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, 2018

Release Date: August 29, 2019

FINDINGS THIS AUDIT: 80

	New	Repeat	Total
Category 1:	**19**	**58**	**77**
Category 2:	2	1	3
Category 3:	**0**	**0**	**0**
TOTAL	**21**	**59**	**80**

FINDINGS LAST AUDIT: 72

AGING SCHEDULE OF REPEATED FINDINGS

Repeated Since	Category 1	Category 2	Category 3
2017	**9,25,26,30,33,42,44, 51,67,68,71,73,74,77**	72	
2016	**28,29,32,35,45,48,69, 75,76,78**		
2015	**2,8,20,24,43,49,52**		
2014	**7,36,46,54**		
2013	**10,13,53,55**		
2012	**6,23,34,70**		
2011	**11,12,14,39,56,66**		
2010	**21**		
2008	**50**		
2007	**3,38**		
2005	**40**		
2003	**5**		
2002	**1**		
2001	**4**		
1999	**37**		

SYNOPSIS

- The State expended approximately $29 billion from federal awards in FY18.

- A total of 28 programs or program clusters were classified and audited as major programs at twelve (12) State agencies. These programs constituted approximately 95.5% of all federal spending, or about $27.7 billion. In addition, forty-four (44) State agencies expended federal financial assistance in FY18. 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.

Auditor's Adverse Opinion on Major Programs

- The Department of Human Services (DHS)
  - did not have appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Supplemental Nutrition Assistance Program (SNAP) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
  - did not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
  - could not locate case file documentation supporting eligibility determinations for beneficiaries of the Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs.
  - did not perform "eligibility redeterminations" for individuals receiving benefits under the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.
- 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, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
- The Illinois Department on Aging (IDOA)
  - did not correct improperly drawn and reported cash advances made under the Aging Cluster program.
  - 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 of Employment Security
  - The auditors were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State with the Unemployment Insurance program for Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting, and consequently, were unable to determine whether the State complied with the requirements applicable to that program.

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

- The Department of Human Services has *material weaknesses* for:
  - not having appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Temporary Assistance for Needy Families (TANF) Cluster.
  - not having appropriate controls over case file records maintained at its local offices for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster.
  - not locating case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster.
  - not performing "eligibility redeterminations" for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) Cluster.
  - being unable to provide adequate documentation to substantiate the MOE requirements were met for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.
  - charging unallowable expenditures to the Vocational Rehabilitation Grants to States (VR) program.
- The Department of Healthcare and Family Services has *material weaknesses* for:
  - not having appropriate controls over the Integrated Eligibility System (IES) used for eligibility determinations performed for the Temporary Assistance for Needy Families (TANF) Cluster.
- The Department of Children and Family Services has *material weaknesses* for:
  - not having an adequate process for supporting adjustments to the Title IV-E claiming report for both the Foster Care – Title IV-E 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 – Title IV-E program.
- The Illinois State Board of Education has a *material weakness* for:
  - did not perform adequate monitoring procedures over subrecipients of the Special Education Cluster (IDEA) (Special Education) program.

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

STATE OF ILLINOIS
STATEWIDE SINGLE AUDIT
For the Year Ended June 30, 2018

FINANCIAL ACTIVITIES (Amounts in Thousands)	Amount	Percent
EXPENDITURES BY PROGRAM		
Major Programs:		
Medicaid Cluster.	13,256,148	45.72%
Federal Family Education Loans	3,814,447	13.15%
Supplemental Nutrition Assistance Program (SNAP Cluster)	2,940,459	10.14%
Unemployment Insurance	1,885,089	6.50%
Highway Planning and Construction Cluster	1,225,627	4.23%
Child Nutrition Cluster	678,668	2.34%
Title I Grants to Local Educational Agencies	619,045	2.13%
Temporary Assistance for Needy Families	609,860	2.10%
Special Education Cluster	504,888	1.74%
Children's Health Insurance Program	348,948	1.20%
Child Care Development Funds Cluster	240,381	0.83%
Foster Care Title IV-E	197,736	0.68%
Special Supplemental Nutrition Program for Women, Infants & Children (WIC)	169,047	0.58%
Child and Adult Care Food Program	149,504	0.52%
Workforce Investment Act Cluster	135,910	0.47%
Child Support Enforcement	114,873	0.40%
Rehabilitation Services - Vocational Rehabilitation Grants to States	109,819	0.38%
Immunization Cooperative Agreements	88,024	0.30%
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	85,061	0.29%
Adoption Assistance	81,096	0.28%
Disability Insurance/SSI Cluster	75,751	0.26%
Homeland Security Grant Program	54,871	0.19%
Clean Water State Revolving Fund Cluster	52,912	0.18%
HIV Care Formula Grants	51,169	0.18%
Social Services Block Grant	50,510	0.17%
Block Grants for Prevention and Treatment of Substance Abuse	50,282	0.17%
Airport Improvement Program	48,037	0.17%
Aging Cluster	42,487	0.15%
Total Major Programs	27,680,649	95.45%
Non-Major Programs	1,315,930	4.55%
TOTAL EXPENDITURES	$ 28,996,579	100.00%

FEDERAL AGENCIES PROVIDING FUNDING (Amounts in Thousands)	Total	Major Program Expenditures
U.S. Department of Health and Human Services	15,500,733	15,131,514
U.S. Department of Education	5,360,906	5,133,260
U.S. Department of Agriculture	4,005,179	3,937,678
U.S. Department of Labor	2,078,672	2,020,999
U.S. Department of Transportation	1,517,887	1,273,664
U.S Environmental Protection Agency	96,515	52,912
U.S. Department of Homeland Security	83,084	54,871
Social Security Administration Total	75,751	75,751
U.S. Department of Justice	60,366	0
All Other Federal Agencies	217,486	0
TOTAL EXPENDITURES	$ 28,996,579	$ 27,680,649

