

REPORT DIGEST

STATE OF ILLINOIS STATEWIDE SINGLE AUDIT REPORT (excluding Component Units)

(Performed in Accordance
with the Single Audit Act and
OMB Circular A-133)

For the One Year Ended:
June 30, 2009

Summary of Findings:

Total this audit 93

Total last audit 97

Repeated from last audit 65

Release Date:
July 28, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS Background

- ◆ The State expended approximately \$23.7 billion from federal awards in FY09.
- ◆ A total of 54 federal programs were classified and audited as major programs at sixteen (16) State agencies. These programs constituted approximately 96.5% of all federal spending, or about \$22.8 billion.
- ◆ Overall, 43 State agencies expended federal financial assistance in FY09. Ten (10) State agencies accounted for about 98.3% of federal dollars spent.

Statewide Finding - Financial Reporting

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

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

- ◆ The Department of Human Services (DHS) has *material weaknesses* for:
 - failing to perform eligibility redeterminations within the timeframes prescribed by regulation for the Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
 - weaknesses over maintaining and controlling beneficiary case file documents of the SNAP Cluster, TANF, CHIP and Medicaid Cluster programs.
 - an inadequate process to prevent individuals convicted of drug felonies from receiving benefits under the TANF program.
 - failing to locate case file documentation supporting eligibility determinations for beneficiaries of the CHIP and Medicaid Cluster programs.
- ◆ The Department of Healthcare and Family Services (HFS) has *material weaknesses* for:
 - using a passive process in its eligibility redeterminations for the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs.
 - lack of documentation evidencing performance of eligibility determination of the CHIP and Medicaid programs.
 - failure to pay practitioner medical claims within prescribed timeframes of the CHIP and Medicaid Cluster programs regulations.

- ◆ **The Department of Children and Family Services has *material weaknesses* for:**
 - failing to locate case file documentation to support eligibility determinations for beneficiaries of the Adoption Assistance program.
 - failing to ensure adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.
- ◆ **The Department of Aging (DOA) has a *material weakness* for:**
 - Not adequately monitoring subrecipient audit reports for federal programs.
- ◆ **The Department of Public Health (DPH) has a *material weakness* for:**
 - not having an adequate process for performing client eligibility determinations for its HIV Care Formula Grant (HIV) program.
- ◆ **The State Board of Education has *material weaknesses* for:**
 - not sanctioning a Local Education Agency that did not meet the comparability of services requirement under the Title I Part A Cluster program.
 - not having adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the State Fiscal Stabilization Fund Cluster program.

Findings Involving Multiple Agencies

- ◆ **The Department of Children and Family Services (DCFS), Aging (DOA), Illinois State Board of Education (ISBE), and Transportation (DOT) have a *material weakness* due to inadequate and/or lack of on-site monitoring of subrecipients of federal awards.**

Findings regarding American Recovery and Reinvestment Act (ARRA)

- ◆ **The Department of Children and Family Services (DCFS) failed to separately identify ARRA expenditures under the Foster Care and Adoption Assistance programs.**
- ◆ **The Department of Commerce and Economic Opportunity failed to communicate ARRA information requirements to the Workforce Investment Act (WIA) Cluster program.**

Notes: Summary definitions (in order of significance) of key terms used in the findings.

Material weakness (financial): A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's schedule of expenditures of federal awards will not be prevented, or detected and corrected on a timely basis.

Material weakness (compliance): A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Significant Deficiency: A significant deficiency 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.

Control Deficiency: A control deficiency 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 misstatements on a timely basis.

{Expenditures and Activity Measures are summarized on the next page.}

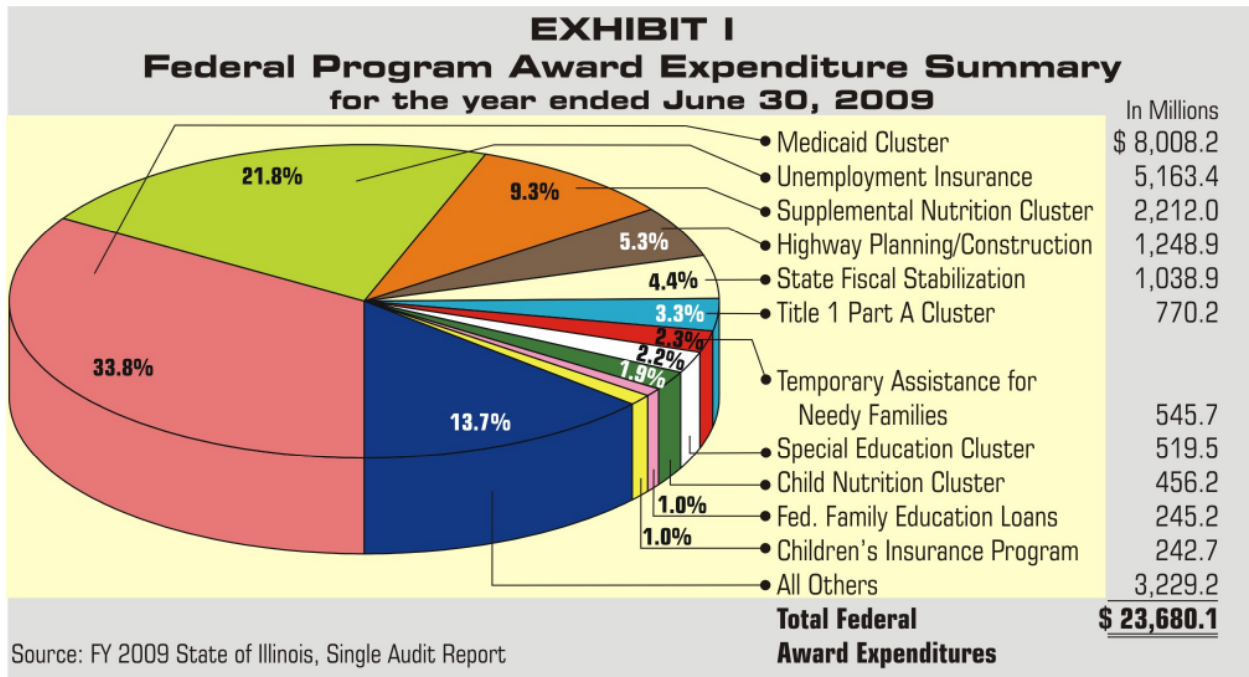
FINANCIAL ACTIVITIES		(In Thousands of Dollars)		FY 2009	
EXPENDITURES BY PROGRAM		Amount	Percent		
Major Programs					
Medicaid Cluster		\$8,008,225	33.8%		
Unemployment Insurance.....		5,163,450	21.8%		
Supplemental Nutrition Assistance Program (SNAP) Cluster		2,212,023	9.3%		
Highway Planning and Construction.....		1,248,995	5.3%		
State Fiscal Stabilization Fund.		1,038,988	4.4%		
Title I Grants to Local Educational Agencies.....		770,220	3.2%		
Temporary Assistance for Needy Families.....		545,739	2.3%		
Special Education Cluster		519,504	2.2%		
Child Nutrition Cluster.....		456,159	1.9%		
Federal Family Education Loans.....		245,224	1.0%		
Children’s Health Insurance Program		242,758	1.0%		
Low Income Home Energy Assistance Program.....		219,718	0.9%		
Foster Care – Title IV-E.....		219,135	0.9%		
Special Supplemental Nutrition Program for Women, Infants & Children.....		218,993	0.9%		
Child Care Development Funds Cluster		204,962	0.9%		
Workforce Investment Act Cluster.....		138,395	0.6%		
Child Support Enforcement.....		137,228	0.6%		
Improving Teacher Quality State Grants.....		135,525	0.6%		
Child and Adult Care Food Program.....		115,444	0.5%		
Social Services Block Grant.....		108,690	0.5%		
Rehabilitation Services – Vocational Rehabilitation Grants to States		93,627	0.4%		
Adoption Assistance		91,103	0.4%		
Airport Improvement Program		82,973	0.4%		
Immunization Grants.....		80,841	0.3%		
Homeland Security.....		75,797	0.3%		
Social Security Disability Insurance		67,964	0.3%		
Block Grants for Prevention and Treatment of Substance Abuse.....		64,054	0.3%		
Disaster Grants Public Assistance (Presidentially Declared Disasters)		57,466	0.3%		
Aging Cluster.....		47,868	0.2%		
Reading First State Grants.....		44,415	0.2%		
Career and Technical Education – Basic Grants to States.....		44,229	0.2%		
HIV Care Formula Grants		43,777	0.2%		
Twenty-First Century Community Learning Centers		38,473	0.2%		
CSBG Cluster.....		31,124	0.1%		
Community Development Block Grants/State’s Program		30,637	0.1%		
Total Major Programs		\$22,843,723	96.5%		
Non-Major Programs.....		836,346	3.5%		
TOTAL EXPENDITURES.....		\$23,680,069	100.0%		
Federal Agencies Providing Funding:		Total	Major Program Expenditures		
U.S. Department of Health and Human Services.....		\$10,246,030	\$10,045,222		
U.S. Department of Labor.....		5,353,480	5,301,845		
U.S. Department of Education.....		3,099,287	2,930,205		
U.S. Department of Agriculture.....		3,046,945	3,002,619		
U.S. Department of Transportation.....		1,378,632	1,331,968		
U.S. Department of Homeland Security.....		163,455	133,263		
U.S. Environmental Protection Agency.....		86,134	0		
Social Security Administration.....		68,504	67,964		
U.S. Department of Justice.....		49,515	0		
U.S. Department of Defense.....		46,320	0		
U.S. Department of Housing and Urban Development.....		35,969	30,637		
All other federal agencies.....		105,798	0		
		\$23,680,069	\$22,843,723		
STATISTICAL INFORMATION		FY 2009			
Total Number of Programs in the Schedule of Expenditures of Federal Awards.....		368			
Number of Federal Programs Audited.....		54			
Total Number of State Agencies Spending Federal Funds.....		43			
Number of State Agencies Audited for Single Audit Requirements		16			
Total American Recovery and Reinvestment Act (ARRA) expenditures.....		\$2,388,578			
Percentage of ARRA expenditures		10.1%			

