



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

STATE OF ILLINOIS STATEWIDE SINGLE AUDIT REPORT

SINGLE AUDIT

For the Year Ended June 30, 2012

Release Date: June 20, 2013

Summary of Findings:

Total this audit:	91
Total last audit:	101
Repeated from last audit:	63

SYNOPSIS

- The State expended approximately \$22.9 billion from federal awards in FY12.
- A total of 34 programs or program clusters were classified and audited as major programs at fifteen (15) State agencies. These programs constituted approximately 92% of all federal spending, or about \$21.2 billion.
- Overall, 44 State agencies expended federal financial assistance in FY12. Eleven (11) State agencies accounted for about 98.4% of federal dollars spent.

Statewide Finding – Financial Reporting

- The State of Illinois does not have an adequate process in place to permit the timely completion of a complete and accurate schedule of federal awards. As a result, the State has a *material weakness* on all federal programs for financial reporting.

Significant Agency Findings Classified as a Scope Limitation Resulting in an Auditor Qualification

- The auditors were unable to obtain sufficient documentation supporting the compliance of the State of Illinois for the program reporting compliance requirements for the Employment Service Cluster.

Significant Agency Findings Classified as a *Material Weakness* Resulting in an Auditor Qualification

- The Department of Human Services (DHS) has *material weaknesses* for:
 - failing to perform eligibility redeterminations within the timeframes prescribed by regulation for the Temporary Assistance for Needy Families (TANF), Children's Health Insurance Program (CHIP), and Medicaid Cluster programs.
 - weaknesses over maintaining and controlling beneficiary case file documents of the TANF, CHIP and Medicaid Cluster programs.
 - failing to locate case file documentation supporting eligibility determinations for beneficiaries of the TANF, CHIP and Medicaid Cluster programs.
 - Making an improper payment to a beneficiary of the TANF Cluster program.
- The Department of Healthcare and Family Services (HFS) has *material weaknesses* for:
 - using a passive process in its eligibility redeterminations for the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs.
 - lack of documentation evidencing performance of eligibility determinations of the CHIP and Medicaid programs.

- failure to pay practitioner medical claims within prescribed timeframes of the CHIP and Medicaid Cluster programs regulations.
- The Department of Children and Family Services has *material weaknesses* for:
 - failing to locate case file documentation to support eligibility determinations for beneficiaries of the Adoption Assistance program.
 - failing to ensure adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.
- The Department of Public Health has a *material weakness* for:
 - inadequately monitoring providers under the Immunization Cluster program.
- The Department of Employment Security has a *material weakness* for:
 - inadequate procedures to follow up on invalid social security numbers for Unemployment Insurance (UI) program claimants.

Findings Involving Multiple Agencies

- The Department of Children and Family Services (DCFS), Illinois State Board of Education (ISBE), Commerce and Economic Opportunity (DCEO), Transportation (DOT) and Illinois Criminal Justice Information Authority (ICJIA) have a *material weakness* due to inadequate and/or lack of on-site monitoring of subrecipients of federal awards.

Findings Regarding American Recovery and Reinvestment Act (ARRA) and the Federal Funding Accountability and Transparency Act (FFATA)

- The Department of Transportation (DOT) failed to communicate ARRA information and requirements to subrecipients and did not accurately report expenditures in the Quarterly ARRA 1512 report.
- The Department of Human Services (DHS), Healthcare and Family Services (DHFS), Children and Family Services (DCFS), State Board of Education (ISBE) and Emergency Management Agency (IEMA) had inadequate processes to report subaward information required by the Federal Funding Accountability and Transparency Act (FFATA).

Note: Summary definitions (in order of significance) of key terms used in the findings.

Material weakness (financial): A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's schedule of expenditures of federal awards will not be prevented, or detected and corrected on a timely basis.

