in excess expenditures (overdrawn) totaling \$4,678,964 as of June 30, 2017. Additionally, IDOA management identified non-Aging Cluster Title III Part D and E grants were overdrawn by \$273,253 and \$864,217, respectively.

Auditors issue Adverse Opinion

As a result of the significance of the noncompliance by IDOA with regard to the requirements of, and material effect on, the Aging Cluster program, the auditors issued an adverse opinion on the Aging Cluster program.

Failure to quantify and report cash advances to USDHHS in a timely manner results in noncompliance with Treasury regulations and unallowable costs being claimed to federal programs. (Finding 67, pages 211-214)

We recommended IDOA implement control procedures to ensure cash draws are performed in accordance with U.S. Treasury regulations and cash advances are reported and returned to USDHHS in a timely manner. We also recommended IDOA prepare reconciliations of cash advances in a timely manner and require supervisory reviews to be performed at a level precise enough to identify noncompliance with cash management requirements.

IDOA implementing recommendation

IDOA management stated they had a change in fiscal management staff late in federal fiscal year 2016 and upon the change in IDOA management staff, it was recognized there was a lack of internal controls. IDOA management also stated current management staff has implemented control procedures to facilitate that cash draws are performed in accordance with U.S. Treasury regulations and cash advances are reported and returned to USDHHS in a timely manner.

FAILURE TO OBLIGATE FUNDS IN ACCORDANCE WITH PERIOD OF PERFORMANCE REQUIREMENTS

IDOA expended funds under the Aging Cluster program which were not obligated within required timeframes.

Carryover awards not executed within federal timeline

We noted the carryover awards issued by IDOA for the Federal fiscal year 2016 grant were not executed until November 2016. Additionally, we noted carryover awards were increased for several Agencies on Aging (AAA) due to changes in spending estimates during fiscal year 2017. Increases to carryover awards for Federal fiscal year 2016 funding totaling \$771,971 were made during Federal fiscal year 2017 after IDOA determined its subrecipients had not spent the entire amount obligated for the budget period ended September 30, 2016. Accordingly, carryover awards pertaining to Federal fiscal year 2016 totaling \$1,502,761 were not obligated within the Federal fiscal year for which they were awarded.

Auditors issue Adverse Opinion

As a result of the significance of the noncompliance by IDOA with regard to the requirements of, and material effect on, the Aging Cluster program, the auditors issued an adverse opinion on the Aging Cluster program.

Failure to obligate funds within required timeframes results in unallowable costs being charged to Federal programs. (Finding 68, pages 215-216)

We recommended IDOA implement procedures to ensure grant funding is obligated within required timeframes.

IDOA officials accepted the recommendation

The Department concurred with the recommendation and stated they have implemented a multi-year grant agreement in State fiscal year 2018 to safeguard that grant funds are obligated in the year in which they are received.

FAILURE TO MAINTAIN ADEQUATE SUPPORTING DOCUMENTATION FOR UI PROGRAM ADMINISTRATIVE GRANTS

IDES could not provide appropriate supporting documentation for certain cash draws, adjustments, and financial and special reports for administrative grants of the Unemployment Insurance (UI) program.

IDES unable to generate reports to support administrative grants

During our audit we noted monthly financial closing procedures were not performed and IDES was unable to generate reports necessary to support its administrative grants throughout the audit period. Specifically, we noted the following:

- IDES management was unable to provide supporting documentation which agreed to or could be reconciled to administrative cash draw requests made during the year ended June 30, 2017.
- IDES management was unable to demonstrate the population of UI administrative grant adjustments was complete and accurate due to ERP data integrity issues.
- Financial and special reports prepared by IDES were based upon queries of ERP data which could not be reperformed or tested for completeness and accuracy.

Auditors unable to obtain sufficient and appropriate audit evidence

In addition, IDES was unable to provide a Service Organization Control (SOC) report covering ERP application or the general information technology controls relevant to the ERP. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to conclude on the cash management, period of performance, and reporting (ETA 9130 – *Financial Status Report, UI Programs* and ETA 2208A – *UI Contingency Report*) compliance requirements applicable to the UI administrative grants.

