STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2021

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

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021

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STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021

AGENCY OFFICIALS

Director	Theresa Eagleson
Assistant Director (Acting) (4/16/21 – Present)	Jenny Aguirre
Assistant Director (Through 4/15/21)	Vacant
Chief of Staff	Ben Winick
General Counsel (11/1/19 – Present)	Steffanie Garrett
General Counsel (Interim) (Through 10/31/19)	Christopher Gange
Inspector General (Acting) (4/16/21 – Present)	Brian Dunn
Inspector General (Acting) (1/1/20 – 4/15/21)	Patrick Conlon
Inspector General (11/19/19 – 12/31/19)	Vacant
Inspector General (Through 11/18/19)	Bradley Hart

DEPUTY DIRECTORS

Community Outreach	Kimberly McCullough-Starks
Administrative Operations (11/16/21 – Present)	Tanya Ford
Administrative Operations (Through 11/15/21)	Vacant
Human Resources (2/16/21 – Present)	Terri Shawgo
Human Resources (Through 2/15/21)	Vacant
New Initiatives (12/29/21 – Present)	Vacant
New Initiatives (Through 12/28/21)	Jane Longo

DIVISION ADMINSTRATORS

Child Support Services (Interim) (2/16/21 – Present)	Brian Tribble
Child Support Services (1/1/21 – 2/15/21)	Vacant
Child Support Services (Through 12/31/20)	Mary Bartolomucci
Finance	Michael Casey
Medical Eligibility (Interim) (1/16/22 - Present)	Tracy Keen
Medical Eligibility (Established 11/1/20 – 1/15/22)	Vacant

Medical Programs (2/16/20 – Present)	Kelly Cunningham
Medical Programs (2/15/20)	Vacant
Medical Programs (Through 2/14/20)	Douglas Elwell
Personnel & Administrative Services (Interim) (3/17/21 – Present)	Ruth Ann Day
Personnel & Administrative Services (Acting) (Through 3/16/21)	Terri Shawgo

AGENCY OFFICES

The Department's primary administrative offices are located at:

201 South Grand Avenue East Springfield, Illinois 62763	401 South Clinton Chicago, Illinois 62607

ILLINOIS DEPARTMENT OF Healthcare and Family Services

JB Pritzker, Governor
Theresa Eagleson, Director

201 South Grand Avenue East
Springfield, Illinois 62763-0002

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

June 14, 2022

Sikich LLP
132 South Water Street, Suite 300
Decatur, IL 62523

Dear Sikich:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Healthcare and Family Services (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020, and June 30, 2021, the Department has materially complied with the specified requirements listed below.

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Department of Healthcare and Family Services

[redacted]
Theresa Eagleson, Director

[redacted]
Michael P. Casey, Administrator Division of Finance

[redacted]
Steffanie Garrett, General Counsel

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide.*

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	Current	2020	2019
GAS Findings *	8	11	11
State Compliance Findings	19	N/A	15
Total Findings	27	11	26
GAS New Findings	0	3	2
GAS Repeated Findings	8	8	9
GAS Not Repeated Findings	3	3	7
State Compliance New Findings	9	N/A	7
State Compliance Repeated Findings	10	N/A	8
State Compliance Not Repeated Findings	5	N/A	5

* The Department of Healthcare and Family Services' *Financial Report* for the year ended June 30, 2021, reporting GAS findings, has been issued under a separate cover.

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2021-001	13	2020/2017	Insufficient internal controls over changes to the Integrated Eligibility Systems (IES) and recipient data	Material Weakness and Material Noncompliance
2021-002	16	2020/2020	Inadequate access review procedures for the Integrated Eligibility System (IES)	Material Weakness and Material Noncompliance
2021-003	18	2020/2019	Inadequate disaster recovery controls over the Integrated Eligibility System (IES)	Material Weakness and Material Noncompliance
2021-004	20	2020/2019	Detailed agreement with the Department of Innovation and Technology (DoIT) not sufficient and inadequate interagency agreement for the IES	Material Weakness and Material Noncompliance
2021-005	22	2020/2018	Inadequate general information technology controls over IMPACT	Material Weakness and Material Noncompliance
2021-006	25	2020/2018	Insufficient review and documentation of provider enrollment determinations and failure to execute interagency agreements	Material Weakness and Material Noncompliance
2021-007	28	2020/2015	Failure to review third-party service providers' internal controls	Material Weakness and Material Noncompliance
2021-008	32	2020/2020	Inadequate internal controls over census data	Significant Deficiency and Noncompliance

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2021-009	34	New	Noncompliance with the Illinois Health Information Exchange and Technology Act	Significant Deficiency and Noncompliance
2021-010	35	2019/2019	Excess cash in the Health Information Exchange Fund	Significant Deficiency and Noncompliance
2021-011	36	2019/2017	Inadequate controls over State vehicles	Significant Deficiency and Noncompliance
2021-012	38	2019/2005	Inadequate controls over personal services	Material Weakness and Material Noncompliance
2021-013	41	2019/2015	Insufficient controls over the University of Illinois Hospital Services Fund	Significant Deficiency and Noncompliance
2021-014	42	2019/2017	Failure to maintain a voter information data transfer mechanism	Significant Deficiency and Noncompliance
2021-015	43	2019/2017	Failure to establish rate methodology and file required reports for the mammography program	Significant Deficiency and Noncompliance
2021-016	45	2019/2019	Failure to post required MCO information on the Department's website	Significant Deficiency and Noncompliance
2021-017	47	2019/2019	Lack of agreement to ensure compliance with information technology security requirements	Significant Deficiency and Noncompliance
2021-018	48	2019/2019	Lack of disaster recovery testing	Significant Deficiency and Noncompliance
2021-019	49	New	Weaknesses in cybersecurity programs and practices	Significant Deficiency and Noncompliance

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2021-020	51	New	Failure to perform parity compliance audits of managed care organizations	Material Weakness and Material Noncompliance
2021-021	53	New	Failure to post hospital provider annual assessment adjustment details	Significant Deficiency and Noncompliance
2021-022	54	New	Failure to appoint members to the Long-Term Services and Support Disparities Task Force	Significant Deficiency and Noncompliance
2021-023	56	New	Failure to adopt administrative rules regarding care coordination	Material Weakness and Material Noncompliance
2021-024	57	New	Failure to post pregnancy and childbirth rights to the Department's website	Significant Deficiency and Noncompliance
2021-025	59	New	Inadequate controls over reports and publications	Significant Deficiency and Noncompliance
2021-026	60	2019/2017	Inadequate controls over timely approval of vouchers	Significant Deficiency and Noncompliance
2021-027	61	New	Failure to obtain and review Monthly Security Status Reports	Material Weakness and Material Noncompliance

Item No.	Page	Last/First Reported	Description	Finding Type
			Prior Findings Not Repeated	
A	63	2020/2015	Inadequate controls over eligibility determinations and redeterminations	

Item No.	Page	Last/First Reported	Description	Finding Type
			Prior Findings Not Repeated	
B	63	2020/2017	Untimely processing of applications for benefits, redetermination of eligibility for benefits, and eligibility change documentation	
C	63	2020/2020	C-97 reporting miscalculations	
D	64	2019/2019	Insufficient controls over Managed Care Organization contracts	
E	64	2019/2017	Noncompliance with the State of Illinois' Constitution	
F	64	2019/2013	Insufficient controls over the collection of accounts receivable	
G	64	2019/2019	Inadequate controls over preparing and submitting Agency Workforce Reports	
H	65	2019/2019	Inadequate controls over publishing quarterly reports on physician certification statements on the Department's website	

EXIT CONFERENCE

The Department waived an exit conference in correspondence from Jamie Nardulli, Chief Internal Auditor, on June 14, 2022.

The responses to the recommendations for items 2021-001 through 2021-008 were provided by Theresa Eagleson, Director, in correspondence dated June 1, 2022. The Department of Human Services' responses to the recommendation for items 2021-001 through 2021-006 were provided by Christopher Finley, Internal Auditor/Audit Liaison, in correspondence dated May 31, 2022. The responses to the recommendations for items 2021-009 through 2021-027 were provided by Theresa Eagleson, Director, in correspondence dated June 14, 2022.

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Healthcare and Family Services (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies* (*Audit Guide*) as adopted by the Auditor General, during the two years ended June 30, 2021. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Department's compliance with specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the Department during the two years ended June 30, 2021. As described in the accompanying Schedule of Findings as items 2021-001 through 2021-007, 2021-012, 2021-020, 2021-023, and 2021-027 the Department had not complied, in all material respects, with appliable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2021, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2021-008 through 2021-011, 2021-013 through 2021-019, 2021-021, 2021-022, and 2021-024 through 2021-026.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The State of Illinois, Department of Human Services' responses to the compliance findings 2021-001 through 2021-006 are described in the accompanying Schedule of Findings. The State of Illinois, Department of Human Services' responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of

expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with a specified requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001 through 2021-007, 2021-012, 2021-020, 2021-023, and 2021-027 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-008 through 2021-011, 2021-013 through 2021-019, 2021-021, 2021-022, and 2021-024 through 2021-026 to be significant deficiencies.

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

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The State of Illinois, Department of Human Services' responses to the compliance findings 2021-001 through 2021-006 are described in the accompanying Schedule of Findings. The State of Illinois, Department of Human Services' responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

[redacted]

Decatur, Illinois
June 14, 2022

2021-001. **FINDING** (Insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data)

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") had insufficient internal controls over changes to the Integrated Eligibility System (IES) and recipient data.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

Change control is the systematic approach to managing changes to an IT environment, application, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes.

IES Application Changes Policies and Procedures

Our review of the April 20, 2020 IES Change Management Plan (Plan) noted the Plan did not:

- Define the requirements for the prioritization or classification of changes,
- Define the numerical grading for determining impact,
- Define the detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation, and
- Define when changes were required to include a specific requirement, who was to review the various steps and when and by whom approvals were required.

Additionally, we noted backout plans to return the system to a previous functional version in the event a change moved into production caused undesired results had not been prepared for individual infrastructure changes.

Testing of IES Application Changes

Due to the Plan's limitations noted above, the scope of our audit procedures was limited to the Departments' testing and approval of IES changes prior to placing them into production. Specifically, we could not perform testing on other change management control procedures, which would otherwise be typically tested, as they were not included in the Plan.

Our testing noted no exceptions during testing of IES application changes.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (Code) (2 C.F.R. § 200.303) requires the Departments to establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance that the Departments are managing the Medicaid Program in compliance with federal statutes,

regulations, and the terms and conditions and comply with federal statutes, regulations and terms and conditions of the Medicaid Program.

These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO). The Code (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. The Departments are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-128, *Guide for Security-Focused Configuration Management of Information Systems*, states critical elements are to include:

- Developed and documented policies, plans, and procedures, and
- Properly authorized, tested, approved and tracking of all changes.

Furthermore, NIST, Special Publication 800-53, *Security and Privacy controls for Federal Information Systems and Organizations*, Configuration section, states policies and procedures should be in place detailing who can authorize modifications and how the authorizations are to be documented. Additionally, documentation of authorizations should be obtained prior to implementation.

The Departments' Change Management Policy and Procedure requires each change to IES have impact scores completed, Departments' approval of the requirements and design documents, Remedy ticket, release notes, and be approved by the IES Bureau Chief to move the change to the production environment.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2017. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Departments' management indicated the change management policies and procedures are in the process of being updated, however they are not yet complete due to other competing priorities.