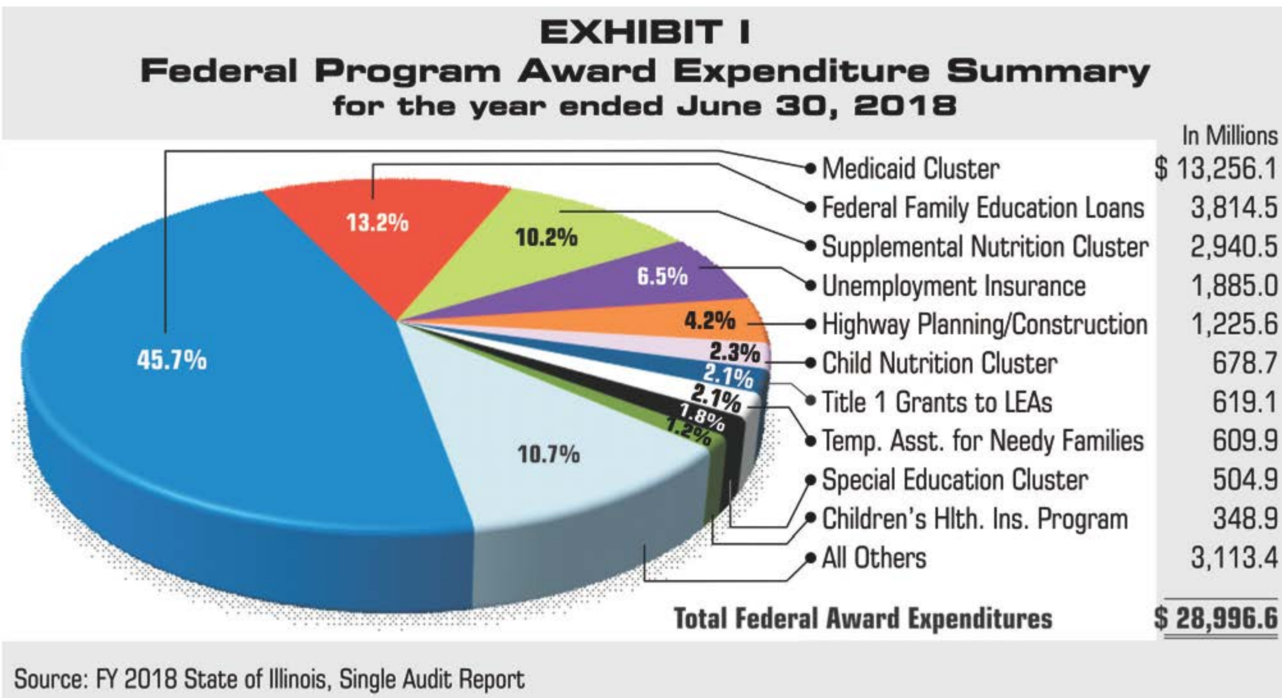
STATISTICAL INFORMATION	
Total Number of Programs in the Schedule of Expenditures of Federal Awards	334
Number of Federal Programs or Program Clusters Audited (including finding follow-up)	32
Total Number of State Agencies Spending Federal Funds	44
Number of State Agencies for Single Audit Requirements (including finding follow-up)	15

INTRODUCTION

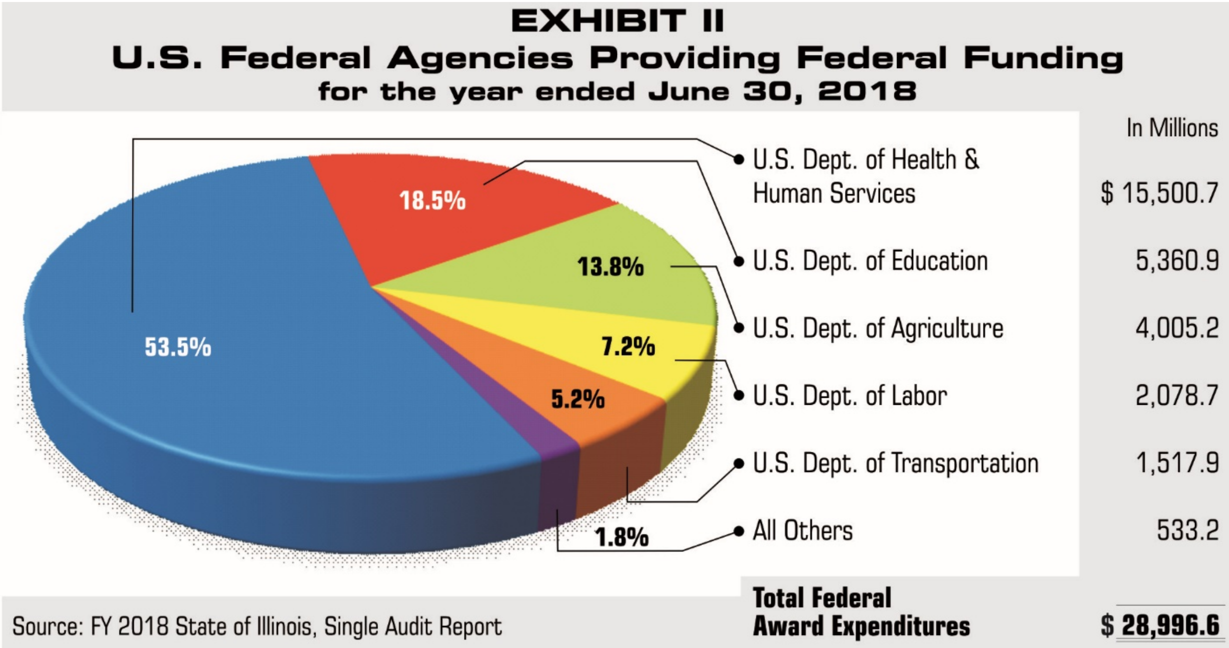
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY18 federal grant programs. The audit was conducted in accordance with the Uniform Guidance (Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements 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 FY18. 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 $29 billion for the year ended June 30, 2018. Overall, the State participated in 334 different federal programs, however, 10 of these programs or program clusters accounted for approximately 89.3% of the total federal award expenditures. (See Exhibit I)



The funding for the 334 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 FY18.