INTRODUCTION

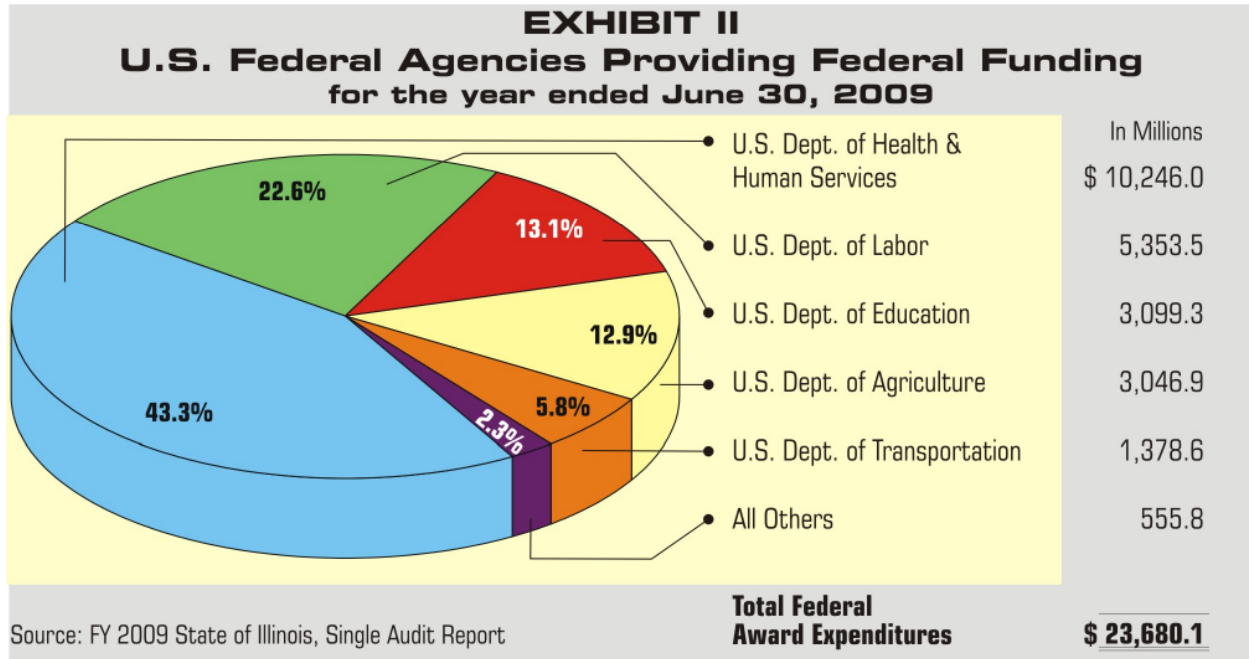
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY09 federal grant programs. The audit was conducted in accordance with the federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133.

The Statewide Single Audit includes State agencies that are a part of the primary government and expend federal awards. In total, 43 State agencies expended federal financial assistance in FY09. A separate supplemental report has been compiled by the Illinois Office of the Auditor General. This report provides summary information on federal spending by State agency. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities. The component units continue to have separate OMB Circular A-133 audits.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$23.7 billion for the year ended June 30, 2009. Overall, the State participated in 368 different federal programs, however, 11 of these programs or program clusters accounted for approximately 86.3% of the total federal award expenditures. (See Exhibit I)



The funding for the 368 programs was provided by 22 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY09.