Failure to establish and adhere to robust internal controls over changes to IES diminishes the Departments' ability to secure IES as well as the recipient data from unauthorized changes and accidental or intentional destruction or alteration. (Finding Code No. 2021-001, 2020-003, 2019-004, 2018-007, 2017-009)

RECOMMENDATION

We recommend management of both Departments work together to strengthen controls in the Change Management Plan by including:

- Specific requirements for the prioritization or classification of changes,

- Definitions of the numerical grading for determining impact,
- Detailed documentation requirements for test scripts and results, impact analysis, design documentation, or other required documentation,
- Definitions of when changes are required to include a specific requirement, who should review the various steps, and when, and by whom approvals are required, and
- Requirements for backout plans to return the system to a previous functional version in the event a change moved into production causes undesired results, for individual infrastructure changes.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services to develop policy guidance that strengthens controls.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will review its Change Management policy and procedure to assure that it meets the auditor recommendations. IDHS will also review and modify, as needed, its documentation of the various steps and the responsible individuals, in the change approval process and work to develop a documented change backout plan.

2021-002. **FINDING** (Inadequate access review procedures for the Integrated Eligibility System (IES))

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") failed to implement adequate procedures over the user access review process for the Integrated Eligibility System (IES).

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

During our audit, we noted the following deficiencies in the user access review procedures performed by the Departments:

- Evidence of timely, affirmative responses from the regional monitors, noting IES access has been corrected and validated, was not tracked or documented.
- There was insufficient evidence retained to conclude the access review included a review of entitlements (user access permissions and other rights) to ensure users' access was limited to only data they need to perform their job responsibilities.

Additionally, during our testing of the Departments' access provisioning policies, we noted the policies did not define the time period in which the Departments were required to disable a terminated individual's system access. Because there was no systemic record of the date access was removed nor a definition by management of timeliness thereof, we were unable to determine whether user access was removed timely when a user was transferred or terminated.

Departments' management indicated they are working to develop a solution to document the provisioning of employees in IES.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621 (f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. State agencies are required to determine the appropriate security requirements based on recognized industry standards governing security of federal ADP systems and information processing.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, Access Control section, states an entity is to define within policies and procedures personal security transactions, establishment and termination of access, based on assessed risk of the entity's environment. Additionally, the U.S. Department of Health and Human Services' Security Rule adopted pursuant to the Health Information Portability and Accountability Act and published within the Code (45 C.F.R. § 164.308(a)(3)(ii)(C)), *Security and Privacy Controls for Federal Information Systems and Organizations – Administrative Safeguards*, requires the Departments to implement "procedures for terminating access to electronic protected health information when the employment of, or other arrangement with, a workforce member ends."

The Departments' management indicated that although IES tracks when access is revoked, the system is not programmed to track when the request for revoking access was initiated.

The Departments' failure to maintain adequate internal control over the review of user access rights increases the risk IES may be accessed by individuals who are not authorized to access recipients' personal and health information. (Finding Code No. 2021-002, 2020-004)

RECOMMENDATION

We recommend management of the Departments enhance internal control over IES access by adopting a formal written policy or procedure requiring and/or including:

- Documented approval from regional monitors that access changes were made as directed. The policy/procedure should address the form in which such approval will be documented, the number of days in which approvals (or corrections) should be communicated by the regional monitors, and the individual or division responsible for maintaining the documentation.
- The review of entitlements granted when conducting the review of access rights.
- A definition of "timely" for disabling an individual's access to the IES system, and a process for tracking whether access was revoked timely based on the definition.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will work with the Department of Human Services to enhance internal control policy and procedures over IES.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Illinois Department of Human Services (IDHS) accepts the recommendation. Late in Fiscal Year 2020, IDHS published on its OneNet additional details regarding the review and termination of IES access by the Regional Systems Monitors. Furthermore, IDHS will document procedures to include return notification from the Systems Monitors of the corrective actions taken from the access review and follow-up verification that the access granted to the individual agrees with the access requested.

2021-003. **FINDING** (Inadequate disaster recovery controls over the Integrated Eligibility System (IES))

The Department of Healthcare and Family Services and the Department of Human Services (collectively, the "Departments") lacked the ability to perform a full disaster recovery, and lacked adequate disaster recovery controls over the Integrated Eligibility System (IES).

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

The Departments did not have full disaster recovery functionality and consequently have not conducted disaster recovery testing over IES since 2019.

In addition, although the Department of Human Services' Disaster Recovery Plan (Plan) addresses the recovery and operation of IES, we noted the Plan did not include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- Did not fully depict the current environments.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(2)(ii)(F), *ADP System Security Requirements and Review Process*, requires the Departments' automated data processing (ADP) security plan, policies and procedures to include contingency plans to meet critical processing needs in the event of short or long-term interruption of service.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, Contingency Planning section, includes disaster recovery plans and the testing of disaster recovery plans as baseline security controls integral to ensuring appropriate security requirements and controls are applied to information systems.

The Departments' management indicated the project of implementing a fully functioning disaster recovery plan has been delayed due to staffing shortage issues since the Phase 2 database migration. Departments' management explained full disaster recovery functionality is not yet available in the current IES environment and it has outgrown the capacity of the legacy disaster recovery hardware. As such, Departments' management indicated the IES Disaster Recovery Plan cannot be accurately documented and a complete, end-to-end disaster recovery exercise cannot take place until the new disaster recovery environment at an alternate data center is completed and tested.

The lack of an adequate Disaster Recovery Plan and the lack of functionality with which to perform full disaster recovery could result in the Departments' inability to recover IES data in the event of a disaster, which could be detrimental to recipients of benefits, and the Departments', and State's operations. (Finding Code No. 2021-003, 2020-005, 2019-005)

RECOMMENDATION

We recommend the Departments work with the Department of Innovation and Technology (DoIT) to allocate sufficient resources to enable a full recovery of IES in the event of a disaster. Additionally, in the interim, we recommend the Departments work with DoIT to develop a prioritization plan and emergency operating procedures to allow IES to operate under reduced capacity in the event of a disaster.

We further recommend management of the Departments enhance the Disaster Recovery Plan to include:

- Detailed recovery scripts,
- Detailed environment diagrams,
- IES support staff and vendor contact information,
- Responsibilities for recovery of IES,
- Documentation on the backup of IES, and
- The current environment for all areas.

Finally, we recommend the Departments perform disaster recovery testing on a regular basis as defined in the Plan.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. HFS will support the lead, Department of Human Services, as they adopt and implement a disaster recovery plan.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Illinois Department of Human Services (IDHS) accepts the recommendation. An Information System Contingency Plan (ISCP) document for IES legacy is 90% completed. The DoIT-IDHS Bureau of Information Security and Audit Compliance will work on implementing an ISCP for the new IES Technical Refresh environment, using Alternate Data Center Architecture diagrams provided by its IT vendor. IDHS has tested continuation of operations plans in place for use in the event of a system outage.

2021-004. **FINDING** (Detailed agreement with the Department of Innovation and Technology (DoIT) not sufficient and inadequate interagency agreement for the IES)

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") each entered into an interagency agreement (IA) with the Department of Innovation and Technology (DoIT) which did not define each agency's roles and responsibilities with respect to the Integrated Eligibility System (IES). Additionally, HFS and DHS entered into an IA with each other which addressed IES access and data sharing, but the IA did not define each agency's roles and responsibilities with respect to the IES.

Management of the Departments have shared responsibility for various human service programs in the State and for internal controls over the manual and automated processes relating to eligibility for these programs. The Departments' IES is the automated system used by the Departments which intakes, processes (with the assistance of caseworkers), and approves recipient applications, maintenance items, and redeterminations in order to determine eligibility and make payments for the State's human service programs.

The Departments' IES application and data resides on DoIT's environment. In addition, DoIT's staff is responsible for coordinating and making changes to the IES application and data after receiving approved instructions from the Departments. Furthermore, DoIT's staff assists the Departments with user access security.

Additionally, as set by the State of Illinois' State Plan under Title XIX of the Social Security Act (State Plan) (Section 1.1), the State has designated agency responsibility for administering and supervising the administration of the Medicaid Program to HFS. However, Section 1.1 of the State Plan allows HFS to delegate specific functions to other State agencies to assist with the administration of the Medicaid Program, pursuant to a written IA defining each agency's roles and responsibilities. As such, DHS administers several human service programs under the Medicaid Program, including developmental disabilities support services, rehabilitation services, and substance abuse (prevention and recovery).

Auditor Testing and Results

Interagency Agreements
During our audit, we noted the Departments had neither updated their existing agreement or, alternatively, entered into an additional IA with DoIT documenting roles and responsibilities for each function they perform on the Departments' behalf.

Additionally, we noted HFS and DHS had neither updated their existing agreement or, alternatively, entered into an additional IA to define the specific roles and responsibilities for each agency.

This finding was first noted during the Departments' financial audits of the year ended June 30, 2019. In subsequent years, the Departments have been unable to fully implement its corrective action plan.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code of Federal Regulations (2 C.F.R. § 200.303), requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the

Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the Unites States or the "Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over State's resources.

The Departments' management indicated the IAs with DoIT and between each other had been delayed due to turnover in staff involved in the process.

The Departments' failure to execute the appropriate IAs increases the risk that IES functions will not be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2021-004, 2020-006, 2019-006)

RECOMMENDATION

We recommend management of the Departments either expand its existing agreement or execute a new detailed agreement with DoIT, and expand on the existing agreement between the Departments to ensure IES roles and responsibilities, required to be performed by each party, are formally documented.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services accepts the recommendation. The Departments are currently working together to expand the agreement.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Illinois Department of Human Services (IDHS) accepts the recommendation. The Department will continue to finalize revisions of the draft intergovernmental agreement to identify the assigned roles of HFS, IDHS, and DoIT, and will complete the necessary intergovernmental agreement process.

2021-005. **FINDING** (Inadequate general information technology controls over IMPACT)

The Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) (collectively, the "Departments") failed to establish and maintain adequate general information technology internal controls (general IT controls) over the operation of the State of Illinois' Illinois Medicaid Program Advanced Technology system (IMPACT).

In calendar year 2012, HFS and the State of Michigan's Department of Community Health entered into an intergovernmental agreement (IGA) for the State of Illinois (State) to utilize Michigan's existing Medicaid Management Information System (MMIS) and its related infrastructure with the goal of replacing the State's MMIS to accommodate the processing of the State's Medicaid provider enrollment determinations and all Medicaid claim payments to such providers. Since 2012, the State has implemented two phases of IMPACT: Electronic Health Record Medicaid Incentive Payment Program (eMIPP) and Provider Enrollment (PE).

An IGA was entered into in 2015 which formally established the Illinois-Michigan Program Alliance for Core Technology. Additionally, the parties agreed to pursue expansion of the Michigan MMIS environment to accommodate the processing of Illinois' Medicaid claims. The IGA required Michigan to extend it current system to utilize cloud architecture that would result in converged infrastructure, maximizing the effectiveness of shared resources, and allowing the shared services to be offered to HFS.

As a result of the Departments not having access to or control over IMPACT and its infrastructure, the auditors requested HFS provide a System and Organization Control (SOC) report which would provide the State and auditors information on the design and effectiveness of internal controls over IMPACT. In response, HFS provided a Security Assessment Report (Report), however, this report did not evaluate the design and implementation of Michigan's internal controls.

Specifically, the Report did not document:

- Timeframe/period in which the Security Assessment Report covered,
- Independent service auditor's report,
- Details of the testing conducted, and
- Details of Michigan's internal controls as they relate to:
  - Control environment,
  - Risk assessment processes,
  - Information and communication,
  - Control activities, and
  - Monitoring activities.

As a result, the auditors were unable to perform adequate procedures to satisfy themselves that certain general IT controls (change management) to IMPACT were operating effectively during the audit period.

Change Management

As a result of the Departments' failure to obtain a SOC report, as noted above, or conduct their own timely, independent internal control review over changes to IMPACT, data, or the infrastructure, the auditors were unable to determine if changes made during the audit period were proper and approved.