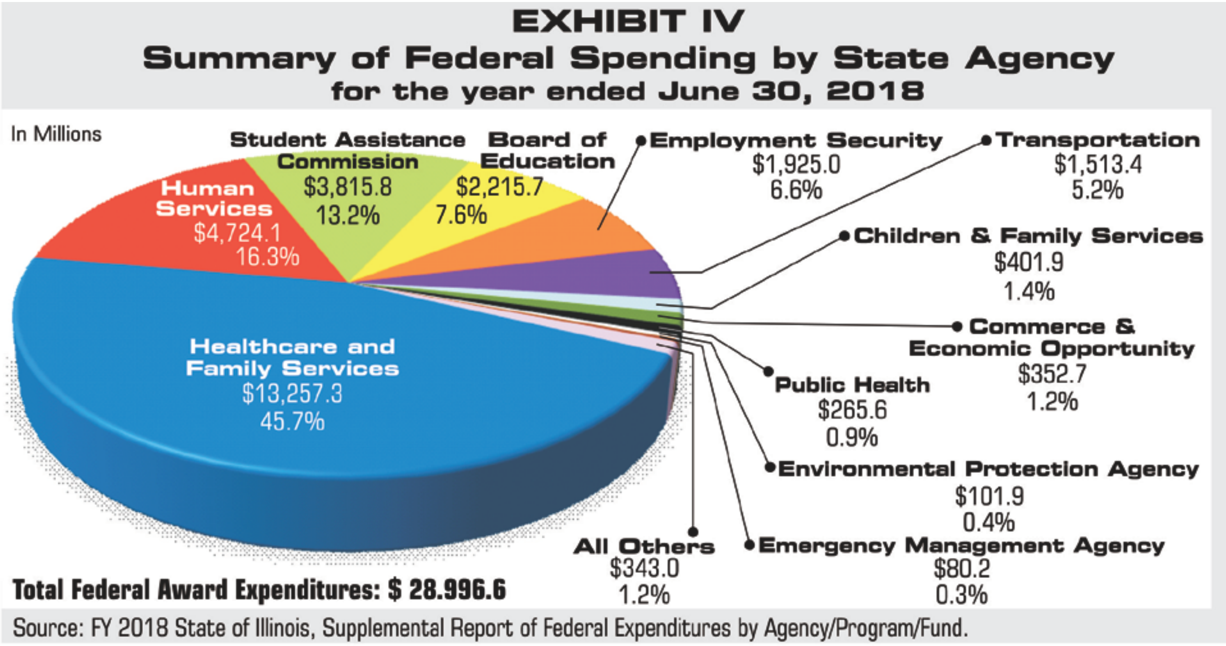


A total of 28 federal programs or program clusters were identified as major programs in FY18. A major program was defined in accordance with the Uniform Guidance as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief 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, 2018

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs (or clusters)	28	$27,680.7	95.45%
Non-Major Programs (or clusters)	306	1,315.9	4.55%
Total	334	$28,996.6	100.0%

Eleven State agencies accounted for approximately 98.8% of all federal dollars spent during FY18 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 of Human Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, Reporting, and Special Tests and Provisions – ADP System for SNAP	2018-002	42-45
IL Department of Human Services	State Children's Insurance Program	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-002	42-45
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-002	42-45
IL Department of Human Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, and Special Tests and Provisions – ADP System for SNAP	2018-003	46-48

IL Department of Human Services	State Children's Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-003	46-48
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-003	46-48
IL Department of Human Services	State Children's Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-004	49-52
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-004	49-52
IL Department of Human Services	State Children's Insurance Program	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-005	53-55
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-005	53-55
IL Department of Healthcare and Family Services	Supplemental Nutrition Assistance Program	Allowable Costs/Cost Principles, Matching, Reporting, and Special Tests and Provisions – ADP System for SNAP	2018-020	96-99
IL Department of Healthcare and Family Services	State Children's Insurance Program	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-020	96-99
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-020	96-99
IL Department on Aging	Aging Cluster	Allowable Costs/Cost Principles, Cash Management Period of Performance, and Reporting	2018-073	234-236
IL Department on Aging	Aging Cluster	Allowable Costs/Cost Principles and Period of Performance	2018-074	237-238

Qualifications (Scope Limitation)

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number	Page Numbers
Illinois Department of Employment Security	Unemployment Insurance program	Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting,	2018-051	177-178

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	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, Maintenance of Effort, and Reporting	2018-002	42-45
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2018-003	46-48
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2018-004	49-52
IL Department of Human Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, and Maintenance of Effort	2018-005	53-55
IL Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	Allowable Costs/Cost Principles, and Maintenance of Effort	2018-007	60-61
IL Department of Human Services	Vocational Rehabilitation Grants to States	Allowable Costs/Cost Principles	2018-019	93-95
IL Department of Healthcare and Family Services	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles, Eligibility, Matching, and Reporting	2018-020	96-99
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2018-028	115-117
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles, Matching, Period of Performance, and Reporting	2018-028	115-117
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles, Eligibility, and Matching	2018-029	118-120
IL State Board of Education	Special Education Cluster (IDEA)	Subrecipient Monitoring	2018-042	152-153

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 sixteen 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, 3 of the 80 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, 77 of the 80 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	33-35
Human Services	18	13	42-95
Healthcare and Family Services	8	6	96-114
Children and Family Services	10	9	115-141
Public Health	4	3	142-151
State Board of Education	6	5	152-168
Illinois Community College Board	2	2	169-173
Student Assistance Commission	1	1	174-176
Employment Security	13	6	177-205
Commerce and Economic Opportunity	2	0	206-213
Transportation	5	5	214-227
Environmental Protection Agency	2	2	228-233
Aging	7	6	234-251
Emergency Management Agency	1	n/a	252-253
Totals	80	59	

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
2018	80	59	74%
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%

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

Current process does not allow for accurate reporting

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.

