

# REPORT DIGEST

## PROGRAM AUDIT OF THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

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State of Illinois  
Office of the Auditor General

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### SYNOPSIS

Public Act 95-0985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] and directed the Auditor General to annually audit the ALL KIDS program. This first annual audit covers FY09. The focus of this audit is on “EXPANDED ALL KIDS,” which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (i.e., those children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants). Our audit found that:

- In FY09, 94,525 children whose family income was greater than 200 percent of the federal poverty level or were classified as undocumented immigrants were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY09 for the EXPANDED ALL KIDS enrollees were \$79.1 million. HFS received approximately \$8.9 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$70.2 million. The children added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.
- HFS and DHS misclassified documented immigrants who receive ALL KIDS services. In 9 of 48 (19%) “undocumented” immigrant files auditors reviewed, the enrollees were actually documented immigrants.
- Of the 98 cases sampled, 42 enrollees (43%) did not provide proof of birth (e.g., birth certificate). Auditors could not find documentation of identity in 6 cases reviewed (6%).
- HFS does not terminate ALL KIDS coverage when the enrollees fail to pay premiums as required by 89 Ill. Adm. Code 123.340(a).
- Annual reviews of ALL KIDS eligibility – also called redeterminations – required by the Illinois Administrative Code [89 Ill. Adm. Code 123.260] – were not being adequately implemented by HFS.
- DHS does not calculate family income for EXPANDED ALL KIDS eligibility as required by the Administrative Code. When determining family income when a stepparent is present, HFS counts the income of the stepparent; however, DHS does not.
- HFS had difficulty providing accurate data from its Data Warehouse in a timely manner for this audit.
- HFS utilized a pricing evaluation formula which was not published in the Request for Proposal (RFP), a formula which directly affected which bidder was awarded the contract.



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## REPORT CONCLUSIONS

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Effective July 1, 2006, Illinois' KidCare program, which included Medicaid and Children's Health Insurance Program (CHIP) populations, **was expanded** by the Covering ALL KIDS Health Insurance Act (Act) to include all uninsured children not previously covered. The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children. At that time, the KidCare program was renamed ALL KIDS.

Throughout this audit, we will refer to the portion of the ALL KIDS program that serves the uninsured children not previously covered by KidCare as "EXPANDED ALL KIDS." Since the EXPANDED ALL KIDS program is a subset of the ALL KIDS program as a whole, many of the recommendations in this report may be relevant to the program as a whole.

The Department of Healthcare and Family Services' July 2008 ALL KIDS Preliminary Report noted that "two key changes occurred" with the July 1, 2006, expansion pursuant to the Covering ALL KIDS Health Insurance Act [215 ILCS 170]. "First, children at any income level became eligible for healthcare benefits as long as they had been uninsured for an extended period of time or met certain exceptions established in rule. Second, in the rules implementing the expansion, All Kids was made available to previously ineligible non-citizen children at any income level as authorized under the new law and the Public Aid Code." The Public Aid Code [305 ILCS 5/12-4.35], effective July 1, 1998, had authorized the Department of Healthcare and Family Services (HFS) to extend health care benefits to non-citizen children subject to the adoption of rules governing eligibility and other conditions of participation. No such rules were adopted until those establishing the Covering ALL KIDS Health Insurance program. Therefore, we included undocumented immigrants who first received health care benefits under these rules within the definition of the EXPANDED ALL KIDS program and within this audit.

Throughout FY09, a total of 94,525 children were enrolled in the program. On June 30, 2009, there were 71,665 enrollees as a result of the expansion. This is less than the FY09 total of 94,525 enrollees since children are added and removed from the program throughout the year. Digest Exhibit 1 shows that of the 71,665 enrollees as of June 30, 2009, 75 percent were classified as undocumented immigrants in data provided by HFS. However, due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the number of undocumented immigrants, as well as the costs associated with them are overstated in data provided by HFS. Additionally, the number of documented immigrants, as

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**The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children.**

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well as the costs associated with them, are similarly understated. Auditors recommended that HFS accurately classify documented and undocumented immigrants. By not correctly classifying them, not only is HFS reporting incorrect data, it is also losing out on federal matching funds it could be receiving for documented immigrants.