User Access Control

The auditors noted HFS included all users, including DHS users, in its annual IMPACT Provider Enrollment Access Review. However, due to no executed interagency agreement between HFS and DHS (see Finding 2021-006), there was no interim user access review completed for DHS.

Change Management

Departments' management indicated they believe the Security Assessment Report adequately assessed the internal controls over IMPACT, data, and infrastructure.

User Access Control

HFS management indicated IMPACT automatically locks accounts after 60 days of non-use. While the auditors do not disagree the accounts lock after 60 days of inactivity, during the 60 days individuals will continue to have access. Further, the 60 day automatic lock is only for non-use. If the individual continues to utilize their account, it remains active. DHS management indicated they were relying on the user access review process performed by HFS.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unable to fully implement a corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R § 95.621(f)(1)), *ADP System Security Requirement*, requires the Departments to be responsible for the security of all automated data processing (ADP) projects under development, and operational systems involved in the administration of the U.S. Department of Health & Human Services programs. The Departments are required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

The internal control requirements of the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) within the Code (2 C.F.R. § 200.303) requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statutes, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

Additionally, the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, fifth revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition and Configuration Management Sections, sanctions the development, implementation, and monitoring of internal controls over changes, access, and service providers.

Without having obtained and reviewed a SOC report, the Departments do not have assurance the service provider's internal controls over IMPACT, data and the infrastructure are adequate to protect from unauthorized changes and accidental and intentional destruction or alteration. Additionally, without performing periodic user access reviews of DHS users,

unauthorized and/or inappropriate access to the IMPACT system could go undetected by the Departments for an extended period of time. (Finding Code No. 2021-005, 2020-007, 2019-010, 2018-002)

RECOMMENDATION

We recommend the Departments work with the service provider to obtain assurance the internal controls over IMPACT, data, and the infrastructure, including change control and user access, are adequate. Additionally, until the Departments execute an intergovernmental agreement which addresses all user access testing, we recommend DHS perform periodic user access reviews of all DHS employees with access to IMPACT.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services (HFS) accepts the recommendation. A SOC report will be generated and available for the next audit year which will provide HFS with the assurance needed regarding the internal controls over IMPACT.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with HFS and the service provider to ensure controls over IMPACT, data, and the infrastructure are adequate.

2021-006. **FINDING** (Insufficient review and documentation of provider enrollment determinations and failure to execute interagency agreements)

The Department of Healthcare and Family Services (HFS) failed to execute interagency agreements (IA) with the Department of Human Services (DHS) establishing adequate internal controls over operation of the State of Illinois' Illinois Medicaid Program Advanced Cloud Technology system (IMPACT). In addition, HFS failed to sufficiently review and document eligibility requirements either prior to the approval of eligibility, and/or during the required monthly screenings for enrolled providers.

Interagency Agreements
Auditors noted HFS did not enter into or have an existing IA with DHS defining each agency's roles and responsibilities as they related to IMPACT during fiscal year 2021.

HFS and DHS management indicated the IA has been drafted, however it has not yet been finalized.

Detail Sample Testing of IMPACT Providers at HFS
During fiscal year 2021, 24,209 provider enrollment applications were approved in IMPACT. In order to determine if the providers' applications were approved in accordance with federal and State laws/rules/regulations, a sample of 60 approved applications were selected for testing. Our testing noted seven (12%) approved provider applications did not contain documentation to substantiate a review of the provider's required professional license or board certification to confirm the licenses/certifications were valid at the time the application was approved.

HFS management indicated the failure to either document or confirm the applicants had a valid non-expired license with no current limitations on the providers license/certification was due to oversight.

Detail Sample Testing of IMPACT Providers at DHS
During testing, the auditors determined DHS did not solely utilize IMPACT as the official book of record or consistently rely on it to verify its providers met certain Medicaid requirements prior to approving them to provide services. Specifically, in fiscal year 2021, DHS performed procedures to determine if its providers met certain Medicaid requirements outside of IMPACT. Upon completion of those procedures, DHS personnel then entered the providers' information into IMPACT and approved the provider's file in order to grant approval for payment.

DHS management indicated it uses IMPACT for determining provider eligibility for Medicaid requirements, but each program is unique with various requirements that must be performed outside of IMPACT.

In order to determine if DHS provider applications were approved in accordance with federal and State laws/rules/regulations, prior to DHS entering their information into IMPACT, the auditors selected a sample of 60 approved applications for detailed testing and had no exceptions.

Additionally, on a monthly basis, IMPACT conducts monthly screenings of provider profiles against several databases to determine if the provider licenses are valid and current, and identifies suspected criminal activity. During testing, the auditors determined DHS personnel did not regularly follow-up on issues identified in IMPACT during the monthly screenings.

DHS indicated that follow-up reviews of issues have not been consistently performed due to the lack of an executed interagency agreement.

This finding was first noted during the Departments' financial audit reports for the year ended June 30, 2018. In subsequent years, the Departments have been unable to fully implement a corrective action plan.

The Code of Federal Regulations (Code) (42 C.F.R. § 455.412 (b)) requires the applicable Department to confirm that the provider's license has not expired and that there are no current limitations on the provider's license/certification.

The Code (42 C.F.R. § 455.412 (a)) requires the Departments to have a method for verifying that any provider claiming to be licensed in accordance with the laws of any State is licensed by such State. The Code (42 C.F.R. § 455.412 (b)) requires the confirmation that a provider's license has not expired and that there are no current limitations on the provider's license/certification. In addition, the Department's *Approval Process Document, applicable to Atypical Individuals and Individuals*, requires Department staff reviewing licenses to document their review of ensuring the licenses were valid and current in the comments section in IMPACT.

The Code (42 C.F.R. § 455.436 (c)(1)) requires the Departments to consult appropriate databases to confirm identity upon enrollment and reenrollment. In addition, the Code (42 C.F.R § 455.450 (a)(3)) requires the Departments to conduct database checks on a pre-and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.

The Code (2 C.F.R § 200.303), *Internal Controls*, requires the Departments to: (1) establish and maintain effective internal control over the Medicaid Program to provide reasonable assurance that the Departments are managing the Medicaid Program in compliance with federal statutes, regulations, and the terms and conditions; and (2) comply with federal statues, regulations and terms and conditions of the Medicaid Program. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" (otherwise commonly referred to as the Green Book) issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

Additionally, the Code (42 C.F.R. § 431.17) requires the Departments to maintain records necessary for the proper and efficient operations of the State's Medicaid Plan.

Further, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires HFS and DHS to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable laws; (2) obligations and costs are in compliance with applicable laws; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Inadequate controls over the operation of IMPACT, such as insufficient review, approval and monitoring of provider enrollment information, could result in providers being inaccurately determined eligible, the State expending federal and State funds for which providers eligibility have not been adequately demonstrated or documented, and could result

in further expenditures to providers who are ineligible. Noncompliance with federal laws and regulations could result in denied claims, sanctions and/or loss of future federal funding, and ultimately inaccurate financial statements or financial information. Further, failure to execute interagency agreements increases the risk that IMPACT functions won't be performed by each party in accordance with their assigned responsibility. (Finding Code No. 2021-006, 2020-008, 2019-010, 2018-002)

RECOMMENDATION

We recommend HFS management work with DHS to ensure all provider applications are properly reviewed, approved, and documented within IMPACT. In addition, we recommend HFS work with DHS to execute detailed interagency agreements which document specific roles and responsibilities as they relate to IMPACT. Finally, until the interagency agreement is finalized, we recommend DHS follow-up on issues identified pertaining to their providers, from the IMPACT monthly screenings.

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' RESPONSE

The Department of Healthcare and Family Services accepts the recommendation. The interagency agreement is being finalized. Provider enrollment staff works with Department of Human Services (DHS) staff monthly, to conduct quality assurance reviews of provider applications approved during previous month. Any identified errors are communicated to DHS and corrected.

DEPARTMENT OF HUMAN SERVICES' RESPONSE

The Illinois Department of Human Services (IDHS) accepts the recommendation. IDHS will work with the Department of Healthcare and Family Services (HFS) to ensure provider applications are properly reviewed, approved, and documented within IMPACT. An interagency agreement was drafted and submitted for final approval. IDHS will review the findings and follow up on deficiencies identified pertaining to our providers from the IMPACT monthly screenings.

2021-007. **FINDING** (Failure to review third-party service providers' internal controls)

The Department of Healthcare and Family Services (Department) did not obtain or conduct independent internal control reviews of its third-party service providers.

The Department utilized third-party service providers for various services in the engagement period, including:

- Software used in the data matching and verification, process management, and reporting of client's eligibility redeterminations.
- Administration and payment of claims for the enrollees of the State's Dental Program.
- An externally developed and hosted application, Illinois Medicaid Program Advanced Cloud Technology (IMPACT), which processed the Medicaid Incentive Payment Program (eMIPP) and provider credentialing certifications.
- The software and infrastructure for the Department's Pharmacy Benefits Management System.
- Management and operations of the State's Disbursement Unit for the collection and disbursement of payments under child support orders.
- IT hosting, software, and data entry services, as well as the establishment of rates and review of information related to the State's Managed Care Program.
- Infrastructure IT and IT related services for the State of Illinois' Integrated Eligibility System (IES) provided by the Department of Innovation and Technology (DoIT).

During testing of the 12 third-party service providers, we noted:

- The Department omitted one service provider in its initial population of its service providers. While the Department was able to subsequently provide a System and Organization Control (SOC) report from the provider, the SOC report appeared to be incomplete. We determined this exception did not materially impact the financial statements.
- The Department did not obtain SOC reports or conduct independent internal control reviews for six service providers (50%).
- The Department did not provide the auditors a bridge letter for one service provider (8%) when the SOC report did not cover the entire engagement period.
- The contracts between the Department and three of its service providers (25%) did not contain a requirement for a SOC report or an independent internal control review of the outsourced controls.
- The Department did not identify the Complementary User Entity Controls (CUECs) relevant to the Department's operations nor its applicable controls for six service providers (50%).

Alternative Audit Procedures Performed (DoIT):

The Statewide IES application and data reside on the DoIT environment. In this regard, DoIT is a service provider to the Department. The Department did not obtain a SOC 1 Type 2 report for these services performed by DoIT and the Department did not perform alternative procedures to obtain evidence all services were provided in a sufficient manner.

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. The Department is also responsible for the design and maintenance of internal controls relevant to financial reporting. These responsibilities are

not limited due to the processes being outsourced to an external party or another State agency.

In order to determine if the environment is secure in which IES resides, we performed general IT controls testing over 28 IES servers housed at DoIT. As a result of our testing, we noted significant weaknesses in the controls over the environment.

Further, during the Department's own internal security review, completed as part of its Plan of Actions and Milestones (2021) report to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (Federal CMS), other significant threats were identified over the Department's general IT environment.

This finding was first noted during the Department's financial audit of the year ended June 30, 2015. In subsequent years, the Department has been unable to fully implement its corrective action plan.

The Code of Federal Regulations (Code) (45 C.F.R. § 95.621(f)(1)), *ADP System Security Requirement*, requires the Department to be responsible for the security of all automated data processing system (ADP) projects under development and operational systems involved in the administration of the U.S. Department of Health and Human Services programs. The Department is required to determine the appropriate security requirements based on recognized industry standards or standards governing security of federal ADP systems and information processing.

Federal CMS', *MARS-E Document Suite* (minimum acceptable risk standards for exchanges), states that protecting and ensuring the confidentiality, integrity, and availability of state Marketplace information, common enrollment information, and associated information systems is the responsibility of the states.

