



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Compliance Examination  
 For the Two Years Ended June 30, 2019

Release Date: July 7, 2020

FINDINGS THIS AUDIT: 26	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	9	11	2018	9, 10	15	
Category 2:	7	8	15	2017	2, 3, 4, 13	8, 17, 20, 21	
Category 3:	0	0	0	2016	7		
TOTAL	9	17	26	2015	1, 11	19	
				2013		16	
FINDINGS LAST AUDIT: 26				2005		18	

**INTRODUCTION**

The digest covers our Compliance Examination of the Department for the two years ended June 30, 2019. A separate Financial Audit as of and for the year ended June 30, 2019, was previously released on April 28, 2020. In total, this report contains 26 findings, 11 of which were reported in the Financial Audit.

**SYNOPSIS**

- (19-12) The Department of Healthcare and Family Services did not maintain complete information needed to adequately monitor Managed Care Organization (MCO) contracts to ensure compliance with all contractual provisions.
- (19-13) The Department of Healthcare and Family Services entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.

**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.

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2019**

<b>EXPENDITURE STATISTICS (expressed in thousands)</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
Total Expenditures.....	\$ 21,470,722	\$ 21,325,020	\$ 18,742,877
OPERATIONS TOTAL.....	\$ 2,391,958	\$ 2,828,724	\$ 869,041
% of Total Expenditures.....	11.1%	13.3%	4.6%
AWARDS AND GRANTS.....	\$ 19,078,764	\$ 18,496,296	\$ 17,873,836
% of Total Expenditures.....	88.9%	86.7%	95.4%
Total Receipts.....	\$ 18,254,158	\$ 19,015,560	\$ 15,033,524
Average Number of Employees (Unaudited).....	1,724	1,798	1,913

<b>AGENCY DIRECTOR</b>
During Examination Period through Current: Ms. Felicia Norwood (through 6/15/18), Ms. Teresa Hursey (Interim, 6/16/18 - 7/10/18; Ms. Patricia Bellock (7/11/18 - 1/18/19), Vacant (1/19/19 - 1/20/19), Ms Theresa Eagleson (effective 1/21/19)

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INSUFFICIENT CONTROLS OVER MANAGED CARE ORGANIZATION CONTRACTS**

**Department did not adequately  
monitor MCO contract provisions**

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

**Department did not obtain required  
deliverables for 1 of the 7 HCI MCO  
contracts providing services during  
the examination period**

The Department awarded seven new HealthChoice of Illinois (HCI) MCO contracts, effective January 1, 2018, to provide managed care Statewide. During our testing of the HCI MCO contracts, we reviewed Attachment XIII: Required Deliverables, Submissions, and Reporting to identify the required deliverables for each of the seven MCOs. We noted one provider whose contract terminated with the State on December 31, 2019; however, the Department did not obtain all required deliverables from this provider for the months the provider had been providing managed care services to its members. The following reports were not available for this provider:

- Annual recipient verification procedures;
  - Annual recipient verification results;
  - Annual compliance certification; and
  - Annual fraud and abuse compliance plan.
- (Finding 12, page 50)

We recommended the Department obtain and maintain a copy of all required deliverables from each of the State's HCI MCOs as outlined in the contracts to ensure it is adequately monitoring the HCI MCOs in a timely and effective manner.

**Department accepted the  
recommendation**

The Department accepted the recommendation and stated it is working to correct future oversight through the development and implementation of a SharePoint Tracking and Monitoring Policy and Procedure, improvements to the SharePoint deliverables tracking spreadsheet and implementation of SharePoint training for the Bureau of Managed Care Account Management staff.

### **NONCOMPLIANCE WITH THE STATE OF ILLINOIS' CONSTITUTION**

**Interagency agreement  
circumvented agency reorganization  
provisions**

The Department of Healthcare and Family Services (Department) entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.

**Department and Authority entered into interagency agreement on September 23, 2016**

During testing, we noted the Department, Office of the Governor, and the Illinois Health Information Exchange Authority (Authority) entered into an interagency agreement on September 23, 2016, for the “transitioning of management of duties from the Authority to [the Department].” This interagency agreement included the following terms:

- Section 2.03 noted all of the Authority's remaining staff "shall ultimately report to, and be under the management control of, the [Department's] Chief Operating Officer/Chief of Staff."
- Section 3.02 required the Authority to designate the Department as its fiscal agent for the purposes of distributing moneys from the Health Information Exchange Fund and may, at the Department's discretion, deposit future moneys received into the Health Information Exchange Fund.
- Section 3.03 required the Authority to designate the signature authority of its Executive Director “in its entirety” to the Department's Director.

**Authority's existence as standalone entity ended**

In practicality, this interagency agreement ended the Authority's existence as an independent, standalone entity and reorganized the functions of the Authority into the Department. We noted this change would contravene the provisions of the Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10), which created the Authority as “an instrumentality and an administrative agency of the State.”

The Constitution (Article V, Section 11) allows the Governor, by Executive Order, to reassign functions among or reorganize executive agencies directly responsible to the Governor. If the reassignment or reorganization contravenes a statute, the Executive Order must be delivered to the General Assembly. After the Governor complies with the delivery provisions of the Constitution, the General Assembly has 60 calendar days after the delivery of the Executive Order to have one house, by a record vote, disapprove of the reassignment or reorganization to prohibit the reassignment or reorganization from occurring. (Finding 13, pages 51-52)

We recommended the Department continue to work with the Governor and the General Assembly to provide certainty as to the legal status of the Authority.

**Department accepted the recommendation**

The Department accepted the recommendation and stated the General Assembly passed legislation (SB 1864, House Amendment #6) transferring the duties to the Department under an Office of Health Information Exchange within the Department. The change will become effective upon the Governor's signature.

## **OTHER FINDINGS**

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

## **AUDITOR'S OPINION**

The financial audit report was previously released. The auditors stated the financial statements of the Department as of and for the year ended June 30, 2019, are fairly stated in all material respects.

## **ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2019, as required by the Illinois State Auditing Act. The accountants qualified their report on State Compliance for Findings 2019-001 through 2019-004, 2019-006, 2019-007, and 2019-009 through 2019-013. Except for the noncompliance described in these findings, the accountants state the Department complied, in all material respects, with the requirements described in the report.

The financial audit and this compliance examination was performed by Sikich LLP.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO  
Auditor General

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