Digest Exhibit 1 <b>EXPANDED ALL KIDS ENROLLMENT BY PLAN</b> <sup>1, 2</sup> As of June 30, 2009		
<b>EXPANDED ALL KIDS Plan</b>	<b>Citizens/ Documented Immigrants</b>	<b>Undocumented Immigrants</b>
Assist	n/a	50,009
Share	n/a	1,931
Premium Level 1	n/a	1,604
Premium Level 2	14,514	429
Premium Level 3	2,558	76
Premium Level 4	406	19
Premium Level 5	70	3
Premium Level 6	19	2
Premium Level 7	10	0
Premium Level 8	15	0
<b>Total</b>	<b>17,592</b>	<b>54,073</b>
Notes:		
<sup>1</sup> Enrollment is the total number of enrollees that were eligible on June 30, 2009. There were 94,525 enrollees eligible at some point during FY09.		
<sup>2</sup> Due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the enrollment for undocumented immigrants is overstated, while the enrollment for documented immigrants is understated.		
Source: ALL KIDS enrollment data provided by HFS.		

As part of the ALL KIDS expansion on July 1, 2006, seven new premium levels were added for children in families with income greater than 200 percent of the federal poverty level (Premium Levels 2 through 8). Families with higher income qualify for higher premium levels, and thus, contribute more toward their coverage.

**The children that were added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.**

Total claims paid in FY09 for the EXPANDED ALL KIDS enrollees were \$79.1 million. The majority of the costs for services (\$54.9 million or 69 percent) were for undocumented immigrants during FY09. Digest Exhibit 2 breaks out the payments for services by whether the child had documentation for citizenship/immigration status or whether the child was undocumented. The children that were added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.

Digest Exhibit 2 <b>PAYMENTS FOR EXPANDED ALL KIDS SERVICES BY ALL KIDS PLAN <sup>1</sup></b> Fiscal Year 2009			
EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants	Undocumented Immigrants	Totals
Assist	n/a	\$50,799,921.39	<b>\$50,799,921.39</b>
Share	n/a	\$1,552,871.18	<b>\$1,552,871.18</b>
Premium Level 1	n/a	\$1,745,546.15	<b>\$1,745,546.15</b>
Premium Level 2	\$19,198,486.89	\$649,572.88	<b>\$19,848,059.77</b>
Premium Level 3	\$3,814,369.50	\$115,547.52	<b>\$3,929,917.02</b>
Premium Level 4	\$743,851.06	\$46,287.84	<b>\$790,138.90</b>
Premium Level 5	\$287,784.54	\$6,322.20	<b>\$294,106.74</b>
Premium Level 6	\$49,980.90	\$2,135.09	<b>\$52,115.99</b>
Premium Level 7	\$14,979.49	\$8.00	<b>\$14,987.49</b>
Premium Level 8	\$40,407.59	\$262.89	<b>\$40,670.48</b>
<b>Totals</b>	<b>\$24,149,859.97</b>	<b>\$54,918,475.14</b>	<b>\$79,068,335.11</b>

Note: <sup>1</sup> Due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the costs for undocumented immigrants are overstated, while the costs for documented immigrants are understated.

Source: ALL KIDS claim data provided by HFS.

In FY09, HFS received approximately \$8.9 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$70.2 million. Digest Exhibit 3 shows both FY09 payments and premiums collected from the EXPANDED ALL KIDS program.

Digest Exhibit 3 <b>EXPANDED ALL KIDS PAYMENTS VS. PREMIUMS</b> Fiscal Year 2009			
EXPANDED ALL KIDS Plan	FY09 Payments	FY09 Premiums Collected	Net Cost
Assist	\$50,799,921.39	n/a	<b>\$50,799,921.39</b>
Share	\$1,552,871.18	n/a	<b>\$1,552,871.18</b>
Premium Level 1	\$1,745,546.15	\$383,405.00	<b>\$1,362,141.15</b>
Premium Level 2	\$19,848,059.77	\$6,045,950.86	<b>\$13,802,108.91</b>
Premium Level 3	\$3,929,917.02	\$1,825,569.10	<b>\$2,104,347.92</b>
Premium Level 4	\$790,138.90	\$427,846.50	<b>\$362,292.40</b>
Premium Level 5	\$294,106.74	\$108,513.00	<b>\$185,593.74</b>
Premium Level 6	\$52,115.99	\$46,380.00	<b>\$5,735.99</b>
Premium Level 7	\$14,987.49	\$12,960.00	<b>\$2,027.49</b>
Premium Level 8	\$40,670.48	\$39,040.00	<b>\$1,630.48</b>
<b>Totals</b>	<b>\$79,068,335.11</b>	<b>\$8,889,664.46</b>	<b>\$70,178,670.65</b>

Source: ALL KIDS claim and premium collection data provided by HFS.

