



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2013**

Release Date: May 22, 2014

Summary of Findings:

Total this audit:	19
Total last audit:	17
Repeated from last audit:	11

SYNOPSIS

- The Department lacked adequate administration and monitoring over awards and grants programs.
- The Department submitted incorrect financial information for federal grants to the Illinois Office of the Comptroller.
- The Department did not ensure complete and accurate commodity and printing inventory balances.
- The Department was unable to locate 39 computers, some of which may have contained confidential information.
- Contracts were not properly approved and reported by the Department.
- A Center for Comprehensive Health Planning designed to promote the distribution of health care services and improve the healthcare delivery system of Illinois was not established by the Department.

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

**DEPARTMENT OF PUBLIC HEALTH
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

EXPENDITURE STATISTICS	2013	2012	2011
Total Expenditures.....	\$ 363,958,476	\$ 409,145,170	\$ 315,720,104
OPERATIONS TOTAL.....	\$ 173,204,142	\$ 156,649,170	\$ 143,521,809
% of Total Expenditures.....	47.6%	38.3%	45.5%
Personal Services.....	86,504,928	80,035,387	76,283,961
Other Payroll Costs (FICA, Retirement, etc)...	35,689,428	27,951,487	21,884,713
Interfund Cash Transfers.....	700,000	3,581,021	1,100,000
All Other Operating Expenditures.....	51,009,786	48,662,296	45,353,135
AWARDS AND GRANTS.....	\$ 190,717,114	\$ 252,472,493	\$ 172,175,685
% of Total Expenditures.....	52.4%	61.7%	54.5%
REFUNDS.....	\$ 37,220	\$ 23,507	\$ 22,610
% of Total Expenditures.....	0.0%	0.0%	0.0%
PERMANENT IMPROVEMENTS.....	\$ 14,339	\$ -	\$ -
% of Total Expenditures.....	0.0%	0.0%	0.0%
Total Receipts.....	\$ 211,464,019	\$ 187,553,307	\$ 189,273,191
Average Number of Employees.....	1,075	1,088	1,082
SELECTED ACTIVITY MEASURES (not examined)	2013	2012	2011
Number of prescriptions filled through AIDS Drug Assistance Program (ADAP).....	138,049	135,003	131,100
Number of lead poisoning cases investigated..	2,296	1,434	271
Number of Licensed LTC Beds.....	116,294	117,081	119,329
Number of LTC Facility Annual Inspections..	1,079	1,096	1,075
Newborns Genetic/Metabolic Disorder Screening Performed.....	160,000	157,000	160,024
Vision and Hearing Screening Performed.....	1,900,000	1,838,874	2,017,908
Number of Requests to Women's Health Helpline.....	6,145	5,846	8,160
AGENCY DIRECTOR			
During Examination Period:	Dr. LaMar Hasbrouck, M.D., M.P.H. (As of 4/23/12)		
	Dr. Arthur Kohrman, M.D., M.P.H. (Acting, 1/29/12 to 4/22/12)		
	Dr. Kenneth Soyemi, M.D., M.P.H. (Acting, 11/30/11-1/28/12)		
	Dr. Craig Conover, M.D., M.P.H. (Acting, 10/1/11-11/29/12)		
	Dr. Damon Arnold, M.D., M.P.H. (Through 9/30/11)		
Currently:	Dr. LaMar Hasbrouck, M.D., M.P.H.		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE ADMINISTRATION OF AWARDS AND GRANTS PROGRAMS

The Department did not adequately administer and monitor its awards and grants programs.

Grants accounted for 58% of Department expenditures

The Department expended over \$443 million (58%) of its total expenditures for awards and grants. We sampled seventeen grant programs from five offices and noted the following weaknesses:

No written procedures for grant administration

- The Department did not have written procedures to guide its administration of the awards and grants programs tested during the examination period.
- The Department had not established administrative rules for grants.