Auditors continuously reporting needed adjustments and numerous findings

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 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.

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.

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

Additionally, internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past sixteen 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. 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.

Errors identified at DHS, HFS, DCFS, ISBE, ICCB IDES, IDOT, IDOA, and IEMA

Errors identified in the SEFA reporting process in the current year included corrections to amounts reported or provided during the audit and unreconciled amounts. These items have been reported in agency level findings for the Illinois Department of Human Services (Finding Code 2018-010), the Illinois Department of Healthcare and Family Services (Finding Code 2018-026), the Illinois Department of Children and Family Services (Finding Code 2018-033), the Illinois State Board of Education (Finding Code 2018-046), the Illinois Community College Board (Finding Code 2018-049), the Illinois Department of

Employment Security (Finding Code 2018-055), the Illinois Department of Transportation (Finding Code 2018-069), the Illinois Department on Aging (Finding Code 2018-078), and the Illinois Emergency Management Agency (Finding Code No. 2018-080). Additionally, other correcting entries were required in order to accurately state the financial information provided by various other State agencies.

State does not have a process in place to evaluate items outside of the audit process

While many of the adjustments identified at the State agencies are not quantitatively material to the SEFA as a whole, the State does not have a process in place to evaluate items of this nature outside of the audit process. Accordingly, an error which may be material to the SEFA (in either quantitative or qualitative terms) could occur and not be detected by the State.

Procedural problems reported for years by auditors

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.

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 33-35) **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. The State is 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, which is an aspect of the Governor's Executive Order that created the Illinois Department of Innovation and Technology to transform Illinois' IT systems to be more responsive to state employees and taxpayers. More important, the State is moving the process for preparing the SEFA to the supervision of the Governor's Office of Management and Budget (GOMB), so that GOMB will be able to work with agencies to reconcile and correct items in the SEFA before they reach the auditors' hands.

State Comptroller accepted the recommendation

The State Comptroller's Office accepted the recommendation and agreed 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.

FAILURE TO ESTABLISH ADEQUATE CONTROLS OVER THE INTEGRATED ELIGBILITY SYSTEM

Lack of controls of system used to determine eligibility

The Illinois Department of Human Services (IDHS) 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.

System implemented by State in October of 2013 and phase II October of 2017

IDHS 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. In addition, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. IES was developed through a partnership between IDHS and DHFS with each agency providing system requirements specific to their respective federal programs.

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 IDHS 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 was developed for IES; however, it was not effective until April 1, 2018.

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

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.

As discussed further in finding 2018-005, we also noted due dates for cases that were overdue for redeterminations as of the IES go live date (October 24, 2017) and cases that were due for redetermination between October 1 and December 31, 2017 were extended in the system by a year.

In addition to the control deficiencies and noncompliance identified above, we noted several potential instances of noncompliance with requirements of the State Plans for each of the federal programs noted above identified during analysis of IES data. As discussed above, the general IT control deficiencies prevented us from relying on IES and, as a result, we were not able to determine the completeness and accuracy of the IES data analyzed. The specific exceptions identified in in the IES data provided by the State were as follows:

Cases were approved and redetermined despite beneficiaries not meeting eligibility requirements

- Cases were approved in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status) and without valid social security numbers or submission of an application for a social security number. In reviewing the data provided, we noted errors related to 129 SNAP/TANF cases and 406 CHIP/Medicaid Cluster cases.
- Cases were redetermined in IES despite beneficiaries not meeting eligibility requirements related to citizenship status or residency (immigration status) and without valid social security numbers or submission of an application for a social security number. In reviewing the data provided, we noted errors related to 891 SNAP/TANF cases and 326 CHIP/Medicaid Cluster cases.

Formal procedures not established to monitor and evaluate noncompliance

While IDHS and DHFS were aware of certain system issues and have established manual workarounds for the known errors in redetermination dates and identified in the data above, formal procedures were not established to monitor and evaluate noncompliance resulting from the known data errors during the year ended June 30, 2018. Requirements of the State Plans were not modified or waived by the federal agencies for these matters during the year ended June 30, 2018 and the payments made to or on behalf of the beneficiaries impacted by these matters were not excluded from federal claims.

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. (Finding 2 (DHS), pages 42-45 and Finding 20 (DHFS), pages 96-99) **These findings were first reported in the Statewide Single Audit in 2015.**

Adverse and qualified opinions on major programs as a result of material noncompliance

As a result of DHS' and HFS' failure to have appropriate controls over the Integrated Eligibility System, the State did not comply in all material respects with specific compliance requirements. Due to these failures, the auditors rendered an adverse opinion on the SNAP, CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

We recommended IDHS and DHFS implement adequate general information technology control procedures for the IES system. We also recommended IDHS and DHFS 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.

IDHS and DHFS officials accepted the recommendation

IDHS management accepted the recommendation and stated they continue to enhance and implement adequate general information technology control procedures for the IES system. In addition, IDHS stated they are evaluating the known IES issues and working to implement monitoring procedures to identify potential noncompliance relative to our federal programs resulting from these items. They further stated they are enhancing processes and considering changes necessary with respect to internal controls over eligibility determinations to ensure only eligible beneficiaries receive assistance under the federal programs.

DHFS management also accepted the recommendation and stated change management procedures have been documented and DHFS will continue to identify potential noncompliance and implement additional procedures as necessary to ensure eligibility determinations are documented appropriately.

FAILURE TO PROPERLY MAINTAIN AND CONTROL CASE FILE RECORDS

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

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 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.

Effective October 1, 2013, the State implemented the Integrated Eligibility System (IES) to perform and document eligibility determinations for certain beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs. Since its initial implementation, the use of IES has continued to expand and documentation related to eligibility determinations performed using IES has generally resided solely within the information system. In addition, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES.