Material weakness (compliance): A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Significant Deficiency (compliance): A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Control Deficiency: A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

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

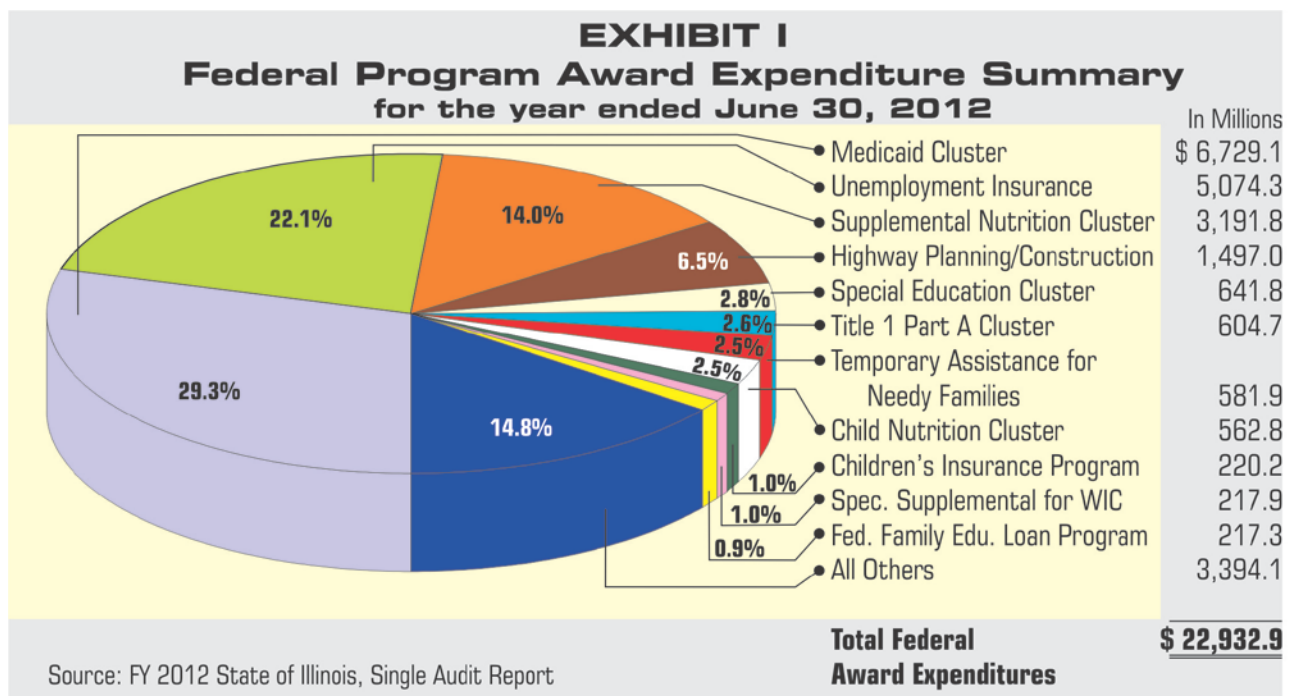
FINANCIAL ACTIVITIES		(In Thousands of Dollars)		FY12	
EXPENDITURES BY PROGRAM		Amount		Percent	
Major Programs					
Medicaid Cluster.....		6,729,079		29.34%	
Unemployment Insurance.....		5,074,288		22.13%	
Supplemental Nutrition Assistance Program (SNAP Cluster).....		3,191,766		13.92%	
Highway Planning and Construction Cluster.....		1,496,989		6.53%	
Special Education Cluster.....		641,811		2.80%	
Title I, Part A Cluster.....		604,726		2.64%	
Temporary Assistance for Needy Families Cluster.....		581,904		2.54%	
Children's Health Insurance Program Cluster.....		220,161		0.96%	
Special Supplemental Nutrition Program for Women, Infants & Children.....		217,853		0.95%	
Federal Family Education Loan Program.....		217,331		0.95%	
Child Care Development Funds Cluster.....		203,451		0.89%	
Foster Care - Title IV-E.....		202,077		0.88%	
Low-Income Home Energy Assistance.....		197,698		0.86%	
Workforce Investment Act Cluster.....		156,049		0.68%	
Child Support Enforcement.....		140,937		0.61%	
High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants.....		125,635		0.55%	
Education Jobs Fund, Recovery Act.....		114,857		0.50%	
Immunization Cluster.....		111,139		0.48%	
Vocational Rehabilitation Cluster.....		104,519		0.46%	
Adoption Assistance.....		83,461		0.36%	
Improving Teacher Quality State Grants.....		79,586		0.35%	
Airport Improvement Program.....		77,567		0.34%	
Social Services Block Grant.....		75,972		0.33%	
Capitalization Grants for Drinking Water State Revolving Funds.....		64,759		0.28%	
Block Grants for Prevention and Treatment of Substance Abuse.....		63,285		0.28%	