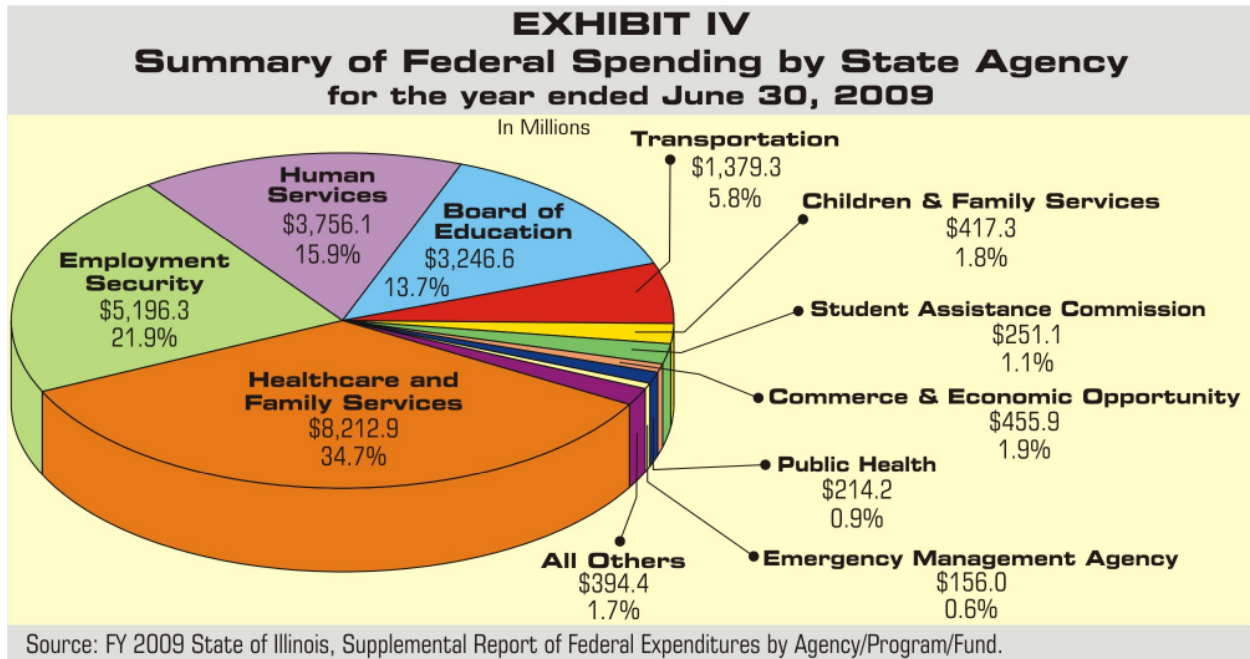


A total of 54 federal programs (or 35 programs or program clusters) were identified as major programs in FY09. A major program was defined in accordance with Circular A-133 as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief summary of the number of programs classified as “major” and “non-major” and related federal award expenditures.

EXHIBIT III
Classification of Federal Programs
“Major vs. Non-Major”
and Related Federal Award Expenditures
for the year ended June 30, 2009

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs	54	\$22,843.7	96.5%
Non-Major Programs	314	836.4	3.5%
Total	368	\$23,680.1	100.0%

Ten State agencies accounted for approximately 98.3% of all federal dollars spent during FY09 as depicted in Exhibit IV.



AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

The auditors' report contained qualifications on compliance as summarized below. The complete text of the Auditors' Report may be found on pages 22-25 of the audit.

Qualifications (Noncompliance)

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

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	09-03	41-43
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	09-03	41-43
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	09-03	41-43
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	09-04	44-45

IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	09-04	44-45
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	09-04	44-45
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	09-05	46-47
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	09-06	48-49
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	09-06	48-49
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	09-15	67-68
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	09-15	67-68
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	09-16	69-70
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	09-16	69-70
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost principles and Period of Availability	09-17	71-72
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Period of Availability	09-17	71-72
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles and Eligibility	09-35	110-111
IL Department of Children and Family Services	Temporary Assistance for Needy Families	Subrecipient Monitoring	09-36	112-113
IL Department of Children and Family Services	Foster Care - Title IV-E	Subrecipient Monitoring	09-36	112-113
IL Department of Children and Family Services	Adoption Assistance	Subrecipient Monitoring	09-36	112-113
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles and Eligibility	09-37	114-115
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	09-40	120-121
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	09-41	122-123
IL Department on Public Health	HIV Care Formula Grants	Allowable Costs/Cost Principles and Eligibility	09-43	126-127
IL State Board of Education	Title I, Part A Cluster	Allowable Costs/Cost Principles and Special Tests and Provisions	09-48	137-138
IL State Board of Education	Title I, Part A Cluster	Subrecipient Monitoring	09-49	139-141
IL State Board of Education	Special Education Cluster	Subrecipient Monitoring	09-49	139-141
IL State Board of Education	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	09-49	139-141
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	09-49	139-141
IL State Board of Education	Reading First State Grants	Subrecipient Monitoring	09-49	139-141
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	09-49	139-141
IL State Board of Education	Title I, Part A Cluster	Subrecipient Monitoring	09-50	142-144

IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	09-50	142-144
IL State Board of Education	State Fiscal Stabilization Fund Cluster	Cash Management	09-51	145-146
IL Department of Transportation	Airport Improvement Program	Subrecipient Monitoring	09-73	191-192

Internal Control Over Financial Reporting

We noted a matter involving internal control over financial reporting for the Schedule of Expenditures of Federal Awards (Schedule) that was considered to be a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s Schedule of Federal Awards will not be prevented, or detected and corrected on a timely basis. The auditors noted that during the past seven years there have been various errors identified and reported on the audits of state agencies and the Office of the State Comptroller (IOC) in its annual data gathering on the SCO forms that is used to present the Schedule. Thus, the auditors recommended the Office of the Governor and the Illinois Office of the Comptroller work together with the state agencies to establish a corrective action plan to address the quality and timeliness of the accounting information provided to and maintained by the IOC as it relates to year end preparation of the Comprehensive Annual Financial Report and the Schedule.

Internal Control Over Compliance

We noted certain matters involving internal control over compliance that were considered to be significant deficiencies. A control deficiency in an entity’s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control. Overall, 92 of the 93 findings reported in the single audit were classified as compliance significant deficiencies.

Material weaknesses were also disclosed in our report. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control. Overall, 50 of the 93 findings reported in the single audit were classified as both a material weakness and a significant deficiency.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

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

State Agency	Number of Findings	Number of Repeat Findings	Page References to Findings
State Comptroller/Office of the Governor	1	1	29-31
Human Services	12	9	38-63
Revenue	1	1	64-66
Healthcare and Family Services	20	13	67-109
Children and Family Services	5	4	110-119
Aging	3	3	120-125
Public Health	5	5	126-136
State Board of Education	6	3	137-151
Community College Board	3	2	152-157
Student Assistance Commission	3	2	158-163
Employment Security	10	6	164-184
Commerce and Economic Opportunity	3	2	185-190
Transportation	9	6	191-208
Emergency Management Agency	7	3	209-222
State Police	1	1	223
State Board of Elections	2	2	224-227
Central Management Services	<u>2</u>	<u>2</u>	228-236
Totals	<u>93</u>	<u>65</u>	

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

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards (SEFA) in a timely manner.

Inadequate process for compiling the Schedule of Expenditures of Federal Awards

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

State has not solved the problems

The State has not solved these problems or made substantive changes to the system to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post audit program being a part of the internal control for financial reporting even though the Illinois Office of the Auditor General has repeatedly informed state agency officials that the post audit function is not and should not be an internal control mechanism for any operational activity related to financial reporting.

Highly decentralized financial reporting process

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare a series of complicated financial reporting forms (SCO forms) designed by the IOC to prepare the CAFR. These SCO forms are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of generally accepted accounting principles and of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year end accounting information to assist the Comptroller in his preparation of statewide financial statements in accordance

with generally accepted accounting principles (GAAP).

Although these SCO forms are subject to the review by the IOC financial reporting staff during the CAFR preparation process, the current process has resulted in several restatements relative to the financial statement reporting over the past several years.