Auditor qualification due to IDES not able to generate reports necessary to support administrative grants throughout the audit period

As a result of IDES' inability to provide appropriate supporting documentation for certain cash draws, adjustments, and financial and special reports for administrative grants, the auditors qualified their opinion on the Unemployment Insurance program.

Failure to maintain supporting documentation for administrative cash draws, adjustments, and certain financial and special reports prohibit the completion of an audit and prevents the USDOL from effectively monitoring the UI program. (Finding 52, pages 176-177)

We recommended IDES implement procedures to ensure adequate supporting documentation is maintained for administrative cash draw requests, adjustments, and certain financial and special reporting applicable to its federal programs.

IDES officials accepted the recommendation

IDES officials accepted the recommendation and stated they will continue to pursue the development and deployment of the reports in question, with complete full validation of all other Federal reports by June 30, 2018.

FAILURE TO ESTABLISH ADEQUATE CONTROLS OVER THE INTEGRATED ELIGIBILITY SYSTEM

Lack of controls over Integrated Eligibility System

The Illinois Department of Human Services (DHS) and the Department of Healthcare and Family Services (DHFS) did not have appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed 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.

DHS administers the SNAP Cluster, the TANF Cluster, and certain Medicaid Cluster waiver programs and DHFS administers the CHIP and Medicaid Cluster programs. The Affordable Care Act of 2010 required the State to consolidate and modernize its eligibility determination functions into a single system which is known as the Integrated Eligibility System (IES). Effective October 1, 2013, the State implemented IES and began performing and documenting eligibility determinations for certain beneficiaries of its Medicaid Cluster program and later expanded the use of IES to eligibility determinations for beneficiaries of the SNAP Cluster, TANF Cluster, and CHIP programs. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs.

Auditors unable to rely on IES regarding eligibility and related allowability compliance requirements

During our testwork, we were unable to perform adequate procedures to satisfy ourselves that certain general information technology controls over the IES system were operating effectively. Specifically, we noted DHS and DHFS could not provide all information necessary to test system access security controls relative to the network on which IES resides. Additionally, a specific change management policy has not been developed for IES. Accordingly, we were not able to rely on IES with respect to our testing of the eligibility and related allowability compliance requirements for beneficiary payments made under the TANF Cluster, CHIP, and Medicaid Cluster programs. We were also not able to rely on IES with respect to the special test and provision – ADP System for SNAP related to the SNAP Cluster program.

In addition to the control deficiencies identified above, we noted several instances of noncompliance during our review of system data obtained from IES. Specifically, we noted cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status). We also noted cases were approved in IES without valid social security numbers or submission of an application for a social security number. While DHS and DHFS were aware of certain system issues and have established manual workarounds for certain known errors, formal procedures were not established to monitor and evaluate noncompliance resulting from the known systems errors during the year ended June 30, 2017.

Auditor qualification due to lack of controls

As a result of DHS' and HFS' failure to have appropriate controls over the Integrated Eligibility System the auditors qualified their opinion on the SNAP, TANF, CHIP and Medicaid Cluster programs.

Failure to establish adequate controls over systems used to determine the eligibility of program beneficiaries inhibits the ability of the State to properly determine eligibility in accordance with program requirements and may result in ineligible beneficiaries receiving federal benefits which are unallowable costs. (Findings 2 and 17, pages 42-44 and 87-89, respectively)

We recommended DHS and DHFS implement adequate general information technology control procedures for the IES system. We also recommended the agencies evaluate the known IES system issues, implement monitoring procedures to identify potential noncompliance relative to its federal programs resulting from these items, and consider the changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under its federal programs.

DHS and HFS officials accepted the recommendation

The Departments accepted the recommendation and stated that a Plan of Action and Milestones (POA&M) was developed to track each issue, with the exception of two which are tracked in the weekly infrastructure technical meeting and that Corrective Action Plans (CAPs) are in progress for each. They also stated they will work together to implement an approval process for changes made to the IES.

FAILURE TO PROPERLY MAINTAIN AND CONTROL CASE FILE RECORDS

Inadequate controls over case file records maintained at DHS local offices for beneficiaries

DHS 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 Medicaid Cluster programs.