Manual case files were generally available to all IDHS 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 IDHS 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 50 eligibility case records from two off-site case file storage facilities and noted 23 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 file documentation to support eligibility could not be located

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 3 CHIP and 3 Medicaid case files (with medical payments sampled of $659 and $22,363, respectively) for which IDHS could not locate any case file documentation supporting the eligibility determinations performed on or prior to the service date sampled. Medical payments made on behalf of these beneficiaries of the CHIP and Medicaid Program were $10,344 and $153,643 during the year ended June 30, 2018.

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

Major Program	**Number of Cases Sampled**	**Total Amount of Payments for Cases Sampled**	**Total Beneficiary Payments in Fiscal Year 2018**	**Total Fiscal Year 2018 Program Expenditures**
TANF Cluster	50	$18,549	$30,103,000	$609,860,000
CHIP	65	7,116	332,187,000	348,948,000
Medicaid Cluster	125	126,852	12,737,234,000	13,256,148,000

As discussed above, effective October 24, 2017, the State implemented Phase II of IES. With the implementation of IES Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. As discussed in findings 2018-002 and 2018-020, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

IDHS has not established appropriate procedures to ensure documentation supporting eligibility determinations and redeterminations are properly maintained in accordance with program requirements.

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 46-48) **This finding was first reported in the Statewide Single Audit in 2007.**

Adverse and qualified opinions on major programs as a result of material noncompliance

As a result of DHS' failure to have appropriate controls over case file records maintained at its local offices for beneficiaries, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the SNAP, CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

We recommended 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.

IDHS accepted the recommendation

IDHS accepted the recommendation and stated that in order to relieve some of the space limitations, offsite storage facilities were obtained and are being used. In addition, the Department stated they are now utilizing a document management system and as new cases are approved, the information that was previously printed and stored in paper case files is now retained in the new electronic storage system.

MISSING DOCUMENTATION IN BENEFICIARY ELIGIBILITY FILES

Case file documentation could not be located

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 2018	Total Fiscal Year 2018 Program Expenditures
TANF Cluster	50	$18,549	$30,103,000	$609,860,000
CHIP	65	7,116	332,187,000	348,948,000
Medicaid Cluster	125	126,852	12,737,234,000	13,256,148,000

During our testwork, we selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. Some of the exceptions we noted during our testwork are as follows:

Documentation could not be located by IDHS for several sampled cases

- In 12 TANF Cluster, 1 CHIP, and 2 Medicaid Cluster cases (with payments sampled of $4,512, $18, and $3,693, respectively), IDHS could not locate the initial case application or redetermination completed and signed by the beneficiary. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2018 totaled $45,896. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $15 and $34,302 for the CHIP and Medicaid Cluster programs, respectively.
- In 16 Medicaid case files (with medical payments sampled of $27,772), 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 during the year ended June 30, 2018 were $297,472 for the Medicaid Cluster program.

- In 24 TANF, 19 CHIP, and 17 Medicaid case files (with TANF payments sampled of $9,257 and medical payments sampled of $1,752 and $36,119, respectively), IDHS could not provide source documentation from IES for certain eligibility determinations performed for the beneficiaries. TANF Cluster cash assistance paid to these beneficiaries during the year ended June 30, 2018 totaled $80,674. Medical payments made on behalf of these beneficiaries during the year ended June 30, 2018 were $23,843 and $320,960 for the CHIP and Medicaid Cluster program.

We also noted the State implemented IES on October 1, 2013 and has continued expanding the use of IES to additional groups of beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster. Effective October 24, 2017, the State implemented Phase II of IES. With the implementation of Phase II, all eligibility determinations and redeterminations for beneficiaries of the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs are performed and documented in IES. As discussed in findings 2018-002 and 2018-020, several errors were identified in IES which resulted in noncompliance with eligibility requirements and affected the reliability of source documentation maintained in IES for certain eligibility determinations performed for the SNAP Cluster, TANF Cluster, CHIP and Medicaid Cluster programs.

IDHS does not have adequate resources to perform and document eligibility determinations. Additionally, IDHS has not established appropriate monitoring procedures to ensure eligibility determinations are properly documented in accordance with program requirements.

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 49-52) **This finding was first reported in the Statewide Single Audit in 2001.**

Adverse and qualified opinions on major programs as a result of material noncompliance

As a result of DHS' failure to locate case file documentation supporting eligibility determinations for beneficiaries, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

We recommended 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 accepted the recommendation

IDHS accepted the recommendation and stated they will continue to ensure staff understand the importance of proper and accurate filing processes. In addition, IDHS stated they will continue to expand the use of electronic document management systems that now captures information that has was previously printed and maintained in paper case files. IDHS further stated they used and continue to use electronic verifications available from the Federal Data Services Hub, as notated per policy and federal law, to establish factors of eligibility.

FAILURE TO PERFORM ELIGIBILITY REDETERMINATIONS WITHIN PRESCRIBED TIMEFRAMES

IDHS delinquent in performing recipient eligibility redeterminations

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. 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. Specifically, effective with the implementation of Phase II of the Integrated Eligibility System (IES) on October 24, 2017, we noted IDHS and the Department of Healthcare and Family Services (DHFS) made the decision to extend the due date by one year for any beneficiaries whose cases were overdue for a redetermination at the time Phase II went live. IDHS and DHFS also extended the due dates for beneficiaries whose cases were scheduled to be redetermined from the go live date (October 24, 2017) through the end of the calendar year (December 31, 2017). Neither IDHS, nor DHFS provided evidence that the extension of the redetermination due dates had been discussed with or approved by the US Department of Health and Human Services during our audit procedures.

Delays in performing redeterminations ranged from 2 to 17 months

Additionally, in our testing of case files selected for testing, we noted redeterminations were not completed within required time frames for 2 TANF cluster cases, 5 CHIP cases, and 10 Medicaid Cluster cases (with payments sampled of $642, $330, and $17,382, respectively). Delays in performing redeterminations ranged from 2 to 17 months after the required timeframe; however, we were unable to determine whether these delays were affected by the due date extensions discussed in the previous paragraph.