For example, first, expenditures for the Homeland Security Cluster were not appropriately clustered and expenditures for the Homeland Security Cluster and the Highway planning and Construction Cluster were overstated in 2009. Second, expenditures for the Airport Improvement Program were improperly identified as being funded by the American Recover and Reinvestment Act and expenditures for the Foster Care and Adoption Assistance programs were not identified as being funded by the American Recovery and Reinvestment Act in 2009. Third, expenditures of the Public Assistance Grants program (2006 and 2007), the Early Intervention Program (2003, 2004 and 2005), and the Highway Planning and Construction Cluster program (2004 and 2005) were not reported in the appropriate fiscal year. Fourth, other correcting entries and/or restatements were required to accurately state the financial information. Fifth, major programs were not identified until six or more months subsequent to the end of the year by several agencies. Finally, preparation of the SEFA has not been completed by the State prior to March 31st in the past seven years.

Lack of accuracy in reporting results and not meeting completion due dates

Federal regulations require that a recipient of federal awards prepare appropriate financial statements, including the SEFA, and ensure that the required audits are properly performed and submitted when due. Also, the federal regulations require recipients of federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Agencies having problems in one or more of the above noted areas during the past six years were:

Untimely preparation of SEFA continues to be problematic

Agency

- (1) Healthcare and Family Services
- (2) Children and Family Services
- (3) Public Health
- (4) State Board of Education
- (5) IL Student Assistance Commission

Errors, deficiencies, omissions and delays in financial reporting

- (6) Employment Security
- (7) IL Community College Board
- (8) Department of Commerce and Economic Opportunity
- (9) Department of Natural Resources
- (10) IL Environmental Protection Agency
- (11) Department of Corrections
- (12) IL Criminal Justice Information Authority
- (13) Emergency Management Agency
- (14) Human Services
- (15) Department of Transportation

Auditors continue to report problems year after year and corrective action continues to be problematic

Although the deficiencies relative to the CAFR and SEFA financial reporting process have been reported by the auditors for a number of years, problems continue with the State’s ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic.

Current process and information system should be changed to enhance timeliness of SEFA completion

As a result of the errors, deficiencies and omissions noted throughout the process used by the State in its financial reporting process, along with the inability to meet the required filing deadline of 03/31/10, the auditors identified the inadequacies as a material weakness for all federal programs administered by the State. (Finding 09-01, pages 29-31) **This finding was first reported in the Statewide Single Audit in 2002.**

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

State Comptroller to consult with State Agencies and continue to support legislation providing enforcement tools

The State Comptroller’s Office response states it will continue to provide consultation and technical advice to state agencies in relation to financial reporting. They also will continue to support legislation that provides the Office with enforcement tools to compel agencies to comply with necessary reporting deadlines. (For previous agency response, see Digest Footnote #1)

Governor to work closely with Office of the Comptroller and work to establish a business case and plan for capital costs of implementing new statewide system

The Office of the Governor’s response states it will continue efforts to increase communication and work closely with the Office of the State Comptroller. They will also work with the Illinois General Assembly and the Office of the State Comptroller to establish a business case and plan for the capital cost of implementing a statewide accounting and

grants management system. (For previous agency response, see Digest Footnote #1)

FAILURE TO PERFORM ELIGIBILITY REDETERMINATIONS WITHIN PRESCRIBED TIMEFRAMES

The Department of Human Services (DHS) is not performing eligibility redeterminations in accordance with timeframes required by the respective State Plans for the Temporary Assistance for Needy Families Cluster (TANF), Children’s Health Insurance Program (CHIP), and Medicaid Cluster programs.

During our testwork of required eligibility criteria, we noted the State was delinquent (overdue) in performing the eligibility redeterminations of individuals for the three programs during June 2009 as follows:

DHS delinquent in performing recipient eligibility re-determination

TANF	939 of 28,479 cases	3.30%
CHIP	21,962 of 693,313 cases	3.17%
Medicaid	28,787 of 437,458 cases	6.58%

Failure to properly perform eligibility redetermination procedures in accordance with State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding 09-03, pages 41-43)
This finding was first reported in the Statewide Single Audit in 2003.

Auditor qualification due to untimely eligibility re-determinations

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

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

DHS accepted the auditor recommendation

DHS officials accepted the recommendation and stated they will continue working with the Department of Healthcare and Family Services to review current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program. Department officials

stated they were 96% current on case redeterminations in fiscal year 2009. (For previous agency response, see Digest Footnote #2)

Auditors' Comment

In an Auditors' Comment we stated federal regulations require eligibility redeterminations to be completed in accordance with the State Plan for each of the programs identified in this finding. The State Plans require eligibility redeterminations to be completed on **all** beneficiaries on an annual basis. The State Plans for these programs have not been amended to permit eligibility determinations to be completed for less than 100% of program beneficiaries.

FAILURE TO PROPERLY MAINTAIN AND CONTROL CASE FILE RECORDS

The Department of Human Services (DHS) local offices do not have appropriate controls over case file records for beneficiaries of the SNAP Cluster, Temporary Assistance for Needy Families (TANF), Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.

Inadequate control over beneficiary records

During our testwork at five separate local offices, we noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in the five local offices, case files were generally disorganized and stacked on and around file cabinets. We noted the case files were available to all DHS personnel and that formal procedures did not exist for checking case files in and out of the file rooms or for tracking their locations. The amount of questioned costs that may be assessed the State due to loss or misplaced beneficiary files could not be determined for these four major programs whose total beneficiary spending exceeds \$9.9 billion in the aggregate.

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and payment of unallowable costs from federal programs. (Finding 09-04, pages 44-45) **This finding was first reported in the Statewide Single Audit in 2007.**

Auditor qualification due to shortfall in control over case file records

As a result of DHS's failure to properly maintain and control case file records of beneficiaries, the auditors

qualified their opinion on the TANF, CHIP, and Medicaid Cluster programs.

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

DHS accepted the auditor recommendation

DHS officials accepted the recommendation noting they were able to retrieve the files requested by the auditors. (For previous agency response, see Digest Footnote #3)

Auditors' Comment

In an Auditors' Comment, we stated we noted delays in receiving case files during our testwork and several case files were missing documentation as identified in finding 09-06. The fact that the requested records were ultimately found does not change the emphasis of the finding of needing improved case file maintenance.

INADEQUATE PROCESS FOR PREVENTING INDIVIDUALS CONVICTED OF DRUG FELONIES FROM RECEIVING TANF BENEFITS

The Department of Human Services (DHS) does not have adequate procedures in place to ensure individuals convicted of Class 1 or Class X drug felonies do not receive benefits under the Temporary Assistance for Needy Families Cluster (TANF) program.

DHS fails to prohibit Class 1 or X felony drug conviction receiving TANF benefits

As a condition of receiving cash assistance under the TANF program, beneficiaries are required to meet certain eligibility criteria prescribed by federal regulations and the State Plan. One of the criteria is that individuals convicted of a Class 1 or Class X felony are prohibited from receiving TANF benefits.

During our testwork over the TANF program, we noted DHS' process for determining whether applicants have been convicted of a Class 1 or Class X felony primarily consists of inquiries made during the application process. DHS does not have procedures in place to corroborate the applicant's statements via cross matches with the Department of Corrections, Illinois State Police, or other mechanisms.

In accordance with federal regulations, Section II.G of the current State Plan prohibits individuals convicted of a Class 1 or Class X felony for an Act occurring after August 21, 1996, involving the possession, use, or distribution of a controlled substance are ineligible to receive TANF. Additionally, IDHS policy requires crossmatches to be completed to determine whether applicants have been convicted of a Class 1 or Class X drug felonies. (Finding 09-05, pages 46-47) **This finding was first reported in the Statewide Single Audit in 2006.**

Auditor qualification

As a result of DHS' failure to ensure convicted drug felons did not receive benefits in accordance with the State Plan, the auditors qualified their report on the TANF program.