Weatherization Assistance for Low-Income Persons.....		59,509		0.26%	
Disaster Grants Public Assistance (Presidentially Declared Disasters).....		57,987		0.25%	
CDBG - State-Administered Small Cities Program Cluster.....		52,640		0.23%	
State Energy Program.....		49,690		0.22%	
Employment Service Cluster.....		45,327		0.20%	
Homeland Security Cluster.....		44,662		0.19%	
ARRA - Surface Transportation Discretionary Grants for Capital Investment.....		37,678		0.16%	
School Improvement Grants Cluster.....		25,196		0.11%	
Justice Assistance Grant Program Cluster.....		20,065		0.09%	
Total Major Programs.....		21,169,654		92.32%	
Non-Major Programs.....		1,763,225		7.68%	
TOTAL EXPENDITURES.....		22,932,879		100.00%	
Federal Agencies Providing Funding:		Total		Major Program Expenditures	
U.S. Department of Health and Human Services.....	\$	8,931,598	\$	8,609,164	
U.S. Department of Labor.....		5,302,252		5,275,664	
U.S. Department of Agriculture.....		4,154,841		3,409,619	
U.S. Department of Education.....		1,971,532		1,788,026	
U.S. Department of Transportation.....		1,816,693		1,737,869	
U.S. Department of Homeland Security.....		144,860		102,649	
U.S. Department of Energy.....		118,347		109,199	
U.S. Environmental Protection Agency.....		111,398		64,759	
U.S. Department of Justice.....		64,867		20,065	
U.S. Department of Housing and Urban Development.....		59,347		52,640	
All Other Federal Agencies.....		257,144		0	
TOTAL EXPENDITURES.....	\$	22,932,879	\$	21,169,654	
STATISTICAL INFORMATION					
Total Number of Programs in the Schedule of Expenditures of Federal Awards.....		412			
Number of Federal Programs or Program Clusters Audited.....		34			
Total Number of State Agencies Spending Federal Funds.....		44			
Number of State Agencies for Single Audit Requirements (including finding follow up).....		17			
Total American Recovery and Reinvestment Act (ARRA) Expenditures.....		2,142,481			
Percentage of ARRA Expenditures.....		9.34%			