### Eligibility Issues

Due to the way HFS has implemented the Covering ALL KIDS Health Insurance Act, HFS and the Department of Human Services (DHS) are not obtaining documentation to support eligibility in some instances. As a result, auditors could not determine whether eligibility was determined correctly by HFS and DHS. Many of the eligibility issues discussed below may be relevant to the ALL KIDS program as a whole.

Although the Covering ALL KIDS Health Insurance Act requires that children be residents of the State, the ALL KIDS application contains no requirement that residency be documented. Auditors could not identify any routine process used by HFS or DHS to verify residency in the 98 case files reviewed (2 other cases were sampled but the Departments were unable to locate 1 file and the other was inaccessible due to mold). According to an HFS official, HFS “must verify residence only if there is a reason to question the claim of Illinois residency.”

Additionally, the ALL KIDS application does not require that any birth or identity documentation be provided by undocumented immigrants. According to HFS, children who do not meet citizenship/immigration requirements are not required to submit birth or identity documentation. Without such information, it is questionable how the Departments can verify that the child meets the Act’s age requirements, as well as confirm the identity of the child.

During our review of the 98 cases sampled, 42 enrollees (43%) did not provide proof of birth (e.g., birth certificate). While most of the cases reviewed contained proof of identity (i.e., driver’s license, State issued ID card, school ID, or a parent’s signature if under age 16), we could not find documentation of identity in 6 cases reviewed (6%).

Auditors also determined that 1 of 98 files did not contain proof of income. Additionally, for the 98 files reviewed, auditors could not verify whether all sources of family income were provided by the applicant. Without documentation of income, it was not possible to determine whether eligibility was determined correctly. According to a policy provided by DHS, as of January 2004, **only one pay stub** was required to determine eligibility for all Family Health Plans, which includes ALL KIDS. This does not include individuals that are self employed. Self employed individuals are required to submit a month’s worth of financial records.

Since many of the enrollees are eligible for “passive” redetermination (discussed below), the eligibility of children for up to 18 years of age may be based on a single pay stub. Auditors questioned the validity of using only one pay stub to determine 12-month eligibility.

Families that are paid hourly wages may have income that fluctuates weekly. Additionally, income, such as bonuses or commissions, may not be captured by one pay stub. As a result, eligibility based on a single pay stub may not be an accurate representation of actual income. This could result in a family paying a higher premium or co-pay, or could result in the State paying for a greater portion of a child's medical services than necessary.

Auditors found no control in place at HFS to verify the income reported by enrollees other than requiring the enrollee to provide a single pay stub. HFS receives reports from the Department of Employment Security (IDES) that would allow HFS to determine whether family income has increased. However, the analysis requires the working parent's social security number which is information that is not required. In 54 percent of the cases reviewed, social security numbers were not provided for one or both of the parents. According to HFS officials, the report provided by IDES **is not used to verify income** for the initial determination or annual redetermination.

### **EXPANDED ALL KIDS Policies and Procedures**

Policies and procedures utilized by HFS and DHS for the administration of the EXPANDED ALL KIDS program are confusing and difficult to follow. As a result, this could result in client eligibility being determined differently or incorrectly. We found policies with conflicting information and directions and others that were duplicative. We also found that the policies contained outdated case examples, which in these instances make the examples incorrect.

Auditors concluded that the annual reviews of ALL KIDS eligibility – also called redeterminations – required by the Illinois Administrative Code [89 Ill. Adm. Code 123.260] – were not being adequately implemented by HFS. For ALL KIDS enrollees that fall below 200 percent of the FPL, a “passive” redetermination is used by HFS. A “passive” redetermination only requires families to return the annual renewal form if there is a change in their information. According to HFS officials, no other eligibility check is conducted by HFS on an annual basis to ensure that eligibility criteria have not changed. As a result, enrollees could remain eligible for “passive” redetermination until they turned 19 years of age without ever having more than one actual eligibility determination.

Without some form of verification from the enrollee, auditors were unable to determine whether the enrollment criteria for these individuals continued to be met. HFS' use of “passive” redeterminations for its Medicaid and SCHIP programs was a finding in the Auditor General's 2008 Statewide Single Audit. In contrast, enrollees in Premium levels 2

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**Policies and procedures utilized by HFS and DHS for the administration of the EXPANDED ALL KIDS program are confusing and difficult to follow.**

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through 8 are required to send an annual redetermination form, which includes updated eligibility information, back to HFS to continue coverage.