Grant monitoring not standardized

- The Department had not developed a standardized methodology or formal criteria for monitoring grantees.
- The Department did not sufficiently document its review of 68% of grant reports tested totaling \$40.4 million.

Desk reviews or documentation incomplete

- Twenty of 60 (33%) grant desk reviews tested totaling \$17.7 million were incomplete or lacked completed review documentation.

Missing grant documentation

- Thirty-three of 62 (53%) grants tested totaling \$52.1 million were missing required documentation, including quarterly reports, audits, or follow-up.
- For 12 of 60 (20%) grants totaling \$2.9 million, we noted 28 instances where the Department did not sufficiently enforce or document timeliness of reports.

Financial reporting requirements not enforced

- For 29% of grants tested totaling \$9.1 million, the Department did not enforce financial reporting requirements. (Finding 1, pages 12-15) **This finding was first reported in 2007.**

We recommended the Department develop a comprehensive grant administration program that includes the development and implementation of administrative rules for grants and written procedures over the awarding and monitoring of all of the Department's grant awards; reviewing the programmatic and financial reports of grant recipients; developing a method to document grant monitoring; scheduling, conducting, and

documenting grantee site visits; timely collecting refunds due the Department, if necessary; and considering a risk-based methodology for grantee monitoring, including on-site reviews of higher risk grantees.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated they have been working to address these concerns prior to, during, and since the compliance audit period. Officials stated they are implementing an electronic grant administration and management system, and they are further updating draft grant administration rules and written grants procedures. (For Previous Agency response, See Digest Footnote #1.)

FINANCIAL REPORTING

The Department did not correctly report financial information for federal grants to the Illinois Office of the Comptroller. Some of the misstatements noted include:

Subrecipient, contractual payment, and program data were misstated for federal grants

- The Department improperly reported subrecipient expenditures totaling \$29.8 million for 28 programs.
- The Department incorrectly reported contractual payments totaling \$2.4 million for 21 programs.
- The Schedule of Expenditures of Federal Awards excluded \$1.2 million to subrecipients for two programs.
- An incorrect Catalog of Federal Domestic Assistance number was reported for one program. (Finding 2, pages 16-18) **This finding was first reported in 2003.**

We recommended the Department comply with the Statewide Accounting Management System requirements to ensure accurate financial information is submitted to the Illinois Office of the Comptroller. Further, the Department should review and revise, as necessary, its current system used to gather, compile and document the financial information to be reported to the Comptroller.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated they would continue to review internal procedures and improve financial reporting. (For Previous Agency response, see Digest Footnote #2.)

WEAKNESSES IN CONTROLS OVER INVENTORY

The Department did not conduct complete physical inventories and ensure the accuracy of fiscal year-end commodities and printing inventory balances.

Inventory balances were understated and incomplete

Inventory balances were understated by \$55,981, and omitted an undetermined amount of metabolic formula inventory and printed item inventory. The understated balances were reported to the Illinois Office of the Comptroller in year-end financial reporting packages. (Finding 3, pages 19-20)

We recommended the Department strengthen internal controls over physical inventories to ensure its fiscal year-end inventory balances are accurate and complete.

Department agrees with auditors

Department officials concurred with the finding and recommendation. Officials stated corrective actions have been implemented regarding the inventory misstatement, and the Department will ensure future physical inventory is reported.

INADEQUATE CONTROLS OVER COMPUTER INVENTORY

Missing computers may have contained confidential information

The Department was not able to locate 39 computers during fiscal years 2012 and 2013, some of which may have contained confidential information.

Computers were not assessed for existence of confidential information when determined to be missing

The Department reported missing computer inventory in fiscal year 2012 and 2013 totaling \$48,096, which included 23 desktop and 16 laptop computers. The Department did not perform a detailed assessment at the time it determined the computers to be missing whether the missing computers contained confidential information. Subsequent to our inquiries, 10 of the 39 computers were accounted for, but the Department was unable to determine if 3 of the remaining computers contained confidential or sensitive information. Further, the Department had not protected all of its computers with encryption software, thus increasing the risk that confidential or personal information could be exposed.