INTRODUCTION

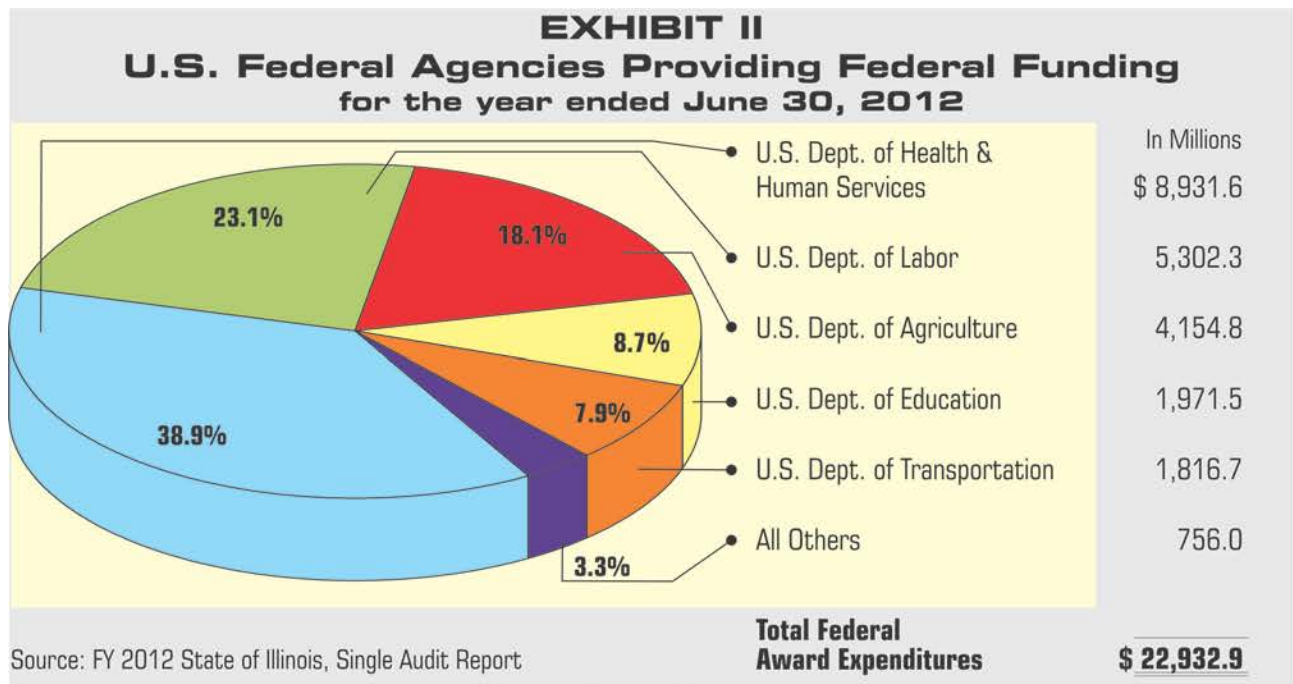
The Illinois Office of the Auditor General conducted a Statewide Single Audit of the FY12 federal grant programs. The audit was conducted in accordance with the federal Single Audit Act and Office of Management and Budget (OMB) Circular A-133.

The Statewide Single Audit includes State agencies that are a part of the primary government and expend federal awards. In total, 44 State agencies expended federal financial assistance in FY12. A separate supplemental report has been compiled by the Illinois Office of the Auditor General. This report provides summary information on federal spending by State agency. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities. The component units continue to have separate OMB Circular A-133 audits when required.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$22.9 billion for the year ended June 30, 2012. Overall, the State participated in 412 different federal programs, however, 11 of these programs or program clusters accounted for approximately 85.2% of the total federal award expenditures. (See Exhibit I)



The funding for the 412 programs was provided by 22 different federal agencies. Exhibit II shows that five federal agencies provided Illinois with the vast majority of federal funding in FY12.

