



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT ON AGING

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2010**

Release Date: May 26, 2011

Summary of Findings:

Total this audit:	12
Total last audit:	13
Repeated from last audit:	5

SYNOPSIS

- The Department lacked adequate controls and monitoring over eligibility determinations and payments made to providers that applied for and received an enhanced rate for employee health insurance.
- The Department did not timely submit a GAAP reporting package or respond to the Comptroller's questions about the package, and did not exercise proper control over GAAP package preparation and support.
- The Department did not adequately monitor its service providers.
- The Department did not exercise adequate control over reconciliations of appropriation, receipt, and expenditure records.
- The Department did not maintain adequate controls over employee timesheets.
- The Department did not accurately report accounts receivable or refer all eligible receivables to the Comptroller's Offset System.

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

**DEPARTMENT ON AGING
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010**

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 727,355,272	\$ 606,657,011	\$ 527,210,501
OPERATIONS TOTAL.....	\$ 313,645,875	\$ 66,243,218	\$ 66,264,499
% of Total Expenditures.....	43.1%	10.9%	12.6%
Personal Services.....	5,209,122	3,687,296	3,987,740
Other Payroll Costs (FICA, Retirement).....	900,307	1,284,795	1,357,323
All Other Operating Expenditures.....	307,536,446	61,271,127	60,919,436
AWARDS AND GRANTS.....	\$ 413,692,294	\$ 540,237,001	\$ 459,027,109
% of Total Expenditures.....	56.9%	89.1%	87.0%
REFUNDS.....	\$ 17,103	\$ 176,792	\$ 1,918,893
% of Total Expenditures.....	0.0%	0.0%	0.4%
Total Receipts.....	\$ 68,734,282	\$ 61,644,471	\$ 57,801,595
Average Number of Employees.....	161	162	155

SELECTED ACTIVITY MEASURES (Not Examined)	2010	2009	2008
CCP Average Caseload - Clients	60,400	55,919	50,183
Prospective Nursing Home Cases Prescreened	97,562	94,037	92,925
Percentage of Clients Over 75 Living Alone	64%	60%	60%
Homemaker Service - Units Conducted	26,650,343	24,755,171	22,575,794
Adult Day Service - Units Conducted	2,479,608	2,374,288	2,282,142
Average Cost Per Client Per Month	\$ 776	\$ 723	\$ 621

AGENCY DIRECTOR
During Examination Period: Mr. Charles D. Johnson
Currently: Mr. Charles D. Johnson

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO STRENGTHEN CONTROLS AND
MONITORING OVER ENHANCED RATE
PAYMENTS**

**Two providers were overpaid
\$333,799**

**\$7.1 million was paid to two
providers without ensuring
eligibility**

The Department spent \$47,827,803 for an enhanced rate for health insurance coverage to homecare workers during Fiscal Years 2009 and 2010. We tested \$8,792,244 (18%) of those expenditures and noted the Department lacked adequate controls and monitoring over eligibility determinations and payments made to service provider agencies (providers) that applied for and received a special hourly rate under the Community Care Program. The Department overpaid \$333,799 to two providers, paid two other providers \$7,095,895 without ensuring eligibility, and failed to monitor four providers for excess payments. (Finding 1, pages 9-13)

We recommended the Department strengthen controls to ensure that initial and ongoing reviews of applications, eligibility, and annual reporting for the enhanced reimbursement rate are conducted properly, in a timely manner, and in accordance with administrative rules. We also recommended the Department ensure required information is obtained and maintained. In addition, we recommended the Department obtain missing documentation and pursue reimbursement from providers for excessive or unsupported payments.

**Agency partially agrees with
finding**

Department officials partially agree with the finding and recommendation and stated overpayments totaling \$333,799 have been recouped. Officials acknowledged that errors were made in the review and approval of some applications for the enhanced payments for health insurance costs, but stated they believe that adequate controls were built into the application process and administrative rules to protect the interests of the State. Officials also stated they have initiated a review of all enhanced rate payments to determine whether excess payments were made, and to recoup all excess payments.

Auditor's comment

In an auditor's comment, we noted the Department's internal controls were not sufficiently designed and placed into operation in order to prevent and timely detect and correct significant instances of noncompliance with laws and regulations. The Department did not detect or recoup overpayments until identified by the auditors.

INADEQUATE CONTROLS OVER PREPARATION OF GAAP FINANCIAL REPORTING PACKAGE

Problems with year end financial reporting

The Department submitted its fiscal year 2010 GAAP package information 28 days late for one fund and did not address review comments from the Office of the State Comptroller for 49 days. Further, the Department did not provide the entire fiscal year 2010 GAAP package and support until 70 days after it was requested by the auditors. In addition, the Department incorrectly reported federal grant expenditures of \$2,602,000 in the accounting reports submitted to the State Comptroller. Specifically, the amount expended was reported in the wrong federal program. (Finding 2, pages 14-15)

We recommended Department personnel review and revise its current system to prepare GAAP reporting packages timely, ensure accuracy, and maintain supporting documentation.

Agency agrees with auditors

Department officials agree with the finding and recommendation and stated corrective action will be taken.

INADEQUATE MONITORING OF SERVICE PROVIDERS

Reports were not submitted to the Agency

The Department did not adequately monitor its Community Care Program (CCP) service providers. The Department had not received or followed up on annual audit reports for 30% of providers tested, representing \$32,587,556 of expenditures. The Department had not reviewed 8 of 26 (31%) reports received from providers, accounting for \$222,100,767 of expenditures. (Finding 3, pages 16-18)

31% of reports received had not been reviewed by the Agency

We recommended the Department perform and consistently document follow-up on delinquent audit reports, and timely review audit reports after receipt.