We recommended DHS review its current process for performing eligibility determinations and consider changes necessary to ensure procedures to verify whether beneficiaries have been convicted of a Class 1 or Class X felony are implemented.

DHS accepted the auditor recommendation

DHS officials accepted the finding and stated they have modified their policy on June 29, 2009 to be consistent with their eligibility process. (For previous agency response, see Digest Footnote #4)

Auditors' Comment

In an Auditors' Comment we noted the Department's modification of the policy was to eliminate the crossmatch requirement which does not adequately address the conditions found. A crossmatch or another verification mechanism should be implemented to ensure beneficiaries that have been convicted of a Class 1 or Class X felony do not receive TANF benefits

INADEQUATE PROCEDURES FOR PERFORMING ELIGIBILITY REDETERMINATIONS

Eligibility redeterminations of the Department of Healthcare and Family Services (HFS) for the Medicaid Cluster and the Children's Health Insurance Program (CHIP) are not adequate.

HFS eligibility determinations are inadequate

Effective February 2006, HFS revised its procedures for performing eligibility redeterminations for children receiving services under the Medicaid and CHIP programs to a "passive" procedure. The passive redetermination procedure includes the following:

Effective February 2006, HFS revised procedures for performing redeterminations to a "passive procedure"

- Beneficiary renewal form is sent via mail to the beneficiary. This form contains key eligibility criteria for completion;
- Beneficiary (or beneficiary’s guardian) is requested to review the form; and
- The beneficiary is to report any changes to the key eligibility criteria.

However, in the event there are no changes to the information, and there are only children on the case, a response is not required.

Upon further review, we noted neither HFS nor the Department of Human Services, which performs most eligibility determinations for these programs, maintains a formal record of the cases subject to the passive redetermination procedures. As a result, we were unable to quantify the number of cases subject to the passive redetermination policy. Payments made on behalf of beneficiaries of the Medicaid and CHIP programs totaled \$7.8 billion in FY2009.

Redeterminations do not require positive confirmation of current beneficiary requirements

Federal regulations require redetermination of client eligibility as defined in the State Plans. The State Plans require an annual eligibility redetermination. In addition, federal regulations require the State to have procedures designed to ensure that recipients make timely and accurate reports of any change in circumstances that may affect their eligibility. (Finding 09-15, pages 67-68) **This finding was first reported in the Statewide Single Audit in 2007.**

State Plan requires annual eligibility determinations

As a result of HFS’ inadequate procedures for performing eligibility redeterminations of beneficiaries of the Medicaid and SCHIP programs in accordance with the federal regulations and the State Plans, the auditors qualified their report on the Medicaid Cluster and CHIP programs.

Auditors qualified their report on Medicaid and CHIP programs

We recommended HFS review its current process for performing eligibility redeterminations and consider changes necessary to ensure redeterminations are performed in accordance with federal regulations and the State Plans for each affected program.

HFS accepted the auditor recommendation

HFS officials accepted our recommendation and stated they will review the legal, financial and operational issues associated with making changes in the redetermination process. However, the Department also stated they feel the

Department's administrative renewal process is performed in accordance with the federal regulations and State Plans and federal policy supporting this process was affirmed by Congress and the President in the recent reauthorization of the Children's Health Insurance Program Reauthorization Act of 2009. In December 2009, Illinois received a bonus payment of \$9.1 million for increasing enrollment by implementing six of the enrollment and retention measures, including administrative renewals. (For previous agency response, see Digest Footnote #5)

Auditors' Comment

In an Auditors' Comment we acknowledge the Department's response which stated that "[t]he State Plans require that eligibility be reviewed annually, but does not specify what procedures are to be used." However, the Department does not maintain a formal record of the cases subjected to the passive renewal process. Consequently, HFS could not demonstrate adequately that eligibility in those cases was reviewed or that any effort was made to ensure that a change in circumstances affecting eligibility had not occurred. We also commented we are aware of the provisions in the Children's Health Insurance Program Reauthorization Act of 2009 and since this finding has been repeated for three years, we strongly encourage HFS to resolve any issues of interpretation through the federal government's finding resolution process.

MISSING DOCUMENTATION IN BENEFICIARY ELIGIBILITY FILES

Case file documentation to support eligibility could not be located

The Department of Human Services (DHS) and the Department of Healthcare and Family Services (DCFS) could not locate case file documentation supporting eligibility determinations for beneficiaries of the Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs.

During our testwork of 65 CHIP and 125 Medicaid beneficiary payments for compliance with eligibility requirements and the allowability of the relevant benefits provided we noted the following exceptions:

Department of Human Services:

- In 1 CHIP case file and 8 Medicaid case files, DHS could not locate the supporting documentation of the redetermination completed and signed by the beneficiary in the case file.

- In 1 CHIP case file, DHS could not locate adequate documentation supporting income verification procedures were performed.
- In 2 CHIP case files, DHS could not locate adequate documentation supporting income verification procedures were performed.

Department of Healthcare and Human Services

- In 17 CHIP case files and 2 Medicaid case files, DHFS could not locate the supporting documentation of the redetermination completed and signed by the beneficiary in the case file.

As a result of DHS and DHFS' failure to locate case file documentation supporting eligibility determinations for beneficiaries, the auditors qualified their report on the Children's Health Insurance Program and Medicaid Cluster program. (Findings 09-06 and 09-16, pages 48-49 and 69-70, respectively). **These findings were first reported in the Statewide Single Audit in 2001 and 2009, respectively.**

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

DHS officials accepted our recommendation and stated the Department will continue to ensure staff understand the importance of proper and accurate filing processes. (For previous agency response, see Digest Footnote #6)

DHFS officials accepted our recommendation and stated the Department will review the legal, financial and operational issues associated with making changes in the redetermination process. However, they also stated the auditors found no evidence the cases reviewed did not comply with policy established by the Department. Instead, the auditors fault the policy itself and the Department has agreed to review that policy.

In an Auditors' comment to DHFS, the auditors reiterated the Department could not provide supporting documentation that a redetermination for all cases cited in this finding was performed in accordance with federal regulations. Accordingly, all information necessary to

Auditors qualified their report on CHIP and Medicaid programs

DHS accepted the auditor recommendation

DHS accepted the auditor recommendation

Auditors' Comment

establish and support the individuals' eligibility for the period was **not** available.

FAILURE TO PAY MEDICAL CLAIMS WITHIN PRESCRIBED TIMEFRAMES

HFS makes untimely payment of practitioner claims

The Department of Healthcare and Family Services (HFS) is not paying practitioner medical claims for individuals receiving benefits under the Children's Health Insurance Program (CHIP) and Medicaid programs in accordance with timeframes required by federal regulations.

Federal regulations require medical providers to submit all medical claims within twelve months of the date of service and require the State to pay 90% of all clean claims within 30 days of the date of receipt and 99% of the clean claims within 90 days of the date of receipt. Further, under the American Reinvestment and Recovery Act (ARRA) signed into law on February 17, 2009, states must comply with these claims processing requirements or lose their eligibility for the increased Federal medical assistance percentage (FMAP) for certain expenditures. Subsequent to February 17, 2009, any practitioner claim received on a day in which the State was not in compliance with the claims processing requirements is ineligible to receive the increased FMAP rate. Once a medical payment has been approved for payment, it is adjudicated, vouchers and submitted to the Office of the Comptroller for payment.