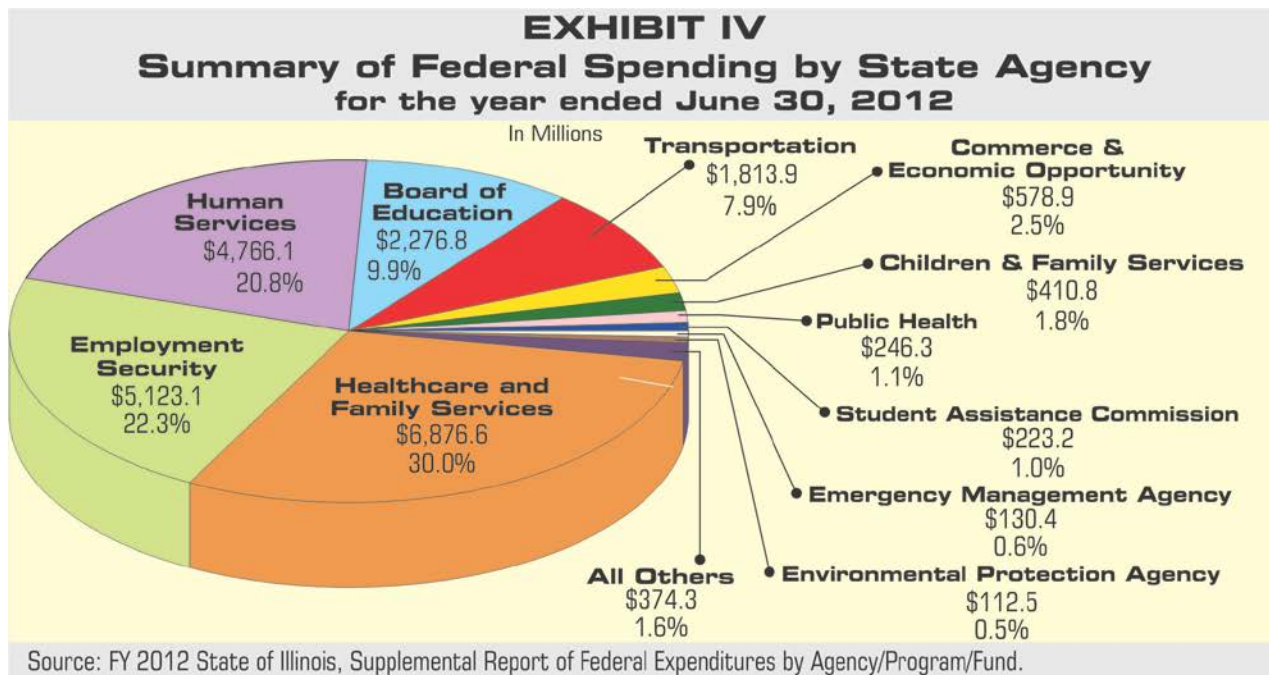


A total of 34 federal programs or program clusters were identified as major programs in FY12. A major program was defined in accordance with Circular A-133 as any program with federal awards expended that meets certain criteria when applying the risk-based approach. Exhibit III provides a brief summary of the number of programs classified as “major” and “non-major” and related federal award expenditures.

EXHIBIT III
Classification of Federal Programs
“Major vs. Non-Major”
and Related Federal Award Expenditures
for the year ended June 30, 2012

Audit Coverage	No.	Expenditures (in millions)	%
Major Programs	34	\$21,169.7	92.3%
Non-Major Programs	378	1,763.2	7.7%
Total	412	\$22,932.9	100.0%

Eleven State agencies accounted for approximately 98.4% of all federal dollars spent during FY12 as depicted in Exhibit IV.



AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE

The auditors' report contained qualifications on compliance as summarized below. The complete text of the Auditors' Report may be found on pages 26-30 of the audit.

Qualifications (Scope Limitation)

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Employment Security	Employment Service Cluster	Reporting	12-57	163-164

Qualifications (Noncompliance)

The auditors qualified their report on major programs for the following noncompliance findings:

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	12-02	45-47
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	12-02	45-47
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	12-02	45-47

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	12-03	48-49
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	12-03	48-49
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	12-03	48-49
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	12-04	50-53
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	12-04	50-53
IL Department of Human Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	12-04	50-53
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	12-05	54-55
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	12-13	73-74
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	12-13	73-74
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	12-14	75-76
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Eligibility	12-14	75-76
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Period of Availability	12-15	77-78
IL Department of Healthcare and Family Services	Children's Health Insurance Program	Allowable Costs/Cost Principles and Period of Availability	12-15	77-78
IL Department of Children and Family Services	Temporary Assistance for Needy Families	Subrecipient Monitoring	12-32	111-113
IL Department of Children and Family Services	Foster Care - Title IV-E	Subrecipient Monitoring	12-32	111-113
IL Department of Children and Family Services	Adoption Assistance	Subrecipient Monitoring	12-32	111-113
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles and Eligibility	12-33	114-115
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles and Eligibility	12-34	116-117
IL Department of Public Health	Immunization Cluster	Special Tests and Provisions	12-44	136-137
IL State Board of Education	Title I, Part A Cluster	Subrecipient Monitoring	12-49	147-149
IL State Board of Education	Special Education Cluster	Subrecipient Monitoring	12-49	147-149
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	12-49	147-149
IL State Board of Education	School Improvement Grants Cluster	Subrecipient Monitoring	12-49	147-149
IL State Board of Education	Education Jobs Fund	Subrecipient Monitoring	12-49	147-149
IL Department of Employment Security	Unemployment Insurance	Allowable Costs/Cost Principles and Eligibility	12-58	165-166
IL Department of Commerce and Economic Opportunity	Weatherization Assistance for Low Income Persons	Subrecipient Monitoring	12-62	176-178
IL Department of Commerce and Economic Opportunity	Low Income Home Energy Assistance Program	Subrecipient Monitoring	12-62	176-178