The industry standard for understanding business processes, internal controls, and the suitability and operating effectiveness of internal controls provided by a service provider is through obtaining a SOC 1 Type 2 report. A SOC 1 Type 2 report provides:

a. Service provider management's description of the service organization's system;

b. A written assertion by service provider management about whether in all material respects and, based on suitable criteria, including:
   i. Service provider management's description of the service organization's system fairly presents the service organization's system was designed and implemented throughout the specified period,
   ii. the controls related to the control objectives stated in third-party service provider management's description of the service organization's system were suitably designed throughout the specified period to achieve those control objectives, and, the controls related to the control objectives stated in third-party service provider management's description of the service organization's system operated effectively throughout the specified period to achieve those control objectives; and,

c. An Independent Service Auditor's report that:
   i. expresses an opinion on the matters in b (i-ii), and
   ii. includes a description of the service auditor's tests of controls and the results thereof.

Additionally, the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, fifth revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition Section, requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

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

Department management indicated while it determined in its review which vendors should provide a SOC based on services provided, the contracts do not require the entities to provide them, and some have declined to do so. The contracts for these providers were executed prior to the Department's implementation of a SOC monitoring process. Further, Department management indicated it believes the internal control review performed on the State of Michigan contract for IMPACT is sufficient. Questions for that review were developed by an independent party, who then reviewed the responses from the vendor and asked further questions, which were then answered by the provider. Department management indicated the independent party then provided an analysis of the internal controls. Related to the bridge letter that did not cover the entire engagement period, Department management indicated it obtained a bridge letter that did not cover the entire engagement period and requested an additional letter. Failure to follow up and obtain the letter was due to oversight. Department management indicated it has not yet implemented a process for identification of CUECs and determining its internal controls relative to them. Finally, Department management indicated the omission of a service provider from its population of service providers was due to an oversight.

Without having obtained and reviewed a SOC report or another form of independent internal control review, the Department does not have assurance the service provider's internal controls are adequate to ensure program payments and claims are accurate and secure. The SOC reports, which include the CUECs, specifically assume the user entities will apply complementary controls included in the reports. The system descriptions within the SOC reports are designed to consider these controls will be implemented by the user entities and doing so is necessary to fully achieve the control objectives covered by the SOC reports. The failure of the Department to consider the application of the CUECs to itself lessens the effectiveness of relying on the SOC reports as an element of its financial reporting internal control structure. Additionally, the Department's failure to monitor the services provided by DoIT could result in client data for programs administered by the Department being housed in an environment that exposes it to significant risks. (Finding Code No. 2021-007, 2020-009, 2019-011, 2018-014, 2017-011, 2016-003, 2015-004)

RECOMMENDATION

We recommend the Department:

- Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually. Because IMPACT, for the State of Illinois, is hosted and maintained by a service provider, the Department is required to obtain a SOC report or perform another type of independent review over the system's general information technology (IT) internal controls. If an independent review is performed, the related report should include an "opinion" concerning the IT internal controls, a description of the general IT controls, and the testing performed.
- Obtain bridge letters from service providers when the SOC report does not cover the entire engagement period.
- Include the requirement for a SOC report or an independent internal control review of the outsourced controls in the contracts between the Department and the service provider.
- Monitor and document the operation of the CUECs relevant to the Department's operations.
- Maintain complete inventories of service providers.
- Develop and implement corrective action to address the significant weaknesses identified in the controls over the environment by the auditors and Department personnel.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services accepts the recommendation. While progress has been made in this area, this progress was slowed by key staff turnover and lack of staff with knowledge of the specialized subject matter. The Department has enlisted the assistance of a consulting vendor to assist with improvements to processes and procedures and is implementing those changes.

During and after the period under review, the Department:

- Implemented a requirement for review of Department procurement requests to determine whether service organization control reporting is applicable and to ensure that appropriate language is included with contracts where necessary.
- Improved tracking of the request and receipt of SOC reports & bridge letters where applicable.
- Improved tracking, quality and timeliness of SOC report reviews.
- Developed a process for reviewing the Complementary User Entity Control requirements within SOC reports and documenting that the Department has applicable controls. Implementation is in progress.

The Department is also investigating the creation of an organization unit and establishing positions specifically tasked with contract risk monitoring and service organization controls.

2021-008. **FINDING** (Inadequate internal controls over census data)

The Department of Healthcare and Family Services (Department) did not have a reconciliation process to provide assurance census data submitted to its pension and other post-employment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Department's employees are members of the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted the following:

1) The Department had not performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
2) The Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to the Department's internal supporting records.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

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

Department management indicated the errors noted above were due to oversight and Department personnel became aware of the requirement to perform a reconciliation late in the fiscal year 2020 audit and did not receive fiscal year 2020 census data from SERS for comparison.

Failure to reconcile active members' census data reported to and held by SERS to Department's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Department's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2021-008, 2020-011)

RECOMMENDATION

We recommend the Department work with SERS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the SERS' actuary and CMS' actuary. After completing an initial full reconciliation, the Department may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the Department or SERS, with the impact of these errors communicated to both SERS' actuary and CMS' actuary.

DEPARTMENT RESPONSE

The Department of Healthcare and Family Services accepts the recommendations. During FY22, the Department received its first employee census data reconciliation file from SERS which contained information as of June 30, 2021. Source records from the Department's Personnel Office and the Department's Payroll Office were compared to that report and any discrepancies were noted. Department staff worked with SERS to correct any erroneous information. Nothing discovered in the census data review materially changed the Department's retirement or OPEB liability.

2021-009. **FINDING** (Noncompliance with the Illinois Health Information Exchange and Technology Act)

The Department of Healthcare and Family Services (Department) did not perform the duties required by the Illinois Health Information Exchange and Technology Act (Act).

During our testing, we noted Department management made a determination the Department would not operate the Illinois Health Information Exchange (ILHIE).

As of September 30, 2017, the Illinois Health Information Exchange Authority (Authority) completed its wind down through processing its final transactions with the Health Information Exchange Fund as part of its transfer to the Department. To formalize this transfer, the Act was amended on July 7, 2020, and all duties previously assigned to the Authority are now the responsibility of the Illinois Health Information Exchange Office (Office) created within the Department. As such, it is now the responsibility of the Office to promote, develop, and sustain a health information exchange at the State level (20 ILCS 3860/10), the Office is mandated to:

- Establish the ILHIE, to promote and facilitate the sharing of health information among health care providers within Illinois and in other states. ILHIE shall be an entity operated by the Office to service as a State-level electronic medical records exchange providing for the transfer of health information, medical records, and other health data in a secure environment for the benefit of patient care, patient safety, reduction of duplicate medical tests, reduction of administrative costs, and any other benefits deemed appropriate by the Office.

- Foster the widespread adoption of electronic health records and participation in the ILHIE.

Department management indicated when the Authority processed its final transactions there was nothing operational transferred to the Department.

Failure to establish and operate the ILHIE results in noncompliance with the Act. (Finding Code No. 2021-009)

RECOMMENDATION

We recommend the Department perform its duties under the Act, or seek a legislative remedy to eliminate the Office and its duties.

DEPARTMENT RESPONSE

The Department accepts the recommendation and will be seeking a legislative remedy.

2021-010. **FINDING** (Excess cash in the Health Information Exchange Fund)

The Department of Healthcare and Family Services (Department) had excess cash within the Health Information Exchange Fund (Fund 0606).

As of September 30, 2017, the Illinois Health Information Exchange Authority (Authority) finalized its wind down through processing its final transactions with Fund 0606 as part of its transfer to the Department. To formalize this transfer, the Act was amended on July 7, 2020, and all duties previously assigned to the Authority are now the responsibility of the Illinois Health Information Exchange Office (Office) created under the Department. As such, in accordance with the Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10), it is now the responsibility of the Office to promote, develop, and sustain a health information exchange at the State level.

During our testing, Department management made a determination the Department would not operate the Illinois Health Information Exchange (ILHIE). As such, the Department did not expend any of Fund 0606's cash balance during the examination period. We noted the Department does not have an apparent disposition for Fund 0606's cash balance, which totaled $316,995 at June 30, 2021.

Good internal control includes monitoring fund balances to identify any excess cash balances and promptly seeking an appropriate disposition for any excess funds. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law.

Department management indicated the fund balance was maintained pending the recent management-determination, as referenced above, regarding the future of ILHIE activities. Further, Department management indicated eliminating Fund 0606 and transferring the remaining balance will require legislative action.

Failure to timely address the remaining excess balance within Fund 0606 represents poor cash management within the State Treasury. Further, failure to seek the abolition of an unneeded fund resulted in time and effort by Department staff in preparing unnecessary financial data and reports for Statewide accounting and financial reporting purposes. (Finding Code No. 2021-010, 2019-014)

RECOMMENDATION

We recommend the Department establish and operate the ILHIE or, alternatively, work with the General Assembly and the Governor to determine the appropriate disposition of Fund 0606's remaining balance and then work with the Comptroller to dissolve Fund 0606.

DEPARTMENT RESPONSE

The Department accepts the recommendation. As stated above, the Department maintained the balance in the Health Information Exchange Fund (Fund 0606) pending the recent management determination regarding the future of ILHIE activities. The Department plans to request the required legislative remedy to address the issue.

2021-011. **FINDING** (Inadequate controls over State vehicles)

The Department of Healthcare and Family Services (Department) did not have adequate controls over the maintenance of State vehicles.

During our testing of 31 State vehicles for proper maintenance, we noted the following:

- Twenty-three (74%) vehicles had one or more instances of untimely oil changes. We noted:
  - three were untimely based on the number of miles driven from the previous oil change;
  - sixteen were untimely based on months lapsed since the last oil change; and,
  - four were untimely based on both the number of miles driven from the previous oil change and the passage of time since the last oil change.

  The overages were between 1,381 to 16,123 miles and between two and 12 months.

  The Department of Central Management Services' *Vehicle Usage Program* requires vehicles receive regular oil changes, with passenger vehicles less than 10 years old receiving an oil change every 5,000 miles or 12 months, whichever occurs first, and passenger vehicles 10 years old or older receiving regular oil changes every 3,000 miles or 12 months, whichever occurs first.

- Twelve (39%) vehicles did not have regular tire rotations. We noted:
  - one was untimely based on the months lapsed since the last rotation; and,
  - eleven were untimely based on both the number of miles driven since the last rotation and the months lapsed since the last rotation.

  The overages were between 8,143 to 54,084 miles and between 13 to 80 months.

  The Department of Central Management Services' *Vehicle Usage Program* requires vehicles receive a tire rotation every second oil change.

- Seventeen (55%) vehicles did not receive an inspection in one or both of the fiscal years tested.

  The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.410(a)) requires each vehicle receive an inspection at least once per year.

This finding was first noted during the Department's compliance examination for the two years ended June 30, 2017. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Department management attributed the failure to properly maintain Department vehicles to employee oversight and closure of the Department's motor pool since March 2020 due to the COVID-19 pandemic.

Failure to properly maintain vehicles could result in costly repairs and early deterioration of the Department's capital assets and resulted in noncompliance with the Code and the *Vehicle Usage Program*. (Finding Code No. 2021-011, 2019-015, 2017-018)

RECOMMENDATION

We recommend the Department implement controls to ensure its vehicles timely undergo oil changes and tire rotations and receive an annual inspection.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will review its internal controls to ensure they are adequate; however, the Department believes the untimely maintenance and inspections were a result of the closure of the motor pool due to the COVID Public Health Emergency during the audit period.

2021-012. **FINDING** (Inadequate controls over personal services)

The Department of Healthcare and Family Services (Department) did not have adequate controls over employee performance evaluations and training.

During our testing, we noted the following:

- Seven of 60 (12%) employees tested did not have an evaluation of their performance conducted within four months after the end of their annual evaluation period. We noted these employees' evaluations were conducted between 13 and 310 business days after the end of the four-month period to conduct each employee's evaluation.