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

Major Program	Number of Cases Sampled	Total Amount of Payments for Cases Sampled	Total Beneficiary Payments in Fiscal Year 2018	Total Fiscal Year 2018 Program Expenditures
TANF Cluster	50	$18,549	$30,103,000	$609,860,000
CHIP	65	7,116	332,187,000	348,948,000
Medicaid Cluster	125	126,852	12,737,234,000	13,256,148,000

IDHS does not have adequate resources to perform and document eligibility redeterminations. Additionally, IDHS has not established appropriate monitoring procedures to ensure eligibility redeterminations are completed in accordance with program requirements.

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 53-55) **This finding was first reported in the Statewide Single Audit in 2003.**

Adverse and qualified opinions on major programs as a result of material noncompliance

As a result of DHS' failure to perform eligibility redeterminations for individuals receiving benefits, the State did not comply in all material respects with specific compliance requirements. Due to this failure, the auditors rendered an adverse opinion on the CHIP and Medicaid Cluster programs, and a qualified opinion on the TANF Cluster program.

We recommended 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 accepted the recommendation

IDHS management accepted the recommendation and stated that as part of the IES Phase 2 implementation, added process steps were needed for case actions due to conversion. IDHS also stated the re-determination process was enhanced with the implementation of the new updated processing system in IES phase 2, which went live October 24, 2017. The IES Phase 2 system assists in tracking and auto initiating renewal notices to eligible customers using a three step process.

FAILURE TO PROVIDE ADEQUATE DOCUMENTATION FOR THE SAPT MOE REQUIREMENT

IDHS was unable to provide adequate documentation to substantiate the MOE requirements were met for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

As a condition of receiving federal funding under the SAPT program, USDHHS requires the State to maintain the level of State and locally funded expenditures for substance abuse prevention and treatment activities at an amount that is at least equal to the average level of these same amounts for the prior two years. In addition, the State is required to maintain its level of expenditures for substance abuse prevention and treatment services provided to pregnant women and women with dependent children, individuals with HIV, and individuals with tuberculosis.

IDHS could not support MOE expenditures totaling over $31 million

During the current fiscal year, we noted IDHS was required to maintain aggregate State expenditures for State fiscal year June 30, 2018 of $86,140,869. IDHS reported actual aggregate State expenditures for State fiscal year June 30, 2018 of $105,094,409. However, IDHS could not provide detailed supporting documentation for managed care organization expenditures totaling $31,331,157. Of this amount, $13,586,939 were estimated expenditures and $17,744,218 were expenditures for which IDHS could not provide underlying specific capitation payment and beneficiary records during our audit procedures. Accordingly, these expenditures are not allowable for purposes of meeting the maintenance of effort requirement.

State funded expenditures used to meet the SAPT MOE requirement totaled $105,094,409 for the year ended June 30, 2018.

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 noncompliance with program requirements. (Finding 7, pages 60-61) **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 IDHS 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 IDHS review its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

IDHS accepted the recommendation

IDHS accepted the recommendation and stated management will review and enhance its process for monitoring compliance with the SAPT MOE and for maintaining documentation for expenditures used to meet its SAPT MOE requirement.

UNALLOWABLE COSTS CHARGED TO THE VOCATIONAL REHABILITATION PROGRAM

Unallowable expenditures charged to the Vocational Rehabilitation Grants to States program

IDHS charged unallowable expenditures to the Vocational Rehabilitation Grants to States (VR) program.

Repayment amount of $2.9 million erroneously reported as expenditure

During our comparison of the VR program expenditure pattern as of and for the year ended June 30, 2018 to the 2017 expenditure pattern, we noted a change of approximately $2.9 million in the Other than Personal Services (contractual) expenditures. Upon review of supporting documentation for this expenditure, we noted this item pertained to a repayment made by IDHS to USDE during fiscal year 2018 for a cash overdraw related to grant award H126A160018. Specifically, IDHS repaid USDE $2,899,993 for failing to reduce its cash draws for program income collected during the period from October 1, 2015 to September 30, 2017. The repayment to USDE was improperly reported as an expenditure in 2018 by IDHS on its financial reports and the Schedule of Expenditures of Federal Awards (SEFA).

Additionally, IDHS is required to prepare a final federal financial report (SF-425) for the VR program for each grant at the end of the grant period of performance. During our testwork over the SF-425 report for the federal fiscal year ending September 30, 2017, we noted IDHS inaccurately reported the following line items:

Federal report prepared inaccurately

Report Line Item	Difference
Line 10c – Cash on Hand	$2,899,993
Line 10m – Program Income Expended in Accordance with the Deduction Alternative	5,146,553
Line 10n – Program Income Expended In Accordance with the Addition Alternative	(5,146,553)

In considering the reporting process for the SF-425 report, we noted IDHS does not perform analytical or other monitoring procedures during the report preparation process to ensure amounts reported are reasonable in relation to previously reported information or expectations relative to current program activities.

Failure to charge allowable costs and apply program income in accordance with federal regulations and the grant agreement results in unallowable costs charged to the VR program. In addition, failure to accurately prepare financial reports prevents the USDE from effectively monitoring the VR program. (Finding 19, pages 93-95)

Auditor qualification due to charging unallowable expenditures

As a result of IDHS charging unallowable expenditures, the auditors qualified their opinion on the Vocational Rehabilitation Grants to States program.

We recommended IDHS review its current process for reporting and applying program income and reviewing expenditures claimed as federal expenditures for the VR program. We also recommended IDHS review the process and procedures in place to prepare financial reports required for the VR program and implement procedures necessary to ensure the reports are accurate.

IDHS accepted the recommendation

IDHS accepted the recommendation and stated they adjusted its processes to accommodate the program income appropriately for federal reporting and cash draw purposes.

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

DCFS does not have an adequate process for supporting adjustments to the Title IV-E claiming report.