State Agency	Federal Program	Compliance Requirement	Finding Number	Page Numbers
IL Department of Commerce and Economic Opportunity	State Energy Program	Subrecipient Monitoring	12-63	179-180
IL Department of Transportation	Airport Improvement Program	Subrecipient Monitoring	12-64	181-182
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles and Procurement	12-65	183-184
IL Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles and Davis Bacon	12-66	185-186
IL Department of Transportation	High Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	Subrecipient Monitoring	12-74	202-204
IL Department of Transportation	Surface Transportation – Discretionary Grants for Capital Investment	Subrecipient Monitoring	12-77	209-210
IL Criminal Justice Information Authority	Justice Assistance Grant Program	Subrecipient Monitoring	12-91	236-238

Internal Control Over Financial Reporting

We noted a matter involving internal control over financial reporting for the Schedule of Expenditures of Federal Awards (Schedule) that was considered to be a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s Schedule of Federal Awards will not be prevented, or detected and corrected on a timely basis. The auditors noted that during the past ten years there have been various errors identified and reported on the audits of State agencies and the Office of the State Comptroller (IOC) in its annual data gathering on the SCO forms that are used to present the Schedule. Thus, the auditors recommended the Office of the Governor and the Illinois Office of the Comptroller work together with the State agencies to establish a corrective action plan to address the quality and timeliness of the accounting information provided to and maintained by the IOC as it relates to year end preparation of the Comprehensive Annual Financial Report and the Schedule.

Internal Control Over Compliance

We noted certain matters involving internal control over compliance that were considered to be significant deficiencies. A control deficiency in an entity’s internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Overall, 30 of the 91 findings reported in the single audit were classified as compliance significant deficiencies.

Material weaknesses were also disclosed in our report. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. Overall, 61 of the 91 findings reported in the single audit were classified as a material weakness.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Exhibit V summarizes the number of report findings by State agency, identifies the number of repeat findings, and references the findings to specific pages in the report.

EXHIBIT V Summary Schedule of Findings By Agency

State Agency	Number of Findings	Number of Repeat Findings	Page References to Findings
State Comptroller/Office of the Governor	1	1	35-38
Human Services	11	7	45-72
Healthcare and Family Services	19	14	73-110
Children and Family Services	9	6	111-129
Aging	3	2	130-135
Public Health	5	5	136-146
State Board of Education	4	0	147-154
Student Assistance Commission	4	3	155-162
Employment Security	5	4	163-175
Commerce and Economic Opportunity	2	1	176-180
Transportation	19	14	181-220
Emergency Management Agency	4	3	221-227
State Police	2	1	228-230
Environmental Protection Agency	1	1	231-233
Governor's Office of Management and Budget	1	1	234-235
Criminal Justice Information Authority	<u>1</u>	<u>0</u>	236-238
Totals	<u>91</u>	<u>63</u>	

Exhibit VI summarizes the total number of findings, number of repeated findings and the percentage of repeated findings for the past ten years.

EXHIBIT VI Ten Year Analysis of Number of Findings, Number of Findings Repeated and Percentage of Repeat Findings

Year	Number of Findings	Number of Repeated Findings	Percentage of Repeated Findings
2012	91	63	69%
2011	101	71	70%
2010	103	64	62%
2009	93	65	70%
2008	97	58	60%
2007	87	59	68%
2006	95	55	58%
2005	101	44	44%
2004	71	45	63%
2003	64	34	53%

THE FINANCIAL REPORTING PROCESS FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) IS INADEQUATE TO PERMIT TIMELY AND ACCURATE REPORTING

Inadequate process for compiling the Schedule of Expenditures of Federal Awards

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards in a timely manner.

