



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

**Financial Audit
 For the Year Ended June 30, 2014**

Release Date: February 5, 2015

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		14-2, 14-3	
Category 2:	0	3	3	2009		14-1	
Category 3:	0	0	0				
TOTAL	0	3	3				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (14-1) The Department’s year-end financial reporting contained weaknesses and inaccuracies.
- (14-2) The Department’s fiscal year 2014 records of individuals eligible for participation in the medical assistance program under Title XIX of the Social Security Act (Title XIX) included individuals that were identified as deceased by either the Illinois Department of Public Health’s (IDPH) Vital Records or by the Death Master File from the Social Security Administration.
- (14-3) The Department’s eligibility files included duplicate enrollees for its medical assistance program under Title XIX of the Social Security Act.

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

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

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

{Financial information is summarized on next page.}

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

FINANCIAL AUDIT

For the Year Ended June 30, 2014

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE GENERAL FUND (amounts expressed in thousands)	FISCAL YEAR 2014	FISCAL YEAR 2013
REVENUES		
Operating grants - federal.....	\$ 9,038,445	\$ 8,108,692
Medical provider assessment tax.....	1,677,667	1,149,310
Other revenues.....	1,556,096	1,503,202
Total revenue.....	<u>12,272,208</u>	<u>10,761,204</u>
EXPENDITURES		
Health and social services.....	14,936,599	13,111,067
Other expenditures.....	33,706	41,591
Total expenditures.....	<u>14,970,305</u>	<u>13,152,658</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES		
Net Transfers in / Transfers Out.....	(67,889)	(61,945)
Other.....	3,519,594	2,564,265
Net other sources (uses) of financial resources.....	<u>3,451,705</u>	<u>2,502,320</u>
Change in fund balance.....	753,608	110,866
Fund balance July 1.....	(613,458)	(724,324)
Fund balance June 30.....	<u>\$ 140,150</u>	<u>\$ (613,458)</u>
BALANCE SHEET GENERAL FUND (amounts expressed in thousands)		
ASSETS		
Cash and cash equivalents.....	\$ 317,769	\$ 420,487
Due from other governments - federal & local.....	1,718,681	1,746,188
Other assets.....	1,101,935	801,253
Total assets.....	<u>\$ 3,138,385</u>	<u>\$ 2,967,928</u>
LIABILITIES		
Accounts payable and other liabilities.....	\$ 1,434,647	\$ 1,834,475
Other liabilities.....	667,710	823,795
Total liabilities.....	<u>2,102,357</u>	<u>2,658,270</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue.....	895,878	923,116
Total liabilities.....	<u>895,878</u>	<u>923,116</u>
FUND BALANCE (DEFICIT).....	<u>\$ 140,150</u>	<u>\$ (613,458)</u>
DIRECTOR		
During Audit Period: Ms. Julie Hamos		
Currently: Ms. Felicia Norwood		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**WEAKNESSES IN INTERNAL CONTROL OVER
FINANCIAL REPORTING**

The Department's year-end reporting in accordance with generally accepted accounting principles (GAAP) submitted to the Illinois Office of the Comptroller contained weaknesses and inaccuracies.

Child support allowance for uncollectible receivables computation contains an error of \$40 million

In our review of the Department's computation of uncollectible child support for fiscal year 2014, we noted the Department had a mathematical error which understated the uncollectible amount by \$40,784,000. The Department made an adjusting entry to its financial statements after this error was brought to its attention.

Additional errors were identified during the audit of the Department's draft financial statements. The errors were deemed immaterial to the financial statements taken as a whole and, therefore, adjusting journal entries were not made.

We noted the following:

Medical accrual computation overstated by \$10 million

- In our prior audit we noted computation errors with respect to the Department's medical accrual computation. In our review of the Department's medical accrual computation for fiscal year 2014, we noted the following problems. The Department entered the incorrect federal participation amount for the Affordable Care Act Medical Accrual in the General Revenue Fund. This error caused the calculation of total medical accrual for the General Revenue Fund to be incorrect. The result was an overstatement in the accounts receivable totaling \$10,231,000, an overstatement of deferred unavailable revenue totaling \$10,224,000 and an overstatement of revenue totaling \$7,000 in the General Revenue Fund as of June 30, 2014.
- As a result of the mathematical error in the Department's computation of uncollectible child support noted above totaling \$40,784,000, the allocation to the Child Support Administrative Fund for uncollectible receivables was overstated \$1,671,000. Therefore, due to other funds was understated \$1,671,000 in the Child Support Enforcement Fund and the due from other funds was understated \$1,671,000 in the Child Support Administrative Fund. (Finding 1, pages 38-39) **This finding was first reported in 2009.**

We recommended the Department implement internal control procedures to ensure financial reporting is accurate.