Not all computers were protected with encryption software

Department officials stated encryption software was not installed on older computers due to insufficient processing power. (Finding 5, pages 23-24)

We recommended the Department immediately perform a detailed inventory of computer equipment and review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers. We also recommended the Department establish procedures to immediately assess and document if a computer may have contained confidential information whenever it is reported lost or stolen.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated corrective action will be taken. Officials also stated they completed an assessment of computers with encryption software in December 2013 to determine whether lost or stolen computers were protected.

LACK OF CONTROLS OVER CONTRACTS

The Department did not ensure contracts were properly approved and reported.

Contract payments totaling \$2.9 million were not approved by top management

We tested 60 contracts and noted four (7%) contracts over \$250,000, totaling over \$2.9 million, were not approved in writing by the agency, fiscal and legal department heads as required. In addition, some contract obligation documents omitted or incorrectly reported required procurement information. (Finding 6, pages 25-26)

We recommended the Department implement controls to ensure appropriate signatory approvals are obtained on all contracts over \$250,000 and accurate information is filed on contract obligation documents with the State Comptroller.

Department agrees with auditors

Department officials concurred with the finding and recommendation and stated corrective action will be taken. Officials noted the four contracts missing approvals consisted of CMS master contracts and one interagency agreement.

CENTER FOR COMPREHENSIVE HEALTH PLANNING NOT ESTABLISHED

The Department failed to establish a Center for Comprehensive Health Planning.

The Center was first required to be established in 2009

The Department was required, effective July 1, 2009, to establish the Center to develop a long-range Comprehensive Health Plan to guide the development of clinical services, facilities, and workforce that meet the health and mental health care needs of this State. (Finding 11, page 36)

We recommended the Department promptly establish a Center for Comprehensive Health Planning as required.

Department agrees with auditors

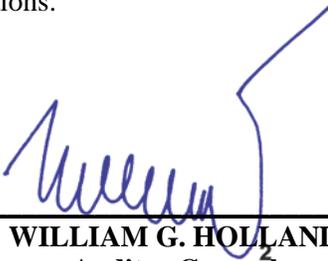
Department officials concurred with the finding and recommendation and stated steps are being taken to implement the law.

OTHER FINDINGS

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

ACCOUNTANT'S REPORT

We conducted a compliance examination of the Department as required by the Illinois State Auditing Act. The Accountant's Report noted the Department did not comply in all material respects with the requirements regarding laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.



WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

Crowe Horwath LLP was our special assistant auditor for this engagement.

DIGEST FOOTNOTES

#1 Inadequate administration of awards and grants programs - Previous Department Response.

The Department concurs with the finding and recommendation. The Department is in the process of drafting comprehensive rules to formalize the grants review process as well as to address other related issues that currently affect IDPH in its handling of grants. The Department is also in the process of finalizing a comprehensive Grants Procedure Manual, which contains detailed guidelines for grant monitoring. In addition, the Department is going through the initial procurement steps to purchase an electronic grant management system (eGMS). An eGMS, which will be used by external applicants and IDPH staff, will completely re-engineer and improve the current grant management processes including the review of programmatic and financial reports of grantees. Although the eGMS will not replace the necessity of site visits, it will be an important tool that will help alert staff when site visits may be necessary.

#2 Financial Reporting - Previous Department Response

The department concurs in the finding and recommendation. The department's program staff (Immunization Section) will be more diligent in calculating the value of vaccines received and distributed using the vaccine price per dose listed on the CDC website rather than using an average cost basis for the price of vaccine doses. It should be noted that the amount of vaccine reported on the SCO-563 and SEFA was subsequently corrected and filed with the Comptroller's Office.