Accurate and timely financial reporting problems continue to exist even though the auditors have: 1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), 2) commented on the inadequacy of the financial reporting process of the State, and 3) regularly proposed adjustments to financial statements year after year. These findings have been directed primarily toward the Office of the State Comptroller (IOC) and major State agencies under the organizational structure of the Office of the Governor.

State has not solved the problems

The State has still not solved all the problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post audit program being a part of the internal control for financial reporting even though the Illinois Office of the Auditor General has repeatedly informed State agency officials that the post audit function is not and should not be an internal control mechanism for any operational activity related to financial reporting.

Highly decentralized financial reporting process

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare a series of complicated financial reporting forms (SCO forms) designed by the IOC to prepare the CAFR. These SCO forms are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of generally accepted accounting principles and of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year end accounting information to assist the Comptroller in preparation of statewide financial statements in accordance with generally accepted accounting principles (GAAP).

Internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past ten years as a result of errors identified during the

Lack of accuracy in reporting results and not meeting completion due dates

external audits performed on State agencies. Examples include the following: 1) ARRA expenditures were reported based on cash receipts versus expenditures for the Child Support Enforcement, CHIP, and Medicaid Cluster programs by the Illinois Department of Healthcare and Family Services in 2012, 2) expenditures were reported based on cash receipts versus expenditures for the Airport Improvement Program, Highway Planning and Construction Cluster, and High Speed Rail programs by the Illinois Department of Transportation in 2012, 3) expenditures of approximately \$3,294,000 were erroneously reported for federal awards which are not subject to OMB Circular A-133 audit requirements by the Illinois Department of Commerce and Economic Opportunity and as a result, the Type A threshold was reduced by approximately \$5,000 and an additional major program was identified nearly eight months after the State's fiscal year end, 4) other correcting entries were required in order to accurately state the financial information provided by various State agencies, and 5) preparation of the SEFA has not been completed by the State prior to March 15th in the past ten years.

Untimely preparation of SEFA continues to be problematic

Federal regulations require that a recipient of federal awards prepare appropriate financial statements, including the SEFA, and ensure the required audits are properly performed and submitted when due. Also, the federal regulations require recipients of federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic.

As a result of the errors, deficiencies and omissions noted throughout the process used by the State in its financial reporting process, along with the inability to meet the required filing deadline of March 31, 2013, the auditors identified the inadequacies as a material weakness for all federal programs administered by the State. (Finding 12-01, pages 35-38)

This finding was first reported in the Statewide Single Audit in 2002.

Current process and information system should be changed to enhance timeliness of SEFA completion

We recommended the Office of the Governor and the IOC work together with the State agencies to establish a corrective action plan to address the quality and timeliness of accounting information provided to and maintained by the IOC as it relates to year end preparation of the CAFR and the SEFA.

The Office of the Governor agreed with the finding and stated they have been working to solve some of these problems. The

Governor will continue to work with the agencies to provide as complete of information as is possible given the State's current capabilities

Governor's Office negotiated with the General Assembly and other stakeholders and won passage of SB 3794 in order to create a statutory framework to begin to address the basic issues with the State's financial reporting capabilities and they are working with agencies to utilize the new authority that they have to hire staff pursuant to Public Act #97-1055. In addition, GOMB and the Governor's Office have been primarily responsible for developing a plan for a statewide financial accounting system and they will continue working with the agencies to improve the State's performance both in the short term and the long term. (For previous agency response, see Digest Footnote #1)

The State Comptroller's Office accepted the recommendation and stated the IOC will continue to work with the Governor's Office in their efforts to increase the quality of departmental financial information and they will continue to provide training and technical assistance to State agencies and make improvements to the financial reporting system and procedures. (For previous agency response, see Digest Footnote #1)

State Comptroller to assist Governor's Office by providing training and technical assistance to State agencies

FAILURE TO PERFORM ELIGIBILITY REDETERMINATIONS WITHIN PRESCRIBED TIMEFRAMES

The Department of Human Services (DHS) is not performing eligibility redeterminations for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF), Children's Health Insurance Program (CHIP), and Medicaid Cluster programs in accordance with timeframes required by the respective State Plans.