Manual case files were generally available to all DHS personnel

During our testwork, we noted the procedures in place to maintain and control manual 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 manual case files were generally available to all DHS personnel and that formal procedures have not been developed for checking hard-copy case files in and out of the file rooms or for tracking their locations. We selected 10 TANF Cluster eligibility case records from each of the five separate local offices (50 total) and noted 13 case records could not be located for our testing. We also selected 50 eligibility case records from two off-site storage facilities and noted 19 case records could not be located for our testing.

Case file documentation to support eligibility could not be located

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 3, pages 45-47) **This finding was first reported in the Statewide Single Audit in 2007.**

Auditor qualification due to shortfall in control over case file records

As a result of DHS' failure to properly maintain and control case file records of beneficiaries, the auditors qualified their opinion on the TANF, CHIP and Medicaid Cluster programs.

We recommended DHS 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.

DHS accepted the auditors recommendation

DHS officials accepted the recommendation and stated that in order to relieve some of the space limitations, offsite storage facilities were obtained and are being used and that 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. (*For previous agency response, see Digest Footnote #2.*)

MISSING DOCUMENTATION IN BENEFICIARY ELIGIBILITY FILES

Case file documentation could not be located

DHS 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.

During our testwork of 50 TANF, 65 CHIP and 125 Medicaid beneficiary payments for compliance with eligibility requirements and the allowability of the related benefits provided we noted numerous exceptions. Following are some of what we noted DHS could not locate or provide:

- the initial case application or redetermination

- completed and signed by the beneficiary;
- adequate documentation evidencing income and asset verification was performed;
- adequate documentation of residence verification of the beneficiary;
- evidence that IDHS verified the beneficiary’s social security number;
- adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois;
- adequate documentation that cross match verifications were performed to verify the beneficiaries were eligible.

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 4, pages 48-51) **This finding was first reported in the Statewide Single Audit in 2001.**

Auditors qualified their report on TANF, CHIP and Medicaid programs

As a result of DHS’ failure to locate case file documentation supporting eligibility determinations for beneficiaries, the auditors qualified their opinion on the TANF, CHIP and Medicaid Cluster programs.

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

DHS accepted the auditors recommendation

DHS officials accepted the recommendation and stated they continue to ensure staff understands the importance of proper and accurate filing processes. (*For previous agency response, see Digest Footnote #3.*)

FAILURE TO PERFORM ELIGIBILITY REDETERMINATIONS WITHIN PRESCRIBED TIMEFRAMES

DHS delinquent in performing recipient eligibility redeterminations

DHS 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.

During our testwork of required eligibility criteria, we noted the State was delinquent (overdue) in performing the eligibility redeterminations of individuals for the three programs during June 2017 as follows:

TANF	4,759 of 26,828 cases	17.7%
CHIP	196,286 of 1,334,735 cases	14.7%
Medicaid	55,824 of 462,822 cases	12.1%

Redeterminations not completed within required time frames

During our testwork we noted redeterminations were not completed within required time frames for 4 TANF cluster cases, 8 CHIP cases, and 2 Medicaid cases (with payments sampled of \$2,155, \$795, and \$998, respectively). Delays in performing redeterminations ranged from 1 to 72 months after the required timeframe.

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 5, pages 52-55) **This finding was first reported in the Statewide Single Audit in 2003.**

Auditor qualification due to untimely eligibility redeterminations

As a result of DHS' failure to perform timely redeterminations of recipient eligibility, the auditors qualified their opinion on the TANF, CHIP and Medicaid programs.

We recommended DHS 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.

DHS accepted the auditors recommendation

DHS accepted the recommendation and stated that the redetermination process will be enhanced with the implementation of the new updated processing system in IES Phase 2, which went live on October 24, 2017. *(For previous agency response, see Digest Footnote #4.)*

IMPROPER TANF CLUSTER BENEFICIARY PAYMENT

DHS made improper payments to beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster program.