Department accepts the recommendation

The Department accepted the recommendation and will continue to assess the financial reporting process and related procedures and implement necessary internal control changes to improve the accuracy of the financial statements. *(For the previous Department response, see Digest Footnote #1.)*

MEDICAL ASSISTANCE RECORDS NOT UPDATED TIMELY FOR DECEASED INDIVIDUALS

Deceased individuals identified as eligible in the Department's Title XIX medical assistance program

The Department's fiscal year 2014 records of individuals eligible for participation in the medical assistance program under Title XIX of the Social Security Act (Title XIX) included individuals that were identified as deceased by either the Illinois Department of Public Health Vital Records or by the Death Master File from the Social Security Administration.

5,916 deceased individuals were identified as being eligible

During our comparison of the Department's records of individuals eligible for Title XIX services to the Department of Public Health death records, we identified 4,933 individuals for which the Department of Public Health had a death record, but were included in the Department's system as being eligible for medical services. We also compared the Department's records of individuals eligible for Title XIX services to the federal Social Security Administration death records. From this comparison, we identified an additional 983 individuals for which the Social Security Administration had a death record, but were included in the Department's system as being eligible for medical services. (We recognized that the Department does not have instantaneous access to death records, and for the purpose of this finding, the 5,916 total includes only those individuals still included as eligible for medical services more than 60 days after their date of death.)

\$3.7 million in medical costs paid for 1,111 deceased individuals

Between both the Department of Public Health and the Social Security Administration data, 1,111 recipients had payments made on their behalf for services that occurred more than 60 days after their date of death totaling \$3,729,335. Managed care payments accounted for \$2,113,556 (57%) of the total payments. Of the \$2,113,556 managed care payments, we noted \$1,217,458 were made through the end of fiscal year 2014 for 180 recipients auto-enrolled in managed care more than 90 days after their date of death. (Finding 2, pages 40-43)

180 recipients enrolled in managed care more than 90 days after date of death

We recommended the Department improve its system of controls to ensure death dates for current enrollees are entered into its eligibility system, ensure that deceased individuals are not enrolled in managed care, and ensure that recipients have the correct social security numbers within the Department's

eligibility data. We also recommended the Department take action to recover the payments it made on behalf of individuals for capitation or fee-for-services related to periods after their date of death.

Department accepted the recommendation

The Department accepted the recommendation and stated they have taken immediate corrective action and continue to take action to identify deceased clients enrolled in Medicaid, to record their death dates, and to recoup all improper payments for these individuals.

DUPLICATION OF MEDICAL ASSISTANCE ENROLLEES

The Department's eligibility files included duplicate enrollees for its medical assistance program under Title XIX of the Social Security Act (Title XIX).

19,954 Social Security Numbers assigned to 40,377 recipient identification numbers

During our review of the Department's fiscal year 2014 Title XIX eligibility data files, we noted 19,954 Social Security Numbers had been assigned to approximately 40,377 recipient identification numbers. Recipient identification numbers are unique identification numbers that are assigned to enrollees.

\$119,826 paid for duplicative capitation and coordinated care fees

We also identified overpayments for duplicative capitation and coordinated care fee payments made by the Department totaling \$119,826 in fiscal year 2014. These payments were for individuals that had more than one recipient identification number in the eligibility data. (Finding 3, page 44-45)

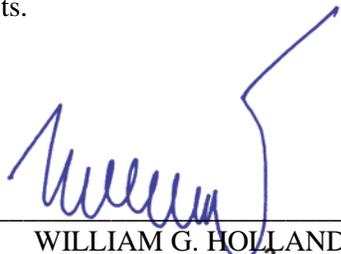
We recommended the Department implement controls to ensure only one recipient identification number is assigned to a social security number/individual.

Department accepted the recommendation

The Department accepted the recommendation and stated it will continue to review and correct duplicate IDs.

AUDITOR'S OPINION

Our auditors stated the Department's financial statements as of and for the year ended June 30, 2014 are fairly presented in all material respects.



WILLIAM G. HOLLAND
.. Auditor General

WGH:jv

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were Sikich, LLP.

DIGEST FOOTNOTES

#1 –Weaknesses in Internal Control Over Financial Reporting –Previous Department Response

2013 - Department officials accepted the recommendation and will ensure calculations are reviewed by another preparer before the GAAP packages are finalized.