  The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270) establishes a system of probationary and annual employee evaluations such that no employee is evaluated not less often than annually on their performance. In addition, the agreement between the State and American Federal of State, County, and Municipal Employees Council 31 (Union Agreement) (Article XXVII, Section 2) states an employee's annual evaluation should be performed within four months of the end of the evaluation year.

- The Department was unable to provide documentation demonstrating 16 of 60 (27%) employees tested completed their annual ethics and/or sexual harassment and discrimination prevention training during the calendar year 2020 training period. Additionally, the Department did not have support that 3 of 14 (21%) new employees tested had performed their initial ethics and/or sexual harassment and discrimination prevention training within 30 days of hire.

  The State Officials and Employees Ethics Act (5 ILCS 430/5-10) requires all new officers and employees to complete an initial ethics training course within 30 days after commencing employment, with all officers and employees completing the training annually thereafter. Additionally, the State Officials and Employees Ethics Act (5 ILCS 430/5-10.5) requires all new officers and employees to complete an initial sexual harassment and discrimination prevention training course within 30 days after commencing employment, with all officers and employees completing the training annually thereafter.

- Three of 60 (5%) employees tested with access to social security numbers in the course of their employment did not have training on protecting the confidentiality of social security numbers.

  The Identity Protection Act (5 ILCS 179/37(a)(2)) requires employees with access to social security numbers in the course of performing their duties receive training on how to protect the confidentiality of social security numbers.

- Three of 40 (8%) new employees tested, did not sign a statement acknowledging their responsibilities under the Abused and Neglected Child Reporting Act (ANCRA) to immediately report to the Department of Children and Family Services (DCFS) a child known to them in their professional or official capacities may be an abused or neglected child before commencing their employment. These employees signed their acknowledgement forms one to two days after commencing employment at the Department.

ANCRA (325 ILCS 5/4(i)) requires persons who enter into employment who, by virtue of that employment, are mandated to report under ANCRA sign a statement on a form prescribed by DCFS acknowledging their understanding of their mandated reporting responsibilities under ANCRA prior to commencing employment.

- Thirty-three of 33 (100%) employees tested who were required to complete training on their mandated reporter responsibilities during the examination period under ANCRA did not complete their initial training.

  ANCRA (325 ILCS 5/4(j)), as amended by Public Act 101-0564 on January 1, 2020, requires new employees who are mandated reporters under ANCRA complete an initial training course on their responsibilities under ANCRA within three months of starting employment and undergo refresher training every three years thereafter, unless their professional license requires more frequent training under State law.

Further, employee training problems regarding cybersecurity were also reported in Finding 2021-019.

This finding was first noted during the Department's compliance examination for the year ended June 30, 2005. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Department management indicated late evaluations and acknowledgement forms, and incomplete trainings were due to other competing priorities related to the COVID-19 pandemic.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Failure to conduct performance evaluations in a timely manner resulted in noncompliance with the Code and the Union Agreement. Further, failure to monitor employees and ensure they take all required training courses resulted in noncompliance with the State Officials and Employees Ethics Act, the Identity Protection Act, and ANCRA and could result in a workforce which is not adequately trained to fulfill their duties and meet their statutory duties, including reporting potentially abused and neglected children. Additionally, failure to obtain signed statements acknowledging staff responsibilities under ANCRA could result in staff not understanding their responsibilities and resulted in noncompliance with ANCRA. (Finding Code No. 2021-012, 2019-018, 2017-021, 2015-011, 2013-005, 11-8, 09-5, 08-11, 07-11, 06-6, 05-1)

RECOMMENDATION

We recommend the Department implement controls to ensure staff members receive timely performance evaluations in accordance with the Code and training courses are completed in accordance with the State Officials and Employees Ethics Act and Identity Protection Act. Further, we recommend the Department implement controls to ensure staff complete the required acknowledge forms documenting their understanding of their mandated reporting responsibilities under ANCRA prior to commencing employment.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will review its internal controls to ensure they are adequate; however, the Department believes the untimely processing of evaluations and training compliance in most cases, were a result of the COVID Public Health Emergency during the audit period.

2021-013. **FINDING** (Insufficient controls over the University of Illinois Hospital Services Fund)

The Department of Healthcare and Family Services (Department) did not have adequate controls to ensure Disproportionate Share Hospital (DSH) payments were paid in accordance with the Illinois Medicaid State Plan (State Plan).

During our testing of the University of Illinois Hospital Services Fund (Fund 0136), which included a review of the interagency agreement between the Board of Trustees of the University of Illinois (University) and the Department and testing of reimbursement rates determined by the Department, we noted the Department did not make the annual DSH payments in 12 monthly installments in accordance with the State Plan. While we noted the correct annual total amount was paid during both fiscal year 2020 and fiscal year 2021, no payments were made by the Department in July 2019, August 2019, October 2019, December 2019, August 2020, October 2020, November 2020, December 2020, and May 2021. In order to make up for these missed months, the Department made multiple payments during other months.

The State Plan states the annual amount shall be paid to the hospital in monthly installments and provides the calculation amounts to determine the annual amount due.

This finding was first noted during the Department's compliance examination for the two years ended June 30, 2015. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Department management indicated monthly DSH payments were not possible due to the University's payment structure.

Failure to make monthly installments decreases the amount of monthly cash available to the University's hospital and clinics and resulted in noncompliance with the State Plan. (Finding Code No. 2021-013, 2019-019, 2017-022, 2015-010)

RECOMMENDATION

We recommend the Department make equal monthly DSH payments as required by the State Plan or, alternatively, amend the State Plan to reflect the current operating environment.

DEPARTMENT RESPONSE

The Department contends that 12 monthly DSH installments were made to the University of Illinois Hospital per the State Plan within the year. Timing does not always allow for the monthly payments to be made in each of the 12 months due to the innerworkings of the University of Illinois Hospital Services Fund. The Department communicates with the University of Illinois Hospital on the timing of the payments to ensure that the amount of monthly cash available to the University's hospital and clinics is sufficient. As noted, the correct dollar amount was issued.

The Department will look into further clarifying the state plan language to indicate that 12 monthly payments does not require the Department to make one of the 12 monthly payments in each individual month.

2021-014. **FINDING** (Failure to maintain a voter information data transfer mechanism)

The Department of Healthcare and Family Services (Department) failed to establish and operate a voter registration system capable of transmitting voter registration application information to the State Board of Elections' portal interfaced with its Online Voter Registration System by July 1, 2016, as required by the Election Code (Code).

During testing, we noted as of June 30, 2021, the Department had not established or operated a voter registration system. As of June 30, 2021, the Department's voter registration system should have been operational **five years ago**.

The Code (10 ILCS 5/1A-16.6) requires each designated government agency, including the Department, to establish and operate, by July 1, 2016, a voter information data transfer mechanism capable of transmitting voter registration application information to the State Board of Elections' portal.

This finding was first noted during the Department's compliance examination for the two years ended June 30, 2017. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Department management indicated during prior examinations this mechanism was intended to be included within the Integrated Eligibility System (IES) Phase 2 functionality. During the current examination, Department officials indicated the enhancement remains a work in progress.

Failure to maintain and operate a voter registration system capable of transmitting voter registration application information resulted in noncompliance with the Code and denies an avenue for individuals to register or update their voter registration information. (Finding Code No. 2021-014, 2019-020, 2017-025)

RECOMMENDATION

We recommend the Department establish and operate a voter registration system capable of transmitting voter registration application information as required by the Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation and successfully implemented the voter registration requirement for fiscal year 2022.

2021-015. **FINDING** (Failure to establish rate methodology and file required reports for the mammography program)

The Department of Healthcare and Family Services (Department) failed to establish a federally-approved rate methodology and file a status report for the mammography program, as required by the Illinois Public Aid Code (Code).

During testing, we noted the following:

- While the Department was reimbursing eligible providers as part of the all-inclusive rate established in March 2013 for the Breast Cancer Screening and Treatment Quality Improvement Program, the Department still had not established a federally-approved rate methodology for mammography at federally-qualified health centers and other encounter-rate clinics in accordance with the Code.

  The Code (305 ILCS 5/5) requires the Department to establish a rate methodology, subject to federal approval, for mammography at federally-qualified health centers and other encounter-rate clinics.

  Department management indicated they did not believe the pilot program was effective in yielding improved breast cancer screening rates or in getting additional women with abnormal mammography screenings into treatment in a more expedient manner. As a result, they decided it was ineffective to establish a federal rate methodology.

- As of June 30, 2021, the Department had still not filed a status report with the General Assembly on the status of this requirement, which was due on January 1, 2016, **over 4.5 years ago**.

  The Code (305 ILCS 5/5) requires the Department to report to the General Assembly on the status of its implementation of the rate methodology for mammography at federally-qualified health centers and other encounter-rate clinics by January 1, 2016.

  Department management indicated they did not believe the status report was necessary due to the determination the program was not effective.

This finding was first noted during the Department's compliance examination for the two years ended June 30, 2017. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

Failure to establish a federally-approved rate methodology and file the required status report resulted in noncompliance with the Code and lessens governmental oversight of reimbursed rates for medical assistance programs. (Finding Code No. 2021-015, 2019-021, 2017-026)

RECOMMENDATION

We recommend the Department promptly file a status report with the General Assembly on its implementation of the rate methodology for mammography at federally-qualified health centers and other encounter-rate clinics. In addition, we recommend the Department either establish a federally-approved rate methodology or seek a legislative remedy to eliminate this statutory mandate.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Federally Qualified Community Health Centers are currently able to bill outside of their encounter rate for mammography services. Upon a claims review, the Department found that claims are being generated and paid from the practitioner fee schedule and can occur utilizing an affiliated facility to perform such services. The Department will report to the General Assembly prior to September 1, 2022, that a reimbursement methodology has been established.

2021-016. **FINDING** (Failure to post required MCO information on the Department's website)

The Department of Healthcare and Family Services (Department) failed to post an analysis of its managed care organization (MCO) claims processing and payment performance on its website as required by the Illinois Public Aid Code (Code).

The Code (305 ILCS 5/5-30.1(g-7)) requires the Department post an analysis of MCO claims processing and payment performance on its website every six months, which must include:

1) a review and evaluation of a representative sample of hospital claims which were rejected and denied for clean and unclean claims;
2) the top five reasons for such actions and timeliness of claims adjudication, which identifies the claims adjusted within 30, 60, 90, and over 90 days; and,
3) the dollar amounts associated with those claims.

During the previous engagement, we noted the Department timely posted a report on November 1, 2018, which contained the information necessary per the statute covering the period of January 2018 – June 2018. When the timeline was discussed with Department management, they indicated they would be posting the required reports in May and November of each year. However, the next report covering the period of July 2018 – December 2018, due May 2019, was not posted.

During our current examination testing, we followed-up on the Department's unposted report from May 2019, which we noted during the Department's last examination, and the reports the Department should have prepared during the examination period. Department management again revised their timeline and stated future reports will be posted on a December/June cycle to ensure the six month requirement. The change in timeline is to allow for the inclusion of all claims in the reports since providers have a 6-month (180 day) window to submit claims after providing a service. Therefore, to include all claims for the period of July 1, 2019 – December 31, 2019, data would need to be obtained through June 30, 2020.

At the time of discussion with management, they stated the next report to prepare and post would be for July 1, 2019 – December 31, 2019, which would be prepared, reviewed, approved and posted no later than December 31, 2020. The January 1, 2020 – June 30, 2020 report would be prepared, reviewed, approved and posted no later than June 30, 2021. All future reports would follow this same schedule. We noted the following:

Report Period	Scheduled Posting Date*	Actual Posting Date	Days Late
July 2018 – December 2018	May 31, 2019	August 6, 2020	433
January 2019 to June 2019	November 30, 2019	August 6, 2020	250
July 2019 to December 2019	December 31, 2020	February 24, 2021	55
January 2020 to June 2020	June 30, 2021	June 30, 2021	0

* Posting schedule based on discussion with the Department as noted above.