Monthly payments overstated by \$307 to 4 beneficiaries

During our testwork of 50 TANF Cluster program beneficiary payments, we noted 6 beneficiaries received payments that were improperly calculated. As a result of the calculation errors, the monthly payments for 4 beneficiaries (with payments of \$2,983) were overstated in total by \$307 and the monthly payments for 2 beneficiaries (with payments of \$1,659) were understated in total by \$47. Total payments made to these beneficiaries under the TANF Cluster were \$17,068 for the year ended June 30, 2017. As of the date of our testing (January 30, 2018), the payment errors identified in our sample had not been corrected by DHS.

Monthly payments understated by \$47 to 2 beneficiaries

Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding 6, pages 56-57) **This finding was first reported in the Statewide Single Audit in 2012.**

Auditor qualification due to improper payments

As a result of DHS making improper payments to beneficiaries, the auditors qualified their opinion on the TANF Cluster program.

We recommended DHS review its current process for calculating beneficiary payments and consider changes necessary to ensure payments are properly calculated and paid.

DHS accepted the auditors recommendation

DHS officials accepted the recommendation and stated that the implementation of Phase 2 of the Integrated Eligibility System will reduce or eliminate the need for manual calculations of initial prorated entitlements. *(For previous agency response, see Digest Footnote #5.)*

FAILURE TO MEET AND PROVIDE ADEQUATE DOCUMENTATION FOR THE SAPT MOE REQUIREMENT

DHS did not maintain the required aggregate State expenditures for the maintenance of effort (MOE) requirements and was unable to provide adequate documentation to substantiate DHS met the MOE requirements for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

Shortfall of \$25,298,051 to meet SAPT MOE expenditures

During the current fiscal year, we noted DHS did not maintain the necessary aggregate expenditures to meet the SAPT MOE requirement. Specifically, we noted that DHS had a shortfall of \$25,298,051 in order to meet the SAPT MOE requirement of \$120,725,801. Additionally, during our review of expenditures by the State to meet the SAPT MOE requirements, we noted DHS could not provide detailed supporting documentation for expenditures totaling \$23,204,631. Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort requirement.

\$23,204,631 in expenditures not allowable for MOE purposes due to lack of supporting documentation

Failure to maintain required State expenditure levels for MOE and maintain adequate supporting documentation to support expenditures used to meet the MOE requirement results in unallowable costs and noncompliance with program requirements. (Finding 8, pages 61-63) **This finding was first reported in the Statewide Single Audit in 2014.**

Auditor qualification due to not meeting maintenance of effort

As a result of DHS not meeting its maintenance of effort expenditures, the auditors qualified their opinion on the Block Grants for Prevention and Treatment of Substance Abuse program.

We recommended DHS review its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

DHS accepted the auditors recommendation

DHS officials accepted the recommendation and stated that the Department will work with DHS-MIS to develop a process to obtain detail for Medicaid payments used for the MOE and will work with the Illinois Department of Healthcare and Family Services Bureau of Managed Care to explore the use of Managed Care Organization (MCO) billing information to maximize claimable MOE. *(For previous agency response, see Digest Footnote #6.)*

INADEQUATE PROCESS FOR SUPPORTING ADJUSTMENTS TO THE TITLE IV-E CLAIMING REPORT

The Department of Children and Family Services (DCFS) does not have an adequate process for supporting adjustments to the Title IV-E claiming report for the Foster Care and Adoption Assistance programs.

DCFS did not properly report adjustments on a gross basis for 8 of 11 adjustments tested

During our testwork over adjustments to the Foster Care and Adoption Assistance programs reported on quarterly claiming reports filed during the year ended June 30, 2017, we noted DCFS did not properly report adjustments on a gross basis for 8 of 11 adjustments tested. Specifically, we noted four increasing Foster Care adjustments (totaling \$228,748), one decreasing Foster Care adjustment (totaling \$242,479), and all three increasing Adoption Assistance adjustments (totaling \$56,242) sampled in our testing included both debit and credit transactions. Accordingly, increasing and decreasing adjustments reported by DCFS are understated because they are reported net.