Inadequate process for supporting adjustments

DCFS is required to submit quarterly financial reports (CB-496) for both the Foster Care and Adoption Assistance programs, which include information such as current quarter claims and adjustments to amounts reported in previous quarterly claims. DCFS is required to maintain complete and accurate records to support amounts reported on its quarterly claiming reports. Increasing and decreasing adjustments to amounts previously claimed are required to be reported on a gross basis and supported by eligibility determinations or documentation that provides the basis for the adjustment.

During the year ended June 30, 2018, DCFS identified and reported 79 increasing and 99 decreasing adjustments to the Foster Care program. DCFS also identified and reported 25 increasing and 36 decreasing adjustments to the Adoption Assistance program. Increasing and decreasing adjustments reported on quarterly claims pertaining to the year ended June 30, 2018 totaled as follows:

	Foster Care		Adoption Assistance	
Quarter Ended	**Increasing**	**Decreasing**	**Increasing**	**Decreasing**
09/30/17	$7,652,356	$4,437,025	$17,837	$346,854
12/31/17	8,883,995	747,697	216,114	179,117
03/31/18	3,654,900	2,312,925	63,621	40,178
06/30/18	5,340,974	3,515,885	233,912	737,589

DCFS did not properly report adjustments on a gross basis for all 12 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, 2018, we noted DCFS did not properly report adjustments on a gross basis for all 12 adjustments tested. Specifically, we noted three increasing Foster Care adjustments (totaling $14,354), six decreasing Foster Care adjustments (totaling $14,780), two increasing Adoption Assistance adjustments (totaling $1,280), and one decreasing Adoption Assistance adjustment (totaling $7,286) 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.

Additionally, in our testing of 40 individual adjusting transactions (30 from Foster Care totaling $54,958 and 10 from Adoption Assistance totaling $7,204), we noted the DCFS could not provide the reason the adjustment was made or documentation supporting the adjustment for one decreasing transaction totaling $1,019 sampled from a decreasing adjustment (of $7,286) for the Adoption Assistance program.

In evaluating DCFS's process for identifying and documenting adjustments made to its quarterly claims, we noted DCFS has not implemented adequate supervisory reviews or other monitoring controls to determine if the adjustments being made are complete, accurate, and properly supported.

As of the date of our testing, DCFS had not quantified the impact of this reporting error.

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 28, pages 115-117) **This finding was first reported in the Statewide Single Audit in 2016.**

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. We also recommended DCFS consider implementing additional monitoring controls to ensure the adjustments are reported in accordance with program requirements.

DCFS agreed with recommendation

DCFS agreed with the recommendation and stated that although improvements have been made to our federal claiming system, additional system changes are required to enable the Department to separately report increasing and decreasing adjustments on a gross basis as required. DCFS further stated this is a significant change to the current system and will be completed as resources become available.

FAILURE TO MAINTAIN ADEQUATE PROVIDER LICENSING FILES

DCFS did not maintain complete provider licensing files

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

The objective of the Foster Care program administered by DCFS is to provide safe, appropriate, substitute care for children in Illinois in need of temporary placement and care outside their homes. DCFS, as the State foster care licensing authority, is required to ensure foster family homes or child care service providers are fully licensed, which includes ensuring the required background checks have been performed and the safety considerations with respect to child-care institution staff have been addressed.

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

Background clearances were not obtained for all staff members

During our testwork of 50 Foster Care maintenance assistance payments (totaling $64,367), 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 36 foster care beneficiary payments sampled (totaling $35,664) related to 22 child care service providers and 1 foster family home 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 $247,473 during the year ended June 30, 2018.

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.

Established procedures not followed for ensuring foster care providers were properly licensed

In evaluating the controls in place relative to this compliance requirement, we noted DCFS did not follow its established procedures for ensuring foster care providers were properly licensed prior to claiming Foster Care maintenance payments. Additionally, monitoring controls were not established to ensure licensing procedures were being followed.

Foster care maintenance payments during the year ended June 30, 2018 totaled $69,602,000.

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 29, pages 118-120) **This finding was first reported in the Statewide Single Audit in 2016.**

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 foster family homes and 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 recommendation

DCFS agreed with the recommendation and stated procedures exist to ensure that all required background checks have been performed and safety considerations with respect to foster family homes and staff of child-care providers are addressed before a child is placed in a home. DCFS further stated they are continuing to review procedures to ensure proper documentation is maintained and available as required and DCFS expects to make further improvements to its reporting and monitoring capabilities in order to meet program requirements prior to placing foster care beneficiaries in the care of properly-licensed caregivers.

INADEQUATE MONITORING OF SPECIAL EDUCATION SUBRECIPIENTS

ISBE had inadequate monitoring procedures over subrecipients

ISBE did not perform adequate monitoring procedures over subrecipients of the Special Education Cluster (IDEA) (Special Education) program.

ISBE selects subrecipients of certain USDE programs to perform on-site fiscal and administrative monitoring procedures using a risk based approach. ISBE's risk assessments are based on the funding level received by the entity, the financial status, the improvement status, any past audit findings, and the type of entity. Once the subrecipients are selected for monitoring, ISBE selects programs and individual locations within each subrecipient for additional reviews which may consist of on-site reviews, desk reviews, or analytical procedures.

Monitoring procedures did not include Special Education program

During the year ended June 30, 2018, ISBE's monitoring procedures were focused solely on Title I, Title II, and the Careers and Technical Education federal programs, as well as select requirements for certain state-funded programs. Accordingly, program requirements pertaining to the Special Education program were not included in the on-site reviews, desk reviews, or analytical procedures discussed above during the year ended June 30, 2018. Additionally, we noted ISBE had not performed a specific programmatic risk assessment for the Special Education program or reviewed any programmatic requirements during the year ended June 30, 2018.

Payments to subrecipients of the Special Education program during the year ended June 30, 2018 totaled $494,005,000.

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 42, pages 152-153)

Auditor qualification due to lack of monitoring procedures

As a result of not performing adequate monitoring procedures over subrecipients, the auditors qualified their opinion on the Special Education Cluster (IDEA) program.