Additionally, during the prior examination, we noted the Department had not timely filed its contract claims reports required by HealthChoice Illinois, which were required to be posted on its website every three months. During the current examination, we noted Public Act 102-0043 eliminated this mandate, effective July 6, 2021. As such, this component of the prior finding was not repeated.

Department management indicated the reports were not filed in a timely manner because a consistent format for the report had not yet been established until fiscal year 2021.

Failure to post reports timely as required resulted in noncompliance with the Code and delays oversight and accountability for the claims processing and payment performance of MCOs. (Finding Code No. 2021-016, 2019-023)

RECOMMENDATION

We recommend the Department post, on its website, an analysis of MCO claims processing and payment performance every six months.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Subsequent to June 30, 2021, the Department has established a methodology to ensure compliance with the statute and post reports on a semi-annual basis - December/June cycle. The current Q1 and Q2 2021 hospital claims report is in process and shall be approved and posted no later than June 30, 2022.

2021-017. **FINDING** (Lack of agreement to ensure compliance with information technology security requirements)

The Department of Healthcare and Family Services (Department) had not entered into a detailed agreement with the Department of Innovation and Technology (DoIT) to ensure prescribed requirements and available security mechanisms were in place in order to protect the security, processing integrity, availability, and confidentiality of its systems and data.

On January 25, 2016, the Governor signed Executive Order 2016-01, which created DoIT. Under the Executive Order, DoIT assumed responsibilities for the State's information technology decisions and spending, including the Department's information technology infrastructure and functions. Commencing on July 1, 2016, DoIT and the Department were to work together in order to "transfer all relevant functions, employees, property, and funds" to DoIT.

We noted the Department had not entered into an Intergovernmental Agreement (Agreement) with DoIT to address the security, processing integrity, availability, and confidentiality of the Department's systems and data during the audit period.

The Department has the ultimate responsibility to ensure its critical and confidential systems and data are adequately secured. As such, this responsibility is not limited because the information technology functions were transferred to DoIT.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Department management indicated they have been working with DoIT to execute adequate agreements.

Without a formal agreement, the Department does not have assurance of the adequacy of controls to ensure the security, processing integrity, availability, and confidentiality of its systems and data. (Finding Code No. 2021-017, 2019-025)

RECOMMENDATION

We recommend the Department enter into a detailed agreement with DoIT to ensure prescribed requirements and available security mechanisms are in place to protect the security, processing integrity, availability, and confidentiality of its systems and data.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department provided a draft agreement to DoIT regarding security mechanisms in April 2022. DoIT is currently drafting a broader intergovernmental agreement.

2021-018. **FINDING** (Lack of disaster recovery testing)

The Department of Healthcare and Family Services (Department) had not conducted disaster recovery testing of its applications and data.

In order to carry out its mission, the Department utilizes a myriad of applications: Key Information Delivery System (KIDS), Medicaid Management Information System (MMIS), etc. However, the Department had not conducted disaster recovery testing of its applications and data during the engagement period.

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

The Contingency Planning Guide for Information Technology Systems published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

Department management indicated the Department is not able to do disaster recovery testing on critical systems without DoIT.

Failure to adequately plan for the recovery of applications and data leaves the Department exposed to the possibility of major disruptions of services. (Finding Code No. 2021-018, 2019-026)

RECOMMENDATION

We recommend the Department work with DoIT to ensure recovery capabilities meet its needs and perform and document tests of its applications and data at least once each year. In addition, we recommend the Department's various disaster recovery plans should be continuously updated to reflect environmental changes and improvements identified from tests.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department of Innovation & Technology (DoIT) became an agency by statute on July 20, 2018, being charged with responsibility for the information technology function of agencies under the jurisdiction of the governor. In August 2019 a tabletop disaster recovery exercise was completed for HFS; however, the Department received a draft copy in November, instead of the signed final report. The Department provided the 2020 mainframe system evolution changes summary from DoIT that was completed in lieu of additional disaster recovery testing with HFS systems, and April 2021 documentation of a failover event. The DoIT mainframe infrastructure has been enhanced to include and operationalize a new mainframe system, memory, virtual tape array and continuous replication between Springfield and the Chicago area disaster recovery center; thus, every volume is replicated and HFS can recover all applications. HFS DoIT staff need additional training regarding these new features and will continue to work with DoIT to ensure the training is received.

2021-019. **FINDING** (Weaknesses in cybersecurity programs and practices)

The Department of Healthcare and Family Services (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Department's mission to support the State by empowering Illinois residents to lead healthier and more independent lives by providing adequate access to healthcare coverage at a reasonable cost, and by establishing and enforcing child support obligations, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and medical information of the citizens of the State.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program, practices, and control of confidential information, we noted the Department had not:

- Developed a cybersecurity plan, and
- Developed a risk management methodology or conducted a comprehensive risk assessment.

Although the Department classified its data according to risk, the classification did not document the required security protections. Additionally, the classification did not document the classification of all data, including storage media.

Additionally, twenty of 60 (33%) employees tested did not complete the calendar year 2020 cybersecurity training.

The Data Security on State Computers Act (20 ILCS 450/25) requires every Department employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity. Additionally, the *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department management stated they disagree with the finding because they believe the Department of Innovation and Technology (DoIT) is responsible for the cybersecurity controls.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2021-019)

RECOMMENDATION

We recommend the Department work with the DoIT to obtain a detailed understanding of responsibilities related to cybersecurity controls. Additionally, we recommend the Department:

- Develop a cybersecurity plan.
- Develop a risk management methodology and conduct a comprehensive risk assessment.
- Identify the associated security protection based on risk for its data, and classify all data, including storage media.
- Ensure all staff annually complete cybersecurity training as outlined in the Data Security on State Computers Act.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The State of Illinois Cybersecurity Strategy was developed through a comprehensive process which included an evaluation of current capabilities, cybersecurity maturity and risk assessments, input from leadership from state agencies, boards and commissions and evaluation of the current and evolving cyber threat landscape. The strategy development was enhanced through the active participation of the Governor's Technology Advisory Board and public and private sector partners. The goals listed in the plan are all related to the agencies and their needs and ensure there is an enterprise approach to policies, rather than agency silos. This ensures all agencies meet the highest standard related to cybersecurity and the NIST Framework. This also ensures all agency systems and data are included and covered. The Department has adopted the State cybersecurity plan/policies and specific security program policies and procedures, not covered by the State plan are in place. The Department will continue to work with DoIT to ensure all data is classified and protected and will ensure cybersecurity training is completed by all staff on an annual basis.

2021-020. **FINDING** (Failure to perform parity compliance audits of managed care organizations)

The Department of Healthcare and Family Services (Department) did not perform parity compliance audits of managed care organizations (MCOs).

During testing, we noted the Department has not performed parity compliance audits of MCOs and, therefore, has not made the findings and conclusions of these audits available to the public on the Department's website. This mandate was added to the Illinois Insurance Code (Code) by Public Act 100-1024, which was effective on January 1, 2019.

The Code (215 ILCS 5/370c(d)(3)) requires the Department to perform parity compliance audits of individual and group plans and policies, including, but not limited to, reviews of:

a) nonquantitative treatment limitations, including, but not limited to, prior authorization requirements, concurrent review, retrospective review, step therapy, network admission standards, reimbursement rates, and geographic restrictions;
b) denials of authorization, payment, and coverage; and;
c) other specific criteria as may be determined by the Department.

Further, the Code states the findings and the conclusions of the parity compliance market conduct examinations and audits shall be made public.

Department management indicated they are still finalizing contract deliverables, timelines for deliverables, and billing methodology with the Department's current external Quality Improvement Organization (QIO), who has preliminarily agreed to perform this work on the Department's behalf.

Failure to conduct parity compliance audits of MCOs and publicly post the results on the Department's website resulted in noncompliance with the Code, may have resulted in audit findings not being identified by the Department for correction by the MCOs, limits the availability of information about nonquantitative treatment limitations and denials by MCOs to the public, hinders oversight and accountability of MCOs, and hinders transparency by the Department of its operations. (Finding Code No. 2021-020)

RECOMMENDATION

We recommend the Department perform parity compliance audits of MCOs and make the findings and conclusions of those audits available to the public on the Department's website. In addition, we recommend the Department should ensure, when it requires a contractor to assist it in meeting statutory mandates, the contractor is in place with a fully executed written agreement to comply with the mandate in a timely manner.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department is in the process of performing the required parity compliance audit of the MCOs. Below is an outline of some of the pertinent activities related to the FY21 Parity Compliance MCO Audit:

- Department issued a request to the MCO's for Phase I Parity Report & Non-Quantitative Treatment Limitation with a due date of July 1, 2021. All Five MCO plans returned the requested information on or before July 1, 2021.

- Due to the volume of information received, the Bureau of Managed Care (BMC) and Bureau of Quality Management (BQM) developed a scope of work for its External Quality Review Organization (EQRO) and met with the EQRO on August 20, 2021, to discuss a workplan and budget proposal for parity analysis and audit activities.
- The EQRO submitted its proposed parity methodology and work plan timeline on January 21, 2022, which was approved by BMC and BQM on January 25, 2022.
- Final meeting was held with the EQRO, BQM, and BMC on February 28, 2022 to review the work plan timeline and activities occurred. The EQRO initiated the work plan activities on February 28, 2022.
- The EQRO requested a timeline extension April 14, 2022, due to an issue with the accuracy of information being supplied by two MCO. The extension allowed for an equitable review and comparison across plans. The Department approved the request on April 14, 2022.
- The EQRO submitted the draft report to HFS for review on May 23, 2022. The report is currently under reviewed by the Department.
- Anticipated final report completion in June 2022.
- Report findings will be publicly posted once the report findings have been approved by Department, no later than the end of the calendar year, 2022.

2021-021. **FINDING** (Failure to post hospital provider annual assessment adjustment details)

The Department of Healthcare and Family Services (Department) did not publish annual assessment adjustment details on its website.

During testing, we noted the Department did not post all details of its annual assessment on inpatient and outpatient services imposed on each hospital provider on its website.

The Illinois Public Aid Code (Code) (305 ILCS 5/5A-2(b-7(3)) requires the Department to publish all details of its annual assessment adjustment calculation on its website within 30 days of completing the calculation.

Department management indicated the calculation was not published due to oversight, as the staff member responsible for the calculation was not aware of this mandate.

Failure to publish all details of the Department's annual assessment calculation limits public knowledge and understanding of the calculation and results in noncompliance with the Code. (Finding Code No. 2021-021)

RECOMMENDATION

We recommend the Department timely publish all details of its annual assessment adjustment calculation on its website in accordance with the Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Upon becoming aware of this requirement during the audit, the Department has complied with the regulation and will continue to comply.

2021-022. **FINDING** (Failure to appoint members to the Long-Term Services and Support Disparities Task Force)

The Department of Healthcare and Family Services (Department) did not ensure the Long-Term Services and Support Disparities Task Force (Task Force) could meet due to not appointing sufficient members to the Task Force.

During testing, we noted the following:

- The Director of the Department did not appoint persons with required specific backgrounds for 10 of 19 (53%) positions on the Task Force.

- The Department was unable to provide us with adequate supporting documentation showing the nine individuals appointed to the Task Force by the Director met the required specific background for serving in their position.

- As we could not determine whether sufficient numbers of consumer representative positions were on the Task Force, we were unable to determine if the Task Force had met the minimum statutory requirements to meet during the examination period.