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**During the review of HFS and DHS policies, auditors determined that DHS does not calculate family income for EXPANDED ALL KIDS eligibility as required by the Administrative Code.**

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During the review of HFS and DHS policies, auditors determined that DHS **does not** calculate family income for EXPANDED ALL KIDS eligibility as required by the Administrative Code. When determining family income when a stepparent is present, HFS counts the income of the stepparent; however, DHS does not. As a result, families with stepparents that apply through DHS may pay lower co-pays or premiums in order to receive coverage. HFS' administrative rules [89 Ill. Adm. Code 123.110] require that stepparents' income be included in the eligibility determination. However, on HFS' application, families with a stepparent in the home are instructed "it may be better for you to apply at your DHS Family Community Resource Center." (See page 96 in Appendix D.) HFS, as the administrator of the ALL KIDS program, should not promote inconsistent treatment of stepparent income, or non-compliance with its own administrative rules.

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**HFS does not terminate ALL KIDS coverage when the enrollee fails to pay premiums as required by 89 Ill. Adm. Code 123.340(a).**

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HFS does not terminate ALL KIDS coverage when the enrollee fails to pay premiums as required by 89 Ill. Adm. Code 123.340(a). According to the Administrative Code, "Children enrolled in ALL KIDS Premium levels 2-8 will have a grace period through the end of the month of coverage to pay the premium." According to Section 123.340(b) of the Administrative Code, "failure to pay the full monthly premium by the last day of the grace period will result in termination of coverage." According to an HFS official, HFS uses a 90 day grace period before coverage is terminated.

Auditors judgmentally selected 20 families identified on the March 2009 cancellation report. The report contained 1,356 individuals. Our analysis shows that the State paid for 343 services totaling \$10,995 for these 20 families during February and March 2009 after the required 30 day grace period had expired.

The Act, which became effective on July 1, 2006, also requires HFS, in collaboration with the Department of Financial and Professional Regulation, Division of Insurance (now the Department of Insurance), to adopt rules governing the exchange of information under this section. However, even though almost four years have passed since this requirement became effective, according to an HFS official, HFS has not adopted rules governing the exchange of health insurance information as required by the Act.

### **HFS Data Issues**

HFS had difficulty providing accurate data from the Data Warehouse in a timely manner for this audit. Additionally, HFS had difficulty defining the population covered by the Covering ALL KIDS Health Insurance Act. During the first meeting with HFS on August 4, 2009, auditors discussed the population for the audit with HFS. HFS officials indicated that the population for this audit included both children above 200 percent of the federal poverty level (FPL), and some children at or below 200 percent of the federal poverty level that did not qualify for Medicaid or for the Children's Health Insurance Program. On August 25, 2009, HFS provided auditors with a database that did not include children under the 200 percent poverty level.

Since undocumented immigrants were never covered by the State in any of the KidCare programs prior to the Act, auditors concluded that the audit should include all children that were not covered prior to the effective date of the Covering ALL KIDS Health Insurance Act. On September 23, 2009, we requested data for the EXPANDED ALL KIDS population at or below 200 percent of the federal poverty level. After providing several data sets that contained problems, HFS provided the sixth and final data set on October 28, 2009.

Additionally, HFS also failed to provide other requested information timely for this audit, which also contributed to delays in conducting the audit. Examples of untimely submission of information by HFS include:

- More than six months to provide the administrative costs for the EXPANDED ALL KIDS program;
- 56 days to provide the premium amount paid by enrollees for ALL KIDS Premium during FY09;
- 48 days to respond to auditor questions related to why the eligibility data included children over the age of 19;
- 23 days to provide documentation in response to questions related to duplicate enrollees that were identified; and
- 11 days to respond to a yes or no question asking whether HFS submitted copies of contracts to the General Assembly as required by 215 ILCS 170/45(d).

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**HFS and DHS did not have adequate controls in place to ensure that individuals over the age of 18 were terminated from ALL KIDS eligibility as required by 89 Ill. Adm. Code 123.200(b).**

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HFS and DHS did not have adequate controls in place to ensure that individuals over the age of 18 were terminated from ALL KIDS eligibility as required by 89 Ill. Adm. Code 123.200(b). During our review of the FY09 EXPANDED ALL KIDS claims, auditors identified 530 individuals that received services after they reached the age of 19. Many of these individuals received services in the month of their birthday. According to HFS policy, enrollees have eligibility through the end of the month in which they reach 19 years of age. These instances were reported to HFS, and according to HFS officials, 128 of the recipients received services **after** the month of their 19<sup>th</sup> birthday during FY09 which is beyond the eligibility age specified by law. These 128 individuals received 1,035 services totaling \$49,690 after the month in which they turned 19 years of age.