We recommended ISBE review its monitoring procedures relative to the Special Education program and implement additional procedures as necessary to ensure proper monitoring procedures are performed.

ISBE agreed with recommendation

ISBE agreed with the recommendation and stated Special Education Services has engaged the support of one of ISBE's national technical assistance centers to assist with implementation of a new monitoring system. They also stated planning began in March 2019, with the first phase of implementation scheduled to begin in the fall of 2019.

FAILURE TO MAINTAIN ADEQUATE SUPPORTING DOCUMENTATION FOR UI PROGRAM ADMINISTRATIVE GRANTS

IDES unable to provide documentation to support 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.

Certain compliance requirements for the UI program are dependent on queries and other reports generated from data within the State's Enterprise Resource Planning (ERP) system. 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:

Auditors were not provided sufficient and appropriate audit evidence

- 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, 2018.
- 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.

IDES unable to provide a Service Organization Control (SOC) report

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.

IDES reported total UI administrative expenditures of approximately $186,200,000 in the SEFA as of and for the year ended June 30, 2018.

Auditor qualification (scope limitation) due to IDES not able to provide appropriate supporting documentation

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 (scope limitation) 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 51, pages 177-178)

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 agreed with recommendation

IDES accepted the recommendation and state they will continue to pursue the development of accurate federal reports and the remediation of the asset data in the ERP system with DoIT.

FAILURE TO CORRECT IMPROPERLY DRAWN CASH AND REPORTED CASH ADVANCES FOR THE AGING CLUSTER

IDOA did not correct improperly drawn cash advances

IDOA did not correct improperly drawn and reported cash advances made under the Aging Cluster program.

As reported in prior audit finding 2017-067, we noted IDOA personnel had performed cash draws against Aging Cluster grant awards for anticipated expenditures that were not ultimately incurred. As a result, twelve Aging Cluster awards had cash draws in excess of expenditures (overdrawn) totaling $4,678,964 as of June 30, 2017. We also reported non-Aging Cluster Title III Part D and E grants were overdrawn by $273,253 and $864,217, respectively, as of June 30, 2017.

In addition, we had noted the cumulative expenditure amounts used by IDOA management to calculate the overdrawn amounts reported above included expenditures for carryover awards which may not have been obligated with the period of performance as discussed in prior audit finding 2017-068. Accordingly, the amount of the overdraws discussed in the previous paragraph may be understated by any expenditures for carryover awards that were not obligated during the applicable Federal fiscal year.

Overdrawn funds identified in the prior year finding for federal fiscal year awards 2012 through 2017 not returned by IDOA

During our 2018 audit procedures, we noted IDOA personnel had not returned overdrawn funds to the federal agency or corrected its financial reports for known errors identified in the prior year finding for Federal fiscal year awards 2012 through 2017. As the errors were not identified until late in fiscal year 2018 and have not been corrected as of the date our testing (January 29, 2019), the reports submitted by IDOA during State fiscal year 2018 for federal fiscal year 2012 through 2017 awards are inaccurate.

Failure to refund overdrawn cash and accurately report cash advances to USDHHS in a timely manner results in noncompliance with Treasury regulations and unallowable costs being claimed to federal programs. (Finding 73, pages 234-236)

Adverse Opinion on major program as a result of material noncompliance

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.

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 implement procedures to ensure financial reports submitted are complete and accurate.

IDOA implementing recommendation

IDOA stated they have implemented control procedures to ensure cash draws are preformed in accordance with US Treasury regulations, cash advances are reconciled and handled in a timely manner, and that financial reports submitted are complete and accurate. IDOA also stated they will work with USDHHS to revise prior reports and return any monies necessary.

FAILURE TO OBLIGATE FUNDS IN ACCORDANCE WITH PERIOD OF PERFORMANCE REQUIREMENTS

Funds expended which were not obligated within required timeframes

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

IDOA passed through $41,243,000 in Aging Cluster funds to 13 Area Agencies on Aging (AAA) to deliver services to the State's aged population during State fiscal year 2018. AAAs submit annual plans to IDOA which include information about the services to be provided and the budgeted costs for the service period which coincides with the Federal fiscal year. The annual budgets prepared by the AAAs also include an estimate of the unspent prior year award which the AAA expects to spend in the following Federal fiscal year known as a carryover award. Funding and actual expenditures are monitored throughout the year and revisions are made to the AAA budgets, including providing additional carryover awards, as considered necessary.

Awards totaling $990,795 were not obligated within the Federal fiscal year for which they were awarded

Period of performance requirements for the Aging Cluster require IDOA to obligate funds during the Federal fiscal year for which they are awarded. During our testing, we noted the carryover awards issued by IDOA for the Federal fiscal year 2017 grant were not executed until

October 2017. Accordingly, carryover awards pertaining to Federal fiscal year 2017 totaling $990,795 were not obligated within the Federal fiscal year for which they were awarded.

Failure to obligate funds within required timeframes results in unallowable costs being charged to Federal programs. (Finding 74, pages 237-238)

Adverse Opinion on major program as a result of material noncompliance

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.

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

IDOA partially disagreed with auditors

IDOA partially disagreed with the finding stating all funds are obligated in the original year in which IDOA is awarded the funds for the Administration for Community Living (ACL). IDOA further stated they now have multi-year grant agreements to handle this situation. They also stated ACL has released new guidance for State Units on Aging regarding the obligation of funds and now provides State Units on Aging two fiscal years to obligate Older Americans Act funds.

Auditors commented on IDOA's partial disagreement

The auditors commented on IDOA's response by stating the use of multi-year grant agreements and the issuance of new guidance referenced in IDOA's response are not relevant to the condition discussed in this finding as they were not in effect during federal fiscal year 2017. As noted in the finding, IDOA was required to obligate funds related to its Federal fiscal year 2017 award during the Federal fiscal year in which they were awarded to IDOA.

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, 2019.

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, 2018 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

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