HFS monitors compliance with medical payments timeframe

During our review of the analysis covering practitioner medical payments during state fiscal year 2009 prior to the enactment of ARRA, we noted medical payments were not made within the payment timeframes (30 days) required by federal regulations. HFS analysis identified that of the 19,613,466 claims received only 54% (10,582,931) were paid within the 30 days of receipt. In addition, management's daily analysis of claims paid after the enactment of ARRA identified 33 days in which the State was not in compliance with the claims processing requirements. The State received claims totaling \$59,366,343 on those days, resulting in \$6,140,554 of lost federal reimbursement.

Federal reimbursement totaling \$6,140,554 lost due to not paying claims on time

Federal regulations require the State to pay 90% of all claims within 30 days of receipt and 99% of all clean claims within 90 days of the date of receipt. The State must

pay all other claims within twelve months of the date of receipt. (Finding 09-17, Pages 71-72)

Auditor qualification

As a result of HFS' failure to pay within the timeframes as prescribed in program regulations, the auditors qualified their report on the Medicaid Cluster program.

We recommended HFS review its process for processing and paying medical payments and consider changes necessary to ensure medical payments are made within the timeframes prescribed within federal regulations.

HFS accepted the auditor recommendation

HFS officials accepted our recommendation and stated they have requested sufficient appropriations in its budget request to allow payments in a timeframe consistent with federal regulations.

MISSING DOCUMENTATION IN ADOPTION ASSISTANCE ELIGIBILITY FILES

The Department of Children and Family Services (DCFS) could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance Program.

Adoption Assistance and Foster Care Client files missing certain documentation

The Adoption Assistance program provides funds to States for adoption assistance agreements with parents who adopt eligible children with special needs.

Case file documentation missing for Adoption Assistance Program

During our testwork of 50 case files for eligibility requirements and allowability for the Adoption Assistance program, we noted the Department could not locate the initial judicial determination effecting that the child's continuation in the residence would be contrary to the welfare of the child, or that placement would be in the best interest of the child. The Department claimed \$5,338 on behalf of this child during the year ended June 30, 2009.

Federal regulations of the Adoption Assistance program provide a child must have been removed from a home pursuant to a voluntary placement agreement or a judicial determination that remaining in such home would be contrary to the child's welfare.

Audit qualification due to missing eligibility documentation

As a result of DCFS' missing eligibility documentation, the auditors qualified their report for the Adoption Assistance program. (Finding 09-35, pages 110-111). **This**

finding was first reported in the Statewide Single Audit in 2005.

We recommended DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure judicial determinations and adequate documentation of special needs exists for all children for whom adoption subsidy payments and nonrecurring expenditures are claimed.

DCFS officials agreed with auditors recommendation

DCFS officials agreed with the findings and stated they have recently instituted a pre-subsidy completion review process in order to assure all required documentation is in the records before claiming. In addition, Department officials stated they will conduct an additional review for the one missing document and, if obtaining a copy of the determination is not possible, the Department will make the appropriate claiming adjustment for the actual amount claimed for the one beneficiary payment questioned by the auditor. (For previous agency response, see Digest Footnote 7)

FAILURE TO ENSURE THAT ADOPTION ASSISTANCE RECERTIFICATIONS ARE PERFORMED ON A TIMELY BASIS

Adoption recertifications not performed timely

The Department of Children and Family Services (DCFS) did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

The Adoption Assistance program provides funds to States for adoption assistance agreements with parents who adopt eligible children with special needs.

During our review of the eligibility for 50 beneficiaries receiving recurring subsidy payments under the adoption assistance program, we noted seven instances in which DCFS could not locate a recertification form submitted by the adoptive parent within the most recent two year period. (Finding 09-37, pages 114-115) **This finding was first reported in the Statewide Single Audit in 2006.**

Audit qualification due to untimely recertifications

As a result of DCFS' failure to ensure adoption assistance recertification were performed timely the auditors qualified their report for the Adoption Assistance program.

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

DCFS officials accepted the auditors recommendation

DCFS officials accepted our recommendation and stated they have instituted a multi-step routine, automated adoption recertification process which should ensure that all recertifications are performed timely. (For previous agency response, see Digest Footnote #8)

INADEQUATE MONITORING OF SUBRECIPIENT OMB CIRCULAR A-133 AUDIT REPORTS

The Department on Aging (DOA) is not adequately monitoring the OMB Circular A-133 Circular A-133 reports submitted by its subrecipients receiving federal awards for the Aging Cluster. The DOA passes through federal funding to thirteen area agencies on aging throughout the State. During our testwork of eight subrecipients of the Aging Cluster with total expenditures of approximately \$24,092,000 we noted the following regarding the desk review process:

Lack of monitoring of A-133 Audit Reports

- The expenditures reported by one subrecipient were not reconciled to the schedule of expenditures of federal awards in its OMB Circular A-133 audit report. Additionally, a desk review was not completed for this subrecipient. Amounts passed through to this subrecipient approximated \$9,939,000 during the year ended June 30, 2009.
- Evidence of a supervisory review of an A133 desk review checklist was not documented for one subrecipient. Amounts passed through to this subrecipient approximated \$2,005,000 during the year ended June 30, 2009.

Pass through entities are required to monitor their subrecipients expending more than \$500,000 in federal awards during their fiscal year to include the submission of OMB Circular A-133 reports upon completion of an audit. Program staff for each of the agencies are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to their records;

and (3) Type A programs are being audited at least every three years. Additionally, program staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, and adverse) and issuing management decisions on findings reported within required timeframes. (Finding 09-41, pages 122-123) **This finding was first reported for the Department of Aging in the 2006 Statewide Single Audit.**

Auditor qualification pertaining to subrecipient monitoring

As a result of the DOA's failure to adequately monitor subrecipients, the auditors qualified their report for the Aging Cluster program.

We recommended the Department establish procedures to ensure desk reviews are performed on a timely basis for all subrecipients, expenditures reported by the subrecipients are reconciled to the schedule of expenditures of federal awards submitted in the OMB Circular A-133 audit reports, and supervisor reviews are documented to evidence their completion.

DOA officials accepted the auditors recommendation

DOA officials accepted our recommendation and stated that although staffing shortages have contributed to the finding, the Department will improve upon the current procedures and tools used to perform desk reviews on a timely basis, reconcile the schedule of expenditures of federal awards submitted in the audit report to Department records timely and complete supervisory reviews. (For previous agency response, see Digest footnote #9)

INADEQUATE PROCESS FOR DETERMINING CLIENT ELIGIBILITY

Inadequate process for performing client eligibility determinations

The Department of Public Health (DPH) does not have an adequate process for performing client eligibility determinations for its HIV Care Formula Grant (HIV) program. The HIV program administered by DPH includes an AIDS Drug Assistance Program (ADAP) under which beneficiaries who meet certain eligibility requirements are provided drugs to treat HIV/AIDS.