Failure to properly report adjustments on a gross basis inhibits the ability of USDHHS to monitor the Foster Care and Adoption Assistance programs. Additionally, failure to maintain proper supporting documentation for expenditures (adjustments) claimed for the Foster Care and Adoption Assistance programs may result in payments to ineligible beneficiaries which are unallowable costs. (Finding 24, pages 105-107)

Auditor qualification due to inadequate process for supporting adjustments

As a result of DCFS not having an adequate process for supporting adjustments to the Title IV-E claiming report, the auditor's qualified their opinion on the Foster Care and Adoption Assistance programs.

We recommended DCFS review its current process for reporting adjustments and implement procedures to ensure the adjustments claimed for the Foster Care and Adoption Assistance programs are properly determined and supported. DCFS should also consider implementing additional monitoring controls to ensure the adjustments are reported in accordance with program requirements.

DCFS agreed with auditor recommendation

DCFS officials agreed with our recommendation and stated recent improvements to the claiming system will ensure that adjustments are presented in accordance with federal reporting

requirements beginning with the quarter ending March 31, 2018.

FAILURE TO MAINTAIN ADEQUATE PROVIDER LICENSING FILES

DCFS did not maintain complete provider licensing files, including documentation of required background checks for foster care service providers.

Documentation could not be located that verified safety considerations had been addressed

During our testwork of 50 Foster Care maintenance assistance payments (totaling \$92,235), we reviewed the associated provider licensing files for compliance with licensing requirements and for the allowability of related benefits paid, we noted the licensing files for 31 foster care beneficiary payments sampled (totaling \$72,094) related to 24 child care institution service providers did not contain documentation that verified the safety considerations with respect to staff of the institution had been addressed. Specifically, required background clearances were not obtained for all staff members. DCFS claimed reimbursement for foster care maintenance payments made to these providers on behalf of these children totaling \$566,602 during the year ended June 30, 2017. As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

Failure to maintain complete provider licensing files for foster family homes and child-care institutions, including documentation that required criminal records checks and child abuse and neglect registry checks have been performed for all prospective foster parents, child-care institution applicants, employees, volunteers, or non-licensed service providers, could result in payments being made to ineligible service providers, which are unallowable costs. (Finding 25, pages 108-110)

Auditor qualification for incomplete information

As a result of DCFS not maintaining complete information, the auditors qualified their opinion on the Foster Care program.

We recommended DCFS implement procedures to ensure the provider licensing files are complete, including documentation that all required background checks have been performed and documentation that verifies safety considerations with respect to the staff of child-care institutions has been properly addressed. Additionally, we recommended DCFS evaluate its process for ensuring providers are properly licensed and meet program requirements prior to placing Foster Care beneficiaries in their care and claiming payments to these providers for federal reimbursement.

DCFS agreed with auditor recommendation

DCFS officials agreed with our recommendation and stated they have implemented the auditor recommendations, including changes in both licensing and monitoring procedures, for provider background checks.

FAILURE TO PROPERLY DOCUMENT AND EXECUTE ADOPTION ASSISTANCE AGREEMENTS

DCFS made recurring payments of adoption assistance benefits that were not properly supported by adoption assistance agreements.

Beneficiary assistance subsidy payments were greater than the subsidy amount documented

During our testwork of adoption assistance beneficiary payments, we reviewed 50 case files and related benefit payments (totaling \$30,364) for compliance with eligibility requirements and allowability of related benefits. Specifically, we noted two beneficiary assistance subsidy payments sampled were greater than the subsidy amount documented in the approved adoption assistance agreements. As of the date of our testing, DCFS has not evaluated whether additional errors exist or quantified the impact of these errors on the population.

Failure to maintain case file documentation, including documentation to support changes in the amount of the subsidy paid, may result in payments to ineligible beneficiaries, which are unallowable costs. (Finding 26, pages 111-113) **This finding was first reported in the Statewide Single Audit in 2014.**

Auditor qualification due to lack of supporting documentation

As a result of DCFS not maintaining case file documentation supporting payments made, the auditors qualified their opinion on the Adoption Assistance program.