Due to these conditions, we were unable to determine whether the Department's Task Force was meeting its statutory duties.

Public Act 98-0825, effective on August 1, 2014, amended the Illinois Public Aid Code (Code) (305 ILCS 5/12-4.48) to establish the Task Force. The Department's Director must appoint 19 members who represent specific agencies, organizations, and groups to promote and facilitate communication, coordination, and collaboration among relevant State agencies and communities of color, limited English-speaking communities, and the private and public entities providing services to those communities by performing 10 different duties. Under the Code (305 ILCS 5/12-4.48(c)), the Task Force may not meet when a vacancy exists for any consumer representative position on the Task Force. Finally, the Code (305 ILCS 5/12-4.48(i)) requires the Task Force annually report its findings and recommendations to the Governor and the General Assembly, along with documentation of its progress towards the elimination of disparities in long-term service settings.

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

Department management indicated the issues noted were due to staff turnover and staff error.

Failure to establish and operate the Task Force hinders the State's efforts to eliminate disparities in long-term care settings and resulted in noncompliance with the Code and the State Records Act. (Finding Code No. 2021-022)

RECOMMENDATION

We recommend the Department find and appoint persons with specific required backgrounds to the Task Force. Then, we recommend the Department provide appropriate staff and resources to the Task Force so it can meet its mandated duties and work towards eliminating disparities in long-term care settings. Finally, we recommend the Department retain documentation supporting its implementation of corrective action.

DEPARTMENT RESPONSE

The Department accepts the recommendation and has implemented corrective action. The Department established the Health Equity and Quality Subcommittee in September 2021 and believes this is the fulfillment of the Long-Term Services and Support Disparities Task Force. The intent of the Health Equity and Quality Subcommittee is to advise the Medicaid Advisory Committee concerning strategies to improve customer outcomes by ensuring that populations covered under the Illinois Medicaid program have efficient, cost-effective, and timely access to quality care that meets their need without discrimination based on race/ethnicity, gender, primary language, disability, sexual orientation, or socio-economic status. In addition, the Department plans to review and establish a subgroup of this committee to specifically address the Long-Term Support Services population.

2021-023. **FINDING** (Failure to adopt administrative rules regarding care coordination)

The Department of Healthcare and Family Services (Department) did not adopt administrative rules to facilitate the orderly transition of aged patients or patients with disabilities from a hospital to post-hospital care.

During testing, we noted the Department did not adopt rules to ensure a patient 60-years of age or older is able to access nursing home care without delaying the patient's discharge from a hospital where the nursing home is not penalized for accepting the patient's admission, to the extent permitted under federal law, in situations where a case coordination unit was unable to complete an in-hospital assessment of the patient prior to the discharge of the patient from the hospital.

Public Act 99-0857, effective on January 1, 2017, amended the Hospital Licensing Act (210 ILCS 85/6.09) to require the Department and the Department on Aging (DoA) to adopt rules to ensure a patient 60-years of age or older is able to access nursing home care without delaying the patient's discharge from a hospital where the nursing home is not penalized for accepting the patient's admission, to the extent permitted under federal law, in situations where a case coordination unit was unable to complete an in-hospital assessment of the patient prior to the discharge of the patient from the hospital.

Department management indicated the Department and DoA have not yet started the process of adopting rules due to oversight. Department management further indicated the Department is not aware of any instances for which an assessment was not completed during the engagement period where patients' access to care would have been affected had rules been adopted as required.

Failure to timely adopt rules to address this scenario could result in patients not being discharged from the hospital when they are ready to go, could result in nursing homes being penalized for accepting a patient's admission in this scenario, and results in noncompliance with the Hospital Licensing Act. (Finding Code No. 2021-023)

RECOMMENDATION

We recommend the Department work with the DoA to adopt administrative rules to ensure a patient 60-years of age or older is able to access nursing home care without delaying the patient's discharge from a hospital where the nursing home is not penalized for accepting the patient's admission, to the extent permitted under federal law, in situations where a case coordination unit was unable to complete an in-hospital assessment of the patient prior to the discharge of the patient from the hospital. Further, the Department should actively monitor legislation to timely comply with any new statutory mandates.

DEPARTMENT RESPONSE

The Department accepts the recommendation and will work with the Department of Aging to become compliant with federal policy and state goals. Additionally, the Department will seek legislative changes to assist in this effort.

2021-024. **FINDING** (Failure to post pregnancy and childbirth rights to the Department's website)

The Department of Healthcare and Family Services (Department) did not post the pregnancy and childbirth rights of women on its website.

Public Act 101-0445, effective on January 1, 2020, amended the Medical Patient Rights Act (Act) (410 ILCS 50/3.4) to require the Department post on its website that women, in additional to other medical rights under the Act, have the following rights regarding pregnancy and childbirth:

1) The right to receive health care before, during, and after pregnancy and childbirth.
2) The right to receive care for her and her infant that is consistent with generally accepted medical standards.
3) The right to choose a certified nurse midwife or physician as her maternity care professional.
4) The right to choose her birth setting from the full range of birthing options available in her community.
5) The right to leave her maternity care professional and select another if she becomes dissatisfied with her care, except as otherwise provided by law.
6) The right to receive information about the names of those health care professionals involved in her care.
7) The right to privacy and confidentiality of records, except as provided by law.
8) The right to receive information concerning her condition and proposed treatment, including methods of relieving pain.
9) The right to accept or refuse any treatment, to the extent medically possible.
10) The right to be informed if her caregivers wish to enroll her or her infant in a research study in accordance with Section 3.1 of this Act.
11) The right to access her medical records in accordance with Section 8-2001 of the Code of Civil Procedure.
12) The right to receive information in a language in which she can communicate in accordance with federal law.
13) The right to receive emotional and physical support during labor and birth.
14) The right to freedom of movement during labor and to give birth in the position of her choice, within generally accepted medical standards.
15) The right to contact with her newborn, except where necessary care must be provided to the mother or infant.
16) The right to receive information about breastfeeding.
17) The right to decide collaboratively with caregivers when she and her baby will leave the birth site for home, based on their conditions and circumstances.
18) The right to be treated with respect at all times before, during, and after pregnancy by her health care professionals.
19) The right of each patient, regardless of source of payment, to examine and receive a reasonable explanation of her total bill for services rendered by her maternity care professional or health care provider, including itemized charges for specific services received. Each maternity care professional or health care provider shall be responsible only for a reasonable explanation of those specific services provided by the maternity care professional or health care provider.

During testing, we noted the Department failed to post the aforementioned information about the pregnancy and childbirth rights of women on its website as of June 30, 2021.

Department management indicated this was not posted on the Department's website due to the length of time incurred to develop and then obtain approval to post this information.

Failure to timely post the pregnancy and childbirth rights of women within the State may result in some residents being unaware of their rights and results in noncompliance with the Act. (Finding Code No. 2021-024)

RECOMMENDATION

We recommend the Department post on its website the rights of women regarding pregnancy and childbirth.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department posted the information on its website on January 20, 2022. The information can be found at the following link. https://www2.illinois.gov/hfs/info/reports/Pages/default.aspx

2021-025. **FINDING** (Inadequate controls over reports and publications)

The Department of Healthcare and Family Services (Department) did not ensure its reports and publications were published in accordance with State law.

During testing, we noted the following:

- The Department could not substantiate its reports submitted to the General Assembly during the examination period were posted on the Department's website.

  The General Assembly Organization Act (25 ILCS 5/3.1) requires the Department to make reports submitted to the General Assembly available for a reasonable time on its website.

- The Department could not substantiate its reports submitted to the General Assembly were deposited into the State Government Report Distribution Center at the Illinois State Library.

  The General Assembly Organization Act (25 ILCS 5/3.1) requires the Department to submit its reports filed with the General Assembly to the State Government Report Distribution Center at the Illinois State Library.

- The Department could not substantiate its publications were provided to the Illinois State Library for its collection and exchange purposes.

  The State Library Act (15 ILCS 320/21(a)) requires the Department provide and deposit with the Illinois State Library sufficient copies of all publications issued by the Department for its collection and exchange purposes.

Department management indicated these problems were due to oversight.

Failure to post reports submitted to the General Assembly on the Department's website and deposit reports and publications into the Illinois State Library limits public access to the Department's reports and publications, hinders the archival responsibilities of the Illinois State Library, and results in noncompliance with both the General Assembly Organization Act and State Library Act. (Finding Code No. 2021-025)

RECOMMENDATION

We recommend the Department implement controls to demonstrate its reports submitted to the General Assembly are posted on its website for a reasonable period of time and provided to the State Government Report Distribution Center at the Illinois State Library. Further, the Department should implement controls to demonstrate its publications were submitted to the Illinois State Library for its collection and exchange purposes.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department has implemented additional controls to ensure reports submitted to the General Assembly are posted on its website. The Department will ensure documentation is maintained to demonstrate reports and publications were submitted to the Illinois State Library.

2021-026. **FINDING** (Inadequate controls over timely approval of vouchers)

The Department of Healthcare and Family Services (Department) did not ensure vouchers were timely approved.

During testing, we noted 10 of 80 (13%) vouchers tested, totaling $71,948, were approved for payment between 2 and 259 calendar days late.

This finding was first noted during the Department's compliance examination for the year ended June 30, 2017. In the subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires approval of proper bills, or denial of bills with defects, in whole or in part, within 30 days after receipt.

Department management indicated these late approvals were a result of a mix of staff changes and oversight.

Failure to approve vouchers timely could result in late charges or penalties to the State, may delay the payment of vendors from appropriated funds, and resulted in noncompliance with the Code. (Finding Code No. 2021-026, 2019-017, 2017-020)

RECOMMENDATION

We recommend the Department implement internal controls to ensure all of its vouchers are approved timely.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Most of these invoice approvals were delayed in the various program areas prior to submission to the Bureau of Fiscal Operations (Accounting) for payment processing. One invoice approval was delayed due to cash management requirements. The Department continues its efforts to advise staff regarding various invoice processing requirements including the timely approval or denial of invoices received.

2021-027. **FINDING** (Failure to obtain and review Monthly Security Status Reports)

The Department of Healthcare and Family Services (Department) failed to obtain and review monthly security status reports from the vendor responsible for calculating inpatient and outpatient rates. Specifically, we noted the Department did not enforce provisions of the vendor's contract which required the vendor to provide reporting on the effectiveness and monitoring of security controls.

The Department awarded a new rate methodologies and reimbursement services contract, effective November 17, 2020, to calculate inpatient and outpatient rates. In connection with the contract, the vendor was to develop, implement, host, and maintain interactive portals compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPPA) and guidance from the National Institute of Standards and Technology (NIST).

During our testing of the contract, we noted the vendor did not provide its monthly Security Status Report to the Department. The Security Status Report provides essential information regarding the security posture of the vendor's system, as well as the effectiveness of the controls deployed. In addition, ongoing monitoring activities by the vendor should be detailed, as well as ongoing remediation efforts to address known vulnerabilities.

Section 1.1.6.7.3 of the executed contract requires a monthly Security Status Report to be produced by the vendor for the Department.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management indicated the complexity of the new contract resulted in the failure to obtain the monthly Security Status Report from the vendor.