During our testwork of benefits provided to HIV beneficiaries, we selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted in 17 cases, the beneficiary's application indicated the beneficiary had no income. Although the individual's income level was below 400% of the poverty level and DPH confirmed the

individual was not receiving benefits under Medicaid, a determination of Medicaid eligibility had not been performed. As a result, not income verification procedures were performed to determine whether the income reported (or lack thereof) was accurate. In addition, we noted in one case, no verification of income was documented in the beneficiary file. (Finding 09-43, pages 126-127) **This finding was first reported in the Statewide Single Audit in 2004.**

Auditor qualification pertaining to eligibility

As a result of the Department of Public Health's failure to adequately perform client eligibility, the auditors qualified their report for the HIV Care Formula Grants program.

We recommended the Department implement procedures to verify income and insurance information with third party sources and other state agencies and perform recertifications of eligibility every six months.

DPH officials accepted the auditors recommendation

DPH officials accepted our recommendation and stated a policy change was made on April 1, 2010 for all new clients requiring all clients who are new or reapplying to ADAP after April 1, 2010 will be required to reapply for ADAP every 6 months. (For previous agency response, see Digest Footnote #10)

FAILURE TO SANCTION NON-COMPARABLE LOCAL EDUCATION AGENCY (LEA) AND INADEQUATE DOCUMENTATION FOR DETERMINING COMPARABILITY

The Illinois State Board of Education (ISBE) did not take adequate measures to sanction a LEA that did not meet the comparability of services requirement under the Title I, Part A Cluster (Title I). LEAs must provide educational services for schools receiving Title I funds that are comparable (equal) to those that are not receiving Title I funds within the same school district ("comparability of services").

Inadequate measures to sanction LEA not meeting requirements under Title I

We noted ISBE did not sanction one LEA who continuously has had non-comparable schools or for including improper salary information in the calculations. During the initial comparability calculation, the LEA had 21 non-comparable schools. To make the schools comparable, the LEA allocated just enough funds to each of the non-comparable schools to make them comparable.

However, the LEA did not expend enough money and 20 of the 21 schools remained non-comparable. We also noted ISBE did not follow its established process for one LEA and incorrectly lifted a sanction which froze the LEA's Title I funds. ISBE froze the LEAs funding when it submitted an improper comparability calculation but mistakenly lifted the freeze order before the LEA submitted the correct calculation. (Finding 09-48, pages 137-138) **This finding was first reported in the Statewide Single Audit in 2006.**

Auditor qualification pertaining to comparability

As a result of the Illinois State Board of Education not meeting the comparability of services requirement under the Title I, the auditors qualified their report for the Title I, Part A Cluster program.

We recommended ISBE implement procedures to appropriately monitor and sanction LEAs not meeting the comparability of services requirement.

ISBE officials accepted the auditors recommendation

ISBE officials accepted our recommendation and stated they are waiting on the final determination of corrective action from the U.S. Department of Education. In addition, they have revised their procedures for freezing and releasing funds to ensure all division requests for freezing funds are honored. (For previous agency response, see Digest Footnote #11)

INADEQUATE CASH MANAGEMENT PROCEDURES FOR SUBRECIPIENTS

Inadequate procedures to monitor cash needs of subrecipients

The Illinois State Board of Education did not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for Title I, Part A Cluster, Special Education Cluster, and the State Fiscal Stabilization Fund (SFSF) Cluster programs.

ISBE passes through federal funding to Local Education Agencies (subrecipients) throughout the State to support education programs. A payment schedule is established by subrecipients and ISBE during the grant application and budgeting process and ISBE makes payments to the based upon the established schedule. We noted, ISBE is not monitoring the cash position of the subrecipients throughout the year to ensure the

subrecipients do not have excess federal cash on-hand at the time of each payment. (Finding 09-51, pages 145-146)

Auditor qualification pertaining to cash management

As a result of the Illinois State Board of Education not having adequate procedures to monitor the cash needs of subrecipients, the auditors qualified their report for the State Fiscal Stabilization Fund Cluster program.

We recommended ISBE establish procedures to monitor the cash position of subrecipients. These procedures should be designed to ensure subrecipients receive no more than 30 days of funding on an advance basis.

ISBE officials accepted the auditors recommendation

ISBE officials accepted our responsibility and stated they have improved its procedures and is requiring subrecipients provide quarterly expenditure reports for 20 days after the end of the quarter.

ISSUES INVOLVING MULTIPLE STATE AGENCIES

INADEQUATE ON-SITE MONITORING OF SUBRECIPIENTS

We noted weaknesses in on-site monitoring of subrecipients for the following agencies:

Lack of on-site monitoring of subrecipients

Children & Family Services (DCFS)	TANF Foster Care Title IV-E Adoption Assistance Social Services Block Grant	09-36 pages 112-113
Aging (DOA)	Aging Cluster	09-40 pages 120-121
IL State Board of Education (ISBE)	Title I, Part A Cluster Special Education Cluster Career and Technical Ed – Basic Grants to States Twenty-First Century Community Learning Centers Reading First State Grants Improving Teacher Quality State Grants	09-49 pages 139-141 09-50 pages 142-144
Transportation (DOT)	Airport Improvement Program	09-73 pages 191-192

These agencies pass-through federal funding to subrecipients for the purpose(s) established by federal regulations. As pass-through entities, these agencies monitor subrecipients primarily by reviewing grant applications, receiving periodic financial and programmatic reports, reviewing invoices, establishing policies and procedures, providing training and guidance, performing informal evaluations (on-site reviews) and receiving OMB Circular A-133 audit reports.

According to federal regulations, a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws and regulations. Also, effective internal controls should include ensuring documentation of on-site review procedures adequately supports procedures performed and the results obtained. **These findings for DCFS, DOA, ISBE, and DOT were first reported in the Statewide Single Audit in 2000, 2003, 2007, and 2005, respectively.**

As a result of these agencies' failure to adequately monitor subrecipients, the auditors qualified their report for 12 programs listed in the above table.

Auditor qualification pertaining to subrecipient monitoring

We recommended the agencies: (1) develop formal policies and procedures for all compliance requirements that are considered to be direct and material, (2) perform periodic on-site reviews which include reviewing financial and programmatic records, observation of operations, and/or processes, and (3) evaluate current monitoring staffing to ensure adequacy to complete monitoring within prescribed timeframes to ensure subrecipients are administering the federal programs in accordance with the applicable laws and regulations.

Agency officials accepted the auditors recommendation

DCFS, DOA, ISBE, and DOT accepted our findings and recommendations. (For previous DCFS, DOA, ISBE and DOT responses, see Digest Footnotes #12, #13, #14, #15 and #16)

ISSUES INVOLVING AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

FAILURE TO SEPARATELY IDENTIFY ARRA EXPENDITURES

The Department of Children and Family Services (DCFS) did not separately identify expenditures from American Recovery and Reinvestment Act (ARRA) awards under the Foster Care and Adoption Assistance Programs.

ARRA funds not separately identified by DCFS

We noted DCFS received approximately \$6,083,000 and \$6,810,000 from enhanced federal participation rates under ARRA for the Foster Care and Adoption Assistance programs, respectively. However, the corresponding expenditures from the enhanced federal participation rates were reported with federal expenditures from non-ARRA awards. According to OMB Circular A-133 Compliance Supplement Addendum #1, dated June 2009, recipients of ARRA awards must, among other things, maintain records that identify the source and application of ARRA awards and provide identification of ARRA awards in their schedule of expenditures of federal awards and Data Collection Form. (Finding 09-38, pages 116-117)

We recommended DCFS review the current process for reporting financial information to the IOC and implement changes necessary to ensure expenditures under ARRA awards are separately identified.