HFS and DHS did not have adequate controls in place to ensure that individuals are not enrolled in ALL KIDS more than once. During a review of the FY09 EXPANDED ALL KIDS eligibility data provided by HFS, auditors identified 740 enrollees that appeared to be enrolled with more than one recipient identification number in the data set. Duplicate enrollees would overstate the number of children served by the program as well as indicate a weakness in internal controls associated with enrolling the children. Auditors sampled 20 of the 740 potential duplicates and submitted them to HFS officials for their review. For the 20 potential duplicates:

- 15 recipients were enrolled more than once and were issued more than one recipient identification number during FY09;
- 6 of the 15 recipients had **overlapping** periods of coverage during FY09 (meaning they received two different eligibility cards each month); and
- 4 of the 6 recipients with overlapping coverage had claims during FY09 **for both** recipient identification numbers assigned to them.

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**HFS and DHS do not accurately classify documented immigrants that receive ALL KIDS services.**

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HFS and DHS do not accurately classify documented immigrants that receive ALL KIDS services. According to HFS officials, to ensure that federal matching funds were not requested for documented immigrants who are ineligible for matching funds (i.e., those documented immigrants who have not been in the country for five years), those documented immigrants were classified as undocumented immigrants.

We reviewed 48 claims from FY09 in which the enrollees were classified by HFS or DHS as undocumented immigrants. We found that 9 out of 48 (19%) undocumented immigrants **were incorrectly classified**. These nine individuals had documentation in the case file, such as

permanent resident cards, social security cards, or alien registration numbers, to support their documented immigrant status. However, these nine individuals were classified in the eligibility data as having undocumented immigrant status. Of these nine individuals:

- 2 had been in the country for more than five years when they enrolled in the ALL KIDS program, and therefore, were incorrectly classified as undocumented when they enrolled; and
- 1 had not been in the country for five years when he or she enrolled in the ALL KIDS program, but now has been and thus should have been recategorized to documented status but was not.

Because of these misclassifications, HFS did not submit and receive federal matching funds for these eligible enrollees. Furthermore, a recent change in federal law allows HFS to receive federal match for documented immigrants immediately (i.e., they do not have to be in the country for five years). As of January 4, 2010, the State's revised State Plan had not yet been approved to begin receiving these matching funds. The misclassification of documented immigrants as undocumented immigrants will have even greater financial significance once Illinois' State Plan is approved and it can start receiving matching federal funds for these documented immigrants.

Finally, the FY09 data provided by HFS had irregularities when comparing the claims data with the eligibility data. We found claims for services provided during FY09 for individuals that were not found in the FY09 eligibility data provided by HFS. The FY09 claims data contained 4,923 claims, totaling \$176,426, for 1,158 recipients who were not included in the recipient eligibility data. As a result, either the total recipients reported in this audit are understated by 1,158 or the cost of the EXPANDED ALL KIDS program is overstated by \$176,426 if the recipients were not eligible for coverage during FY09.

### **Contracting**

The Covering ALL KIDS Health Insurance Act specifically requires the Office of the Auditor General, as part of this audit, to review contracts entered into by the Department of Healthcare and Family Services in relation to the ALL KIDS program. HFS officials identified two contracts related to ALL KIDS: a marketing contract with Greer Margolis Mitchell Burns, Inc./Fleishman-Hillard (GMMB) to increase ALL KIDS enrollment; and a contract with the Board of Trustees of the University of Illinois at Chicago to conduct a statutorily required survey. According to HFS, only the contract with the University of Illinois had expenditures during FY09.

However, HFS paid GMMB over \$8 million for marketing activities under the ALL KIDS contract between FY06 and FY08.

HFS also identified eight other contracts which had expenditures related in part to the ALL KIDS program expansion, as well as to other programs administered by the Department. However, HFS was unable to provide auditors with an estimate of the dollar amounts from these contracts that were related to the ALL KIDS program expansion.