We recommended DCFS implement procedures to ensure adoption assistance subsidy payments are consistent with the approved subsidy payment amount in the adoption assistance agreement and to obtain and include proper supporting documentation for subsidy payment changes in the adoption assistance case files. Additionally, we recommended DCFS evaluate its process for ensuring subsidy payments are consistent with executed agreements or changes are adequately documented prior to paying adoption subsidies and claiming payments for federal reimbursement.

DCFS agreed with the auditors recommendation

DCFS officials agreed with the recommendation and stated they have implemented procedures to assure that the subsidy rate amounts are in agreement with the approved subsidy amounts. (*For previous agency response, see Digest Footnote #7.*)

MISSING DOCUMENTATION IN ADOPTION ASSISTANCE ELIGIBILITY FILES

DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

During our testwork of 50 Adoption Assistance beneficiary payments, we noted DCFS could not locate the following:

- documentation evidencing the child over 18 was

Background checks not maintained for at least one adoptive parent or member of the household over the age of 13

- participating in one of the prescribed eligible activities or that he was incapable of doing the activities due to a medical condition;
- the CANTS and/or SOR background checks for at least one adoptive parent or member of the household over the age of 13;
- the dispositional court order that sanctioned the child’s removal from the home contained contradicting evidence as to whether or not the child’s continuation in the home would be contrary to the health, welfare, and safety of the child;
- the termination hearing order used to evidence the child could not or should not be returned to the home of his parent(s) did not include documentation supporting the mother’s parental rights were terminated; or,
- documentation evidencing the child was eligible, or would have been eligible, for the former AFDC program.

Documentation not maintained to support the mother’s parental rights were terminated

Failure to maintain case file documentation, including judicial determinations, relevant documentation to support the eligibility of children, and evidence of required background checks for prospective adoptive parents and applicable members of the household, could result in payments to ineligible beneficiaries, which are unallowable costs. (Finding 27, pages 114-117)

Auditor qualification due to lack of supporting documentation

As a result of not maintaining case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program, the auditors qualified their opinion on the Adoption Assistance program.

We recommended DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure supporting documentation for all eligibility requirements is maintained. Additionally, we recommended DCFS evaluate its process for verifying eligibility requirements are met and adequately documented and implement additional procedures to ensure established procedures are followed.

DCFS agreed with auditor recommendation

DCFS officials agreed with the recommendation and stated the cases cited where documentation could not be located were from older case files (calendar years 2000 and 2012) and that the Department has made improvements in its review of case eligibility files to ensure documentation is adequate to support its eligibility determinations.

INADEQUATE MONITORING OF SUBRECIPIENTS

ISBE did not perform adequate on-site subrecipient monitoring procedures for the Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Twenty-First Century Community Learning Centers (21st Century), Supporting Effective Instruction State

Grant (formerly Improving Teacher Quality State Grants) (Title II), and School Improvement Grants (SIG) programs.

Inadequate monitoring of the single largest subrecipient for each program

During our testing, we noted one subrecipient common across all Education programs which represented the single largest subrecipient for each program. As we reviewed the monitoring procedures performed for this subrecipient, we noted the procedures performed were limited to on-site review of the central district office and reviews of individual schools which consisted of 15 on-site reviews, 6 desk reviews, and 397 analytical reviews. ISBE management was not able to provide documentation supporting the rationale for how they determined which schools to monitor and indicated there were limited resources to monitor this subrecipient. Given the significance of this individual subrecipient and the fact that it operates in excess of 600 individual schools, we would expect ISBE to establish and formally document its approach for selecting locations for its monitoring procedures.

Only 15 on-site reviews conducted of over 600 individual schools

Failure to implement required risk assessments and to adequately monitor subrecipients results in noncompliance and may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the terms and conditions of the award. (Finding 41, pages 148-150)

Auditor qualification due to lack of monitoring procedures

As a result of not maintaining adequate on-site subrecipient monitoring procedures, the auditors qualified their opinion on the Title I – Grants to Local Educational Agencies (Title I), Special Education Cluster (IDEA) (Special Education), Twenty-First Century Community Learning Centers (21st Century), Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) (Title II), and School Improvement Grants (SIG) programs.