Agency officials accepted the auditors recommendation

DCFS officials accepted our recommendation and stated they have discussed these issues with and continues to request assistance and training from the State Comptroller's Office for preparation of SCO forms.

FAILURE TO COMMUNICATE ARRA INFORMATION AND REQUIREMENT TO SUBRECIPIENTS

The Department of Commerce and Economic Opportunity (DCEO) did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Workforce Investment Act (WIA) Cluster program.

We noted DCEO did not identify the federal award number, catalog of federal domestic assistance (CFDA)

**DCEO failed to communicate
ARRA information to
subrecipients**

number, or the amount attributable to ARRA at the time of each disbursement. Also, DCEO's grant agreements did not identify the requirement for subrecipients to separately report ARRA program expenditures on their schedule of expenditures of federal awards (SEFA) and data collection form. DCEO passed through approximately \$4,926,000 of ARRA funding to 20 subrecipients of the WIA Cluster.

According to the American Recovery and Reinvestment Act, Federal Agencies must require recipients to agree to: 1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal Award number, CFDA number, and the amount of ARRA funds; and 2) require their subrecipients to provide similar identification in their SEFA and data collection form. (Finding 09-70, pages 185-186)

We recommended DCEO implement procedures to ensure ARRA information and requirements are properly communicated to its subrecipients.

**Agency officials accepted the
auditors recommendation**

DCEO officials accepted our recommendation and stated they will ensure ARRA information and requirements are properly communicated to ARRA subrecipients.

OTHER FINDINGS

The remaining findings pertain to other compliance and internal control matters. We will follow up on the status of corrective action on all findings in our next Statewide Single Audit for the year ended June 30, 2010.

AUDITORS' OPINION

The auditors state the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2009 is presented fairly in all material respects.



WILLIAM G. HOLLAND, Auditor General

WGH:JSC:pp

SPECIAL ASSISTANT AUDITORS

KPMG LLP was our special assistant auditor for this audit.

DIGEST FOOTNOTES

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

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

- 2008: (Office of the Governor) Recommendation accepted. The Office of the Governor will continue to work the Office of the State Comptroller. The Governor's Office has established a corrective action plan to improve the quality and timeliness of accounting information provided by state agencies to the Comptroller for year-end preparation of the CAFR and the SEFA. In addition, the Governor's Office is in the process of working with the Illinois General Assembly to secure the capital funding needed to procure a statewide accounting and grants management system.
- 2008: (Office of the State Comptroller) Recommendation accepted. The IOC will continue to provide consultation and technical advice to State agencies in relation to financial reporting in order to increase the likelihood that State agencies will report financial information in a timely manner. The IOC will also seek legislation that provides it with enforcement tools to compel state agencies to comply with necessary reporting deadlines.

Previous responses by the Department of Human Services

#2 Failure to Perform Eligibility Redeterminations within Prescribed Timeframes (DHS)

- 2008: Recommendation not accepted. The Department is in compliance with federal regulations which require states to make every effort to complete redeterminations timely and accurately. Federal regulations are silent as to a percentage of timely redeterminations.

#3 Failure to Properly Maintain and Control Case File Records (DHS)

- 2008: Recommendation accepted. All cases selected were located and reviewed. Given the current caseload sizes, fiscal constraints, and staffing limitations, DHS continues to place high priority on proper case file maintenance and filing and continues to reiterate to all staff the importance of documentation of maintenance in case files to ensure all documentation is combined into the case record.

#4 Inadequate Process for Preventing Individuals Convicted of Drug Felonies from Receiving TANF Benefits (DHS)

- 2008: Recommendation accepted. No TANF recipients were identified by the auditors in the past two Single Audits to have been convicted of a Class I or Class X felony. The Department is in the final stages of making our policy more consistent with our eligibility determination process.

#6 Missing Documentation in Beneficiary Eligibility Files (DHS)

- 2008: Recommendation accepted. The Department will continue to ensure supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

Previous responses by the Department of Healthcare and Family Services

#5 Inadequate Procedures for Performing Eligibility Redeterminations (DHFS)

2008: Recommendation not accepted. The Department's administrative renewal process is performed in accordance with federal regulations and State Plans.

Previous responses by Department of Children and Family Services

#7 Missing Documentation in Adoption Assistance Eligibility Files (DCFS)

2008: Recommendation accepted. The Department has established an inter-divisional committee that has developed new checklists that have been distributed to the private sector, DCFS staff, and post adoption staff. The Post Adoption Unit staff will not accept new materials or open new adoption assistance cases until all of the materials on the checklist are included and delivered to the Unit. Additionally, a large portion of the subsidy requests will be sent to a central location for review before the payments are claimed.

#8 Failure To Ensure That Adoption Assistance Recertifications Are Performed On A Timely Basis (DCFS)

2008: Recommendation accepted. The Department agreed its recertification procedures needed to be a complete and accurate process of determining any changing needs and/or circumstances within an adoptive family. The Department recently completed implementation of a project for improving and streamlining the recertification process.

#12 Inadequate and Untimely Fiscal Monitoring of Subrecipients (DCFS)

2008: The Department agrees that on-site fiscal and administrative reviews should include procedures that consider all compliance requirements direct and material to the programs funded by the Department and to ensure compliance with contract program plan requirements established for the services approved and being obtained for children.

Previous responses by Department on Aging

#9 Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports (Aging)

2008: Recommendation accepted. The Department has established procedures to ensure that desk reviews are performed on a timely basis for all subrecipients and that expenditures reported by the subrecipients are reconciled to the schedule of expenditures of federal awards submitted in the OMB Circular A-133 audit reports.

#13 Inadequate On-Site Monitoring of Subrecipients (Aging)

2008: Recommendation accepted. The Department will begin to perform periodic on-site programmatic and financial reviews of the thirteen Area Agencies on Aging at least once during the three year Area Plan Cycle.

Previous responses by the Department of Public Health

#10 Inadequate Process for Determining Client Eligibility (DPH)

2008: Recommendation accepted. ADAP staff conducts regular monthly Medicaid enrollment verification with the Illinois Department of Healthcare and Family Services to ensure that ADAP clients are not dually enrolled. ADAP staff will also ensure that recertifications will occur every six months.

Previous responses by the Illinois State Board of Education (ISBE)

#11 Failure to Sanction Non-Comparable Local Education Agency (LEA) (DPH)

2008: Recommendation accepted. ISBE is waiting the determination of the USDE for the appropriate corrective action to be taken to sanction the LEA.

#14 Inadequate On-Site Fiscal Monitoring of Subrecipients (ISBE)

2008: Recommendation accepted. The agency is working to fill vacancies and seeking additional staff for the External Assurance monitoring function. External Assurance developed a new multi-year monitoring schedule for the monitoring cycle beginning in fiscal year 2009.

#15 Inadequate On-Site Programmatic Monitoring of Subrecipients (ISBE)

2008: Recommendation accepted. The agency is working to fill vacancies and seeking additional staff for the External Assurance monitoring function. External Assurance developed a new multi-year monitoring schedule for the monitoring cycle beginning in fiscal year 2009.

Previous responses by the Department of Transportation

#16 Inadequate On-Site Monitoring of Subrecipients (DOT)

2008: Recommendation accepted. The Department implemented a procedure for all local let projects that began in fiscal year 2009.