Inadequate contract monitoring by the Department could lead to security risks if the vendor does not exercise proper security practices in its performance of the contract. Additionally, failure to enforce compliance with all contractual provisions of the inpatient and outpatient rates contract may subject the State to unnecessary legal risks and could result in unnecessary expenses. (Finding Code No. 2021-027)

RECOMMENDATION

We recommend the Department implement controls to monitor its inpatient and outpatient rate calculation contract, including ensuring enforcement of contract provisions which allow the Department to monitor whether the vendor is providing contracted services in a secure and effective manner.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department has taken action to ensure compliance with the new monthly reporting requirements. The vendor believed their security reporting met the Department's needs; however, upon clarification from the Department, the vendor has supplied the monthly information required. The vendor's security measures were in place and operational throughout the entirety of the contract and

at no time was there any issue with security of data or information, only the reporting of it to the Department.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2021

A. **FINDING** (Inadequate controls over eligibility determinations and redeterminations)

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services (collectively the "Departments") lacked controls over eligibility determinations and redeterminations for Federal programs where such determination is documented using the Integrated Eligibility System (IES). We tested 60 cases and noted 15 exceptions where either the case was not certified timely and/or the case file did not contain documentation supporting eligibility upon certification.

During the current engagement, we tested 60 cases and did not note any exceptions. As a result, this finding is not repeated. (Finding Code No. 2020-001, 2019-001, 2018-005, 2017-008, 2016-001, 2015-002)

B. **FINDING** (Untimely processing of applications for benefits, redeterminations of eligibility for benefits, and eligibility change documentation)

During the previous engagement, the Department of Healthcare and Family Services and the Department of Human Services (collectively the "Departments") did not maintain adequate internal control to ensure change documentation and applications for benefits and redeterminations of eligibility for benefits were reviewed and/or completed timely. At June 30, 2020, we noted a backlog of 20,511 medical applications, 4,208 SNAP applications, and 2,223 TANF applications for which the determination of eligibility to receive benefits was not completed timely. Additionally, we noted there were 70,466 cases in which information change documentation information had been received, however not reviewed.

During the current engagement, we noted the backlog of change documentation, applications, and redeterminations was significantly less and is no longer considered to have a significant impact on the amounts reported in the Departments' financial statements. As a result, this finding is not repeated. (Finding Code No. 2020-002, 2019-003, 2018-006, 2017-006)

C. **FINDING** (C-97 reporting miscalculations)

During the previous engagement, the Department of Healthcare and Family Services (Department) incorrectly reported the amount of accounts receivable estimated to be uncollectible on the Office of Comptroller's Quarterly Summary of Accounts Receivable (C-97) reports and did not accurately allocate accounts receivable and related uncollectible balances between funds.

During the current engagement, we did not note any instances in our testing for which the Department incorrectly reported the amount of accounts receivable on the C-97 reports and related uncollectible balances between funds. As a result, this finding is not repeated. (Finding Code No. 2020-010)

D. **FINDING** (Insufficient controls over Managed Care Organization contracts)

During the previous engagement, the Department of Healthcare and Family Services (Department) did not maintain complete information needed to adequately monitor Managed Care Organization (MCO) contracts to ensure compliance with all contractual provisions.

During the current engagement, we noted no instances for which the Department did not obtain and review required contract deliverables during fiscal years 2020 and 2021. As a result, this finding is not repeated. (Finding Code No. 2019-012)

E. **FINDING** (Noncompliance with the State of Illinois' Constitution)

During the previous engagement, we noted the Department entered into an interagency agreement which circumvented the agency organization provisions of the State of Illinois' Constitution.

During the current engagement, we did not identify any similar circumventions of the State of Illinois' Constitution and the Department obtained legislative approval to transfer the duties of the Illinois Health Information Exchange Authority into the Department. As a result, this finding is not repeated. (Finding No. 2019-013, 2017-014)

F. **FINDING** (Insufficient controls over the collection of accounts receivable)

During the previous engagement, we noted the Department did not have adequate controls over the collection of accounts receivable. The Department failed to follow procedures regarding the referral of past due accounts to the Office of Comptroller Offset System, or when deemed necessary, to the Office of the Attorney General to be written off.

During the current engagement, the Department significantly improved the process of sending accounts receivable to the Office of Comptroller Offset System, or when necessary to the Attorney General to be written off. As a result, this finding is not repeated. (Finding No. 2019-016, 2017-019, 2015-006, 2013-006)

G. **FINDING** (Inadequate controls over preparing and submitting Agency Workforce Reports)

During the previous engagement, the Department submitted inaccurate data in its two annual Agency Workforce Reports and did not maintain adequate documentation of when the reports were submitted to the Governor's Office.

During the current engagement, our testing did not identify any errors within the Agency Workforce Reports completed by the Department during the examination period. However, we continued to note an immaterial instance of noncompliance with the untimely filing of the Agency Workforce Report with the Governor's Office. As such, this matter will be reported in the Department's *Independent Accountant's Report of Immaterial Findings*. (Finding Code No. 2019-022)

H. **FINDING** (Inadequate controls over publishing quarterly reports on physician certification statements on the Department's website)

During the previous engagement, the Department of Healthcare and Family Services (Department) failed to publish, on its website, quarterly reports on physician certification statements.

During the current engagement, our testing noted the Department timely posted the first three quarters of fiscal year 2020. Thereafter, the Department was not required to post this report due to the COVID-19 pandemic, as authorized by the waiver requested and received from the Federal Department of Health and Human Services, Centers for Medicare & Medicaid Services. As a result, this finding is not repeated. (Finding Code No. 2019-024)

Status of Performance Audit

As part of the Illinois Department of Healthcare and Family Services' (Department) State compliance examination for the two years ended June 30, 2021, the auditors followed up on the status of the following performance audit performed by the Office of the Auditor General (OAG):

- **Performance Audit of Managed Care Organizations** (released January 2018)
  - This is the second time follow-up has been conducted. The audit contained six recommendations directed to the Department. All six recommendations have been fully implemented.

The exhibit below summarizes the current status of the recommendations. Recommendations that were followed up on during the applicable audit and/or examination are detailed in the following pages.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS
As of June 30, 2021

Audit	Total Number of Recommendations	Status		
		Implemented	Partially Implemented	Not Implemented
Managed Care Organizations	6	6	0	0

Source: Summary of current status of past performance audits.

Managed Care Organizations

The Illinois Office of the Auditor General conducted a performance audit of Managed Care Organizations (MCOs) by the Department pursuant to House Resolution Number 100. The audit was released in January 2018 and contained six recommendations to the Department. This is the second time follow-up has been conducted. In the first follow-up four of the six recommendations had been implemented. The status of the remaining two recommendations are shown in the table below.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS
As of June 30, 2021

Audit	Rec. No.	Recommendation Description	Status		
			Implemented	Partially Implemented	Not Implemented
Managed Care Organizations	5	Payments for Duplicate Recipients	X		
Managed Care Organizations	6	Managed Care Contracts	X		

Source: Summary of current audit follow-up.

Recommendation 5 – Payments for Duplicate Recipients

The Illinois Department of Healthcare and Family Services should:

- *ensure multiple monthly capitation payments are not being made for the same Medicaid recipients;*
- *immediately identify and remove all duplicative recipients from its eligibility data; and*
- *recoup any overpayment of duplicate capitation payments.*

Current status: **Implemented**

During our review of FY16 capitation payments made to MCOs by the Department, auditors determined the Department made multiple monthly capitation payments for the same month for the same recipient. Auditors questioned a total of $590,237 in duplicative capitation payments for 302 individual social security numbers in FY16. In each instance, two payments were made for the same social security number for the same eligibility period. Auditors could not determine which payment was the correct payment and which payment was the duplicate; therefore, all $590,237 was questioned.

During the Department's FY18 financial statement audit, the auditors identified 3,999 duplicative capitation payments paid by the Department multiple times for recipients containing the same Social Security number and having the same dates of service. The total paid for these recipients was $1,423,478; however, the auditors were unable to determine how much was proper.

During the Department's FY18/19 State compliance examination, the auditors noted the Department's internal controls over payments to MCOs improved; however, we continued to note immaterial problems. As such, this matter is reported in the Department's State Compliance Examination *Report of Immaterial Findings*.

Further, during the Department's FY18/19 State compliance examination, the auditors noted minimal instances of the Department assigning duplicate Recipient Identification Numbers (RINs) to individuals in the data analytics performed over the assignment of RINs in the Integrated Eligibility System. As such, it was determined that the Department significantly improved controls over the assignment of RINs to individuals to consider this recommendation to be implemented.

During the Department's FY20/21 State compliance examination, the auditors noted no instances of duplicate payments to MCOs. Additionally, any amounts due to the Department for overpayment of duplicate capitation payments is a reduction in future capitation payments. The Department has adequately recouped duplicate payments. As a result, this recommendation is considered implemented.

Recommendation 6 –Managed Care Contracts

The Illinois Department of Healthcare and Family Services should ensure that it effectively monitors the newly awarded MCO contracts to ensure compliance with all contractual provisions.

Current status: **Implemented**

On August 11, 2017, the Department of Healthcare and Family Services awarded new contracts for the delivery of health care services in Illinois. According to the RFP, the new contracts are effective on January 1, 2018, and will assign 683,000 recipients into MCOs from the counties that currently do not have Medicaid managed care. The contracts are for an initial four year term and include an option to renew for up to an additional four years. The stated goal outlined in the RFP was to increase participation in managed care in Illinois to 80 percent.

The new contracts require extensive documentation be provided by the MCOs. Based on the lack of monitoring of payments made to and by the MCOs during FY16, HFS should monitor the delivery of managed care health services provided through these new contracts as is necessary and is required. The RFP noted that Illinois is one of the largest funders of health and human services (HHS) in the country and reported that in FY15, $32 billion (40% of the State's total budget) was spent across all its HHS agencies. The development of a system of controls over the MCOs and the outcome of the services paid for through these MCOs is necessary due to the large dollar amount of these contracts and the significance and nature of the health services being provided to an estimated 2.7 million Medicaid recipients in Illinois.

During the Department's FY18/19 State compliance examination, the auditors noted the Department had implemented controls to monitor MCO required submissions via established SharePoint and Customer Relationship (CRM) processes. The deliverables submitted in the SharePoint site are contractually required submissions related to compliance, such as attestations, data certifications, financial statements, policies and procedures, and program integrity plans and reports. The Departments' protocol for intake and completeness review of the administrative and operational deliverables involved one Bureau of Managed Care staff member. This individual, referred to as the "gatekeeper," reviews submissions to confirm receipt of the deliverables, checks documents for completeness, communicates with the MCOs regarding delinquent or incomplete reports, and assigns certain submissions to designated subject matter experts in other areas for a

complete review and analysis. The subject matter experts use the MCO deliverables to satisfy the needs of their area and initiate written or telephonic follow-up with MCOs as necessary to obtain complete data and/or to further understand the data submitted.

Additionally, through collaboration with the Illinois Office of Medicaid Innovation (OMI), the Illinois Department of Innovation and Technology (DoIT) SharePoint team and Department leadership, a cloud-based business applications platform using Microsoft's CRM software in which the MCOs could enter data directly was implemented for MCO Performance Reporting (MPR). The MPR data and reporting metrics were designed to hold the MCOs accountable for their outcomes and enable the Department to have better oversight and management of the MCOs' performance, including both clinical and operational metrics measuring quality, value and outcomes. Department staff analyze data in the MPR, examine trends over time and compare the performance of MCOs to each other, where applicable. The Department ensures a regular flow of information by inserting a list of required deliverables, along with frequency, into the MCO contracts.

While reviewing each of the 7 new HealthChoice of Illinois (HCI) MCOs' 13 required deliverables, the auditors noted one provider contract ended December 31, 2018, however, the Department did not obtain all required deliverables from this provider for the months the provider had members. The Department was unable to provide documentation for 5 of the 13 (38%) deliverables for this provider. As such, it was determined that the Department had partially implemented this recommendation.

During the Department's FY20/21 State compliance examination, the auditors noted the Department obtained and reviewed all required deliverables and the information reviewed aligned with the deliverables within the contracts during the fiscal year. As a result, this recommendation is considered implemented.