We recommended ISBE review its monitoring procedures relative to individually significant subrecipients and implement additional procedures as necessary to ensure proper monitoring procedures are performed for all programs. Additionally, we recommended ISBE review its risk assessment procedures to ensure compliance with the Uniform Guidance.

ISBE agreed with auditor recommendation

ISBE officials agreed with the recommendation and stated they will ensure adequate documentation of the selection rationale is included in the monitoring working papers going forward.

OTHER FINDINGS

The remaining findings pertain to other compliance and internal control matters. We will follow up on the status of corrective action on all findings in our next Statewide Single Audit for the year ended June 30, 2018.

AUDITORS' OPINION

The auditors state the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2017 is presented fairly in all material respects.

This single audit was conducted by the firm of KPMG LLP.

SIGNED ORIGINAL ON FILE

Jane Clark
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:ETL

DIGEST FOOTNOTES

Previous responses by the Office of the Governor and the Office of the State Comptroller

#1 Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards

2016: (Office of the Governor)

The Office of the Governor concurs with the auditor's finding and recommendation. In August 2015, the Office of the Governor jointly with the Illinois Office of the State Comptroller (IOC) kicked off the implementation the multi-year implementation of an Enterprise Resource Planning (ERP) system to develop an integrated enterprise-wide application system for financials. The statewide blueprint for all financial processes, led by the ERP Program team which is part of the Department of Innovation & Technology, was developed jointly with a representation of Governor's agencies and the IOC. On October 1, 2016, three pilot agencies as well as the constitutional office of the IOC went live on the new ERP system. The current implementation schedule for the remaining approximately 50 state agencies has various implementations dates thru January 1, 2019. This operational ERP system will improve the State's control environment and processes to enable the State and agencies to prepare a complete and accurate Schedule of Expenditures of Federal Awards in a timely manner.

2016: (Office of the State Comptroller)

The Office accepts the recommendation. While it is expected that the 2016 SEFA audit will be submitted prior to the March 31st deadline, the Office agrees that the existing financial reporting systems need to be upgraded with a cost-effective statewide grants management system that is designed to provide the information needed to complete the SEFA report and to improve the quality of the accounting information provided to the IOC.

Previous responses by the Department of Human Services

#2 Failure to Properly Maintain and Control Case File Records

2016: The Department accepts the recommendation. In order to relieve some of the space limitations, off-site storage facilities were obtained and are being used. 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. Additionally, we are in the midst of converting to a digital file system, which is accompanied by a learning curve in the utilization of scanning equipment and digital cataloguing processes.

#3 Missing Documentation in Beneficiary Eligibility Files

2016: The Department agrees with the recommendation. The Department continues to ensure staff understands the importance of proper and accurate filing processes. The Department also continues the use of electronic document management systems that capture some of the information that has been traditionally printed and maintained in paper case files.

#4 Failure to Perform Eligibility Redeterminations within Prescribed Timeframes

2016: The Department agrees with the recommendation. IDHS will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within prescribed timeframes.

#5 Improper TANF Cluster Beneficiary Payments

2016: The Department accepts the recommendation. The implementation of Phase 2 of the Integrated Eligibility System will reduce or eliminate the need for manual calculations of initial prorated entitlements.

#6 Failure to Meet and Provide Adequate Documentation for the SAPT MOE Requirement

2016: The Department accepts the recommendation. Effective July 1, 2016 (State fiscal year 2017), detail extracts are reconciled with Darts system billing summary reports on a monthly basis. Effective February 1, 2017, these detail reports are being reconciled monthly with DARTS Mobius year-to-date service reports.

Previous response by the Department of Children and Family Services

#7 Failure to Properly Document and Execute Adoption Assistance Agreements

2016: The Department is in agreement with the recommendations and has implemented a procedure to assure that all subsidy rate amounts listed in the adoption agreement is in line with the approved subsidy amount listed on the internal verification form (CFS 1800 P). The review process is completed prior to the finalization of the adoption by the Federal Participation Unit. This review process also includes the review of supporting documentation. The Department has also implemented a quality assurance review completed by the data entry supervisor to assure that the amount entered for payment matches the approved amounts listed in the approved subsidy agreement.