Agency partially agrees with finding

Department officials partially agree with the finding and stated corrective action is underway. However, officials cited other CCP monitoring activities, including external audits and oversight by another State agency.

Auditor's comment

In an auditor's comment, we noted Department management, not external parties, is responsible for the internal control system, compliance, and monitoring over

Department functions. Further, we noted the Department's receipt and review of audited financial reports required by administrative rules is an important control to ensure the Department's accountability over CCP expenditures, which accounted for 55% of the Department's expenditures in Fiscal Years 2009 and 2010.

IMPROPER RECONCILIATION TO COMPTROLLER RECORDS

The Department did not exercise adequate control over the preparation and review of the Department's balances of receipts, appropriations and expenditures with those reported by the State Comptroller. We noted the following:

- A \$50,251 expenditure discrepancy remained unresolved after eleven months.
- Refunds totaling \$90,804 were noted on the reconciliation as not being posted to the Department's expenditures.
- Payroll vouchers from June 30, 2010 were not posted to Department's expenditures records as of August 30, 2010. The vouchers were noted as being in error status.
- A \$500,000 appropriation reconciling item was noted on all fiscal year 2010 reconciliations due to an incorrect entry into the Department's accounting system.
- Reconciliations of receipts, appropriations and expenditures prepared by fiscal staff were not subject to supervisory review. (Finding 4, Pages 19-20)

**Discrepancies noted were not
timely resolved**

Reconciliations were not reviewed

We recommended the Department implement procedures to ensure reconciliations are reviewed and discrepancies noted are timely corrected.

Agency agrees with the auditors

Department officials agree with the finding and stated corrective action has been taken.

INADEQUATE CONTROLS OVER EMPLOYEE TIMESHEETS

The Department's policies over supervisory review of employee timesheets were inadequate and some timesheets did not document the amount of time spent on official State business. We tested 40 employee timesheets and noted:

Supervisor reviews were not documented for 55% of timesheets

- Twenty-two (55%) timesheets did not contain documentation of supervisory review.
- Twenty-one (52.5%) timesheets did not report the amount of time spent on official State business as required by the State Officials and Employees Ethics Act (Act).
- One (2.5%) timesheet was not signed by the employee.
- One timesheet (2.5%) was reviewed by a supervisor two months after it was signed by the employee. (Finding 8, pages 27-29)

Time spent on official State business was not reported on 52% timesheets

We recommended the Department require employees to sign and submit their timesheets on a periodic basis. Supervisors should regularly document their review of employee timesheets. We also recommended the Department document time spent on official State business.

Agency does not agree with finding

Department officials do not agree with the finding, and contended that timesheets complied with the Act. Officials stated timesheets have been revised to document supervisory review, and current timekeeping policies and procedures will be reviewed to determine whether additional changes are required to more clearly reflect compliance with the Act.

Auditor's comment

In an auditor's comment, we noted the daily time record used by the Department for certain employees requires employees to sign in and out each day, and to report time away from State business, not the time spent each day on official State business. Further, the CMS timekeeping system records time away from State business, but does not document the time spent each day on official State business and is not submitted by the employee as required by the Act. The auditors continue to believe that the current procedures followed by the Department need to be strengthened to meet the timesheet requirements of

the Act.

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE REPORTING

The Department did not have adequate controls over accounts receivable reporting and collection. As a result, the Department inaccurately reported receivables and failed to follow procedures regarding the State Comptroller's Offset System for past due accounts.

Past due receivables were not referred to the State Comptroller's Offset System

Three of eight (38%) quarterly accounts receivable reports for the two years ended June 30, 2010 included mathematical errors of \$20,000, \$5,000, and \$64,000, respectively. We also noted 134 receivable accounts over \$1,000 and 90 days past due had not been referred to the State Comptroller's Offset System. In addition, the Department had not taken required measures to demonstrate to the State Comptroller's Office that collection would not be cost effective. (Finding 11, pages 34-35) **This finding was first reported in 2006.**

We recommended the Department implement the necessary internal controls to consistently report accounts receivable. Also, the Department should write-off the accounts that it believes are not collectible. Further, we recommended the Department meet with the Office of the State Comptroller regarding their concern about the cost effectiveness of using the Comptroller's Offset System to collect accounts receivable greater than 90 days past due and over \$1,000.

Agency agrees with auditors

Department officials agree with the finding and stated corrective action is underway. Officials also stated other past due accounts over \$1,000 will be referred for Comptroller's Offset. (For the previous Agency response, see Digest footnote #1.)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress towards the implementation of our recommendations in our next examination.

AUDITORS' OPINION

We conducted a compliance attestation examination of the Department for the two years ended June 30, 2010 as required by the Illinois State Auditing Act. We have not audited any financial statements of the Department for the purpose of expressing an opinion because the Department does not, nor is it required to, prepare financial statements.



WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors were Doehring, Winders & Co. LLP.

DIGEST FOOTNOTES

#1 INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE REPORTING – Previous Agency Response

2008: The Agency has begun to report the estimated value of uncollectible receivables on its quarterly report to the Comptroller.

The accounts reported as uncollectible each quarter are the result of overpayments made by the Circuit Breaker program – many of these accounts were transitioned from the Department of Revenue when the grant program was transferred to the Agency. The average grant award for this program is \$250, with the maximum being \$700. Most of the accounts on the receivables ledger have been carried forward for more than 5 – 10 years; additionally, interest has been applied to the outstanding balance and the result, over time, is an account greater than \$1,000. Many of the applicants eligible for the Circuit Breaker grant program continue to be eligible in future years, so the account balance is off-set each fiscal year by 50% of the new grant award.

Currently, we are evaluating the remaining accounts

receivable balances for immediate disposition and will begin to write-off balances for deceased grantees and small balances where there has been no new grant activity in the last three years. We will also work with the Comptroller to explore the off-set system.