In the announcement posted in the Illinois Procurement Bulletin, HFS estimated the **total cost** of the ALL KIDS marketing strategy to be **\$3 million** over three years (an initial term and two one-year renewals). While HFS increased the contractual obligation under the ALL KIDS marketing contract from a renewal amount of \$250,000 to the **\$5.3 million** HFS actually spent with GMMB on the contract in FY07, there was **no documentation** to show why such an increase was necessary or justified. HFS officials provided change order justifications signed by an HFS official and indicated these were necessary for pass through costs of media buys. These forms gave only generic reasons why the changes were being made, did not match up to the media buy figures, and presented conflicting figures.

In the Procurement Business Case, the economic justification states that the “expenditures for the ALL KIDS Outreach Activities, as described in this procurement business case, would be claimable for matching funds at the appropriate FFP rate.” However, **over \$2 million** in expenses for the *Health Portal Ad Campaign* **were not eligible** for matching funds yet were paid under the marketing strategy contract. In addition, the ALL KIDS expansion program is not eligible for federal reimbursement.

The procurement process for the ALL KIDS marketing strategy contained deficiencies. During our review we found that HFS:

- did not require the bidders to identify what staff would be working on the project; and
- utilized a pricing evaluation formula which was not published in the Request for Proposal (RFP), a formula which directly affected which bidder was awarded the contract.

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**HFS utilized a pricing evaluation formula which was not published in the RFP.**

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HFS lacked documented policies and procedures for evaluating billings submitted for the marketing strategy contract with GMMB. In January 2010, we asked HFS whether there were any formal policies and procedures for the review of billings sent by the vendors responsible for activities of the ALL KIDS marketing strategy. HFS failed to produce any

such procedures, even though **\$8 million** in State funds were expended under this contract between FY06 and FY08.

Our review of billings for the marketing strategy contract found a number of problems due to a lack of procedures for review and a lack of diligence by the monitoring staff. Specifically, we found:

- In 16 percent of the invoices paid to GMMB from FY06-FY08 (3 of 19), the contract monitor verified that goods were received on an HFS verification form **after** signing the payment invoice voucher.
- HFS did not require, nor did the contract require, GMMB to detail who worked on each task or how long each task took for the hours billed. Instead, GMMB invoices had total hours worked by five categories with bulleted listings of activities.
- HFS executed the contract with GMMB on March 20, 2006. The contract was filed with the Comptroller on April 4, 2006. An HFS official affirmed, on a Late Filing Affidavit dated March 20, 2006, that HFS and the vendor **had agreed to the services** in the contract but that the vendor commenced services before the contract was reduced to writing. The vendor had been working on the project **two months prior to execution**, which is evidenced by a GMMB billing invoice for the period January 20, 2006, through March 31, 2006, that included a billed service for “Worked with client to revise and scale back work plan and budget.” We **questioned \$278,698.53** approved by HFS and paid to GMMB for this invoice. Allowing the vendor to charge time prior to the execution of a contract puts State funds at risk of loss.
- Questionable billed hours, double billed expenses, and an invoice approved that did not contain supporting invoice/contract documentation.
- HFS made four payments totaling over \$6 million in **advance payments** to GMMB for media buys over the life of the contract. Our review of HFS records showed **conflicting documentation** to support that it reconciled the charges that were paid in advance. Failure to properly reconcile the advance payments to ensure that television, radio and internet spots were actually purchased increases the likelihood that State funds were not used as intended.

### **Reporting to the General Assembly**

The Covering ALL KIDS Health Insurance Act mandates HFS to provide various types of information to the General Assembly. HFS did not meet all of the requirements found in the Act.

- The Preliminary Report contained information mandated by 215 ILCS 170/47 which requires specific program information to be provided to the General Assembly by September 1 of each year. HFS met this deadline in FY09. While HFS met the required deadline in 2008, the July 2008 report did not report individuals enrolled in the ALL KIDS program by income or premium level as required by 215 ILCS 170/47(c).
- Effective June 1, 2009, 215 ILCS 170/45(d) requires HFS to submit copies of all contracts awarded for the administration of the Covering ALL KIDS program to the Speaker and Minority Leader of the House of Representatives, and to the President and Minority Leader of the Senate. As of the end of fieldwork in January 2010, HFS had not submitted copies of any ALL KIDS contracts to the leaders in the General Assembly.

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### **RECOMMENDATIONS**

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The audit report contains 13 recommendations. Eight recommendations were specifically for the Department of Healthcare and Family Services. Five recommendations were for both the Department of Healthcare and Family Services and the Department of Human Services. The Department of Healthcare and Family Services and the Department of Human Services generally agreed or partially agreed with all 13 recommendations. Appendix I to the audit report contains the agency responses.

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May 2010