During our testwork of required eligibility criteria, we noted the State was delinquent (overdue) in performing the eligibility redeterminations of individuals for the three programs during June 2012 as follows:

TANF	4,839 of 50,260 cases	9.63%
CHIP	52,686 of 781,853 cases	6.74%
Medicaid	92,059 of 468,695 cases	19.64%

DHS delinquent in performing recipient eligibility redeterminations

Failure to properly perform eligibility redetermination procedures in accordance with the State Plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding 12-02, pages 45-47) **This finding was first reported in the Statewide Single Audit in 2003.**

As a result of DHS's failure to perform timely redeterminations of recipient eligibility, the auditors qualified their opinion on the TANF, CHIP and Medicaid programs.

Auditor qualification due to untimely eligibility redeterminations

We recommended DHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program.

DHS officials accepted the recommendation and stated they will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the prescribed timeframes. (For previous agency response, see Digest Footnote #2)

DHS accepted the auditors recommendation

FAILURE TO PROPERLY MAINTAIN AND CONTROL CASE FILE RECORDS

The Department of Human Services (DHS) does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Supplemental Nutrition Assistance Program (SNAP) Cluster, Temporary Assistance for Needy Families Cluster (TANF), Children's Health Insurance Program (CHIP), and Medicaid Cluster (Medicaid) programs.

Inadequate control over beneficiary records

During our testwork at five separate local offices, we noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for loss of such records. Specifically, in the five local offices, case files were generally disorganized and case files were stacked on or around file cabinets. We also noted case files were generally available to all DHS personnel and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations. The amount of questioned costs that may be assessed the State due to loss or misplaced beneficiary files could not be determined for these four major programs whose total beneficiary spending exceeds \$9.6 billion in the aggregate.

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs. (Finding 12-03, pages 48-49) **This finding was first reported in the Statewide Single Audit in 2007.**

As a result of DHS' failure to properly maintain and control case file records of beneficiaries, the auditors qualified their opinion on the TANF, CHIP and Medicaid Cluster programs.

We recommended DHS review its current process for

maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained in accordance with federal regulations and the State Plans for each affected program.

Auditor qualification due to shortfall in control over case file records

DHS officials agreed with the recommendation stating they continue to place a high priority on proper case file maintenance given their current fiscal, staffing and space constraints. DHS officials also stated they are now utilizing an electronic document management system that is capturing a portion of the information that was previously printed and stored in a paper case file which is assisting in the reduction of the overwhelming size and amount of paper files in the offices. (For previous agency response, see Digest Footnote #3)

IMPROPER TANF BENEFICIARY PAYMENT

DHS accepted the auditors recommendation

The Department of Human Services (DHS) made an improper payment to a beneficiary of the Temporary Assistance for Needy Families (TANF) Cluster program.

Improper payment made to TANF beneficiary

During our testwork of TANF Cluster program beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and to determine that the appropriate benefits were paid. We noted one payment (in the amount of \$113) made to a beneficiary was improperly calculated as the result of a child being incorrectly included in the family when determining the benefit amount. Upon further review, we noted the benefit amount was subsequently corrected by DHS on a prospective basis; however, the overpayment identified in our sample had not been calculated, recouped, or returned to the USDHHS as of the date of our testing (October 2012).

Failure to properly calculate benefit payments may result in unallowable costs being charged to the TANF Cluster. (Finding 12-05, pages 54-55)

Improper payment of \$113

As a result of DHS making an improper payment, the auditors qualified their opinion on the TANF Cluster.

We recommended DHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determinations and payments are properly made.

DHS officials agreed with the recommendation stating the error that caused the finding was an isolated incident, and a correction was made on the same day as the error.

Auditor qualification

INADEQUATE PROCEDURES FOR PERFORMING ELIGIBILITY REDETERMINATIONS

Eligibility redetermination procedures implemented by DHFS for the Children’s Health Insurance Program (CHIP) and Medicaid Cluster (Medicaid) are not adequate.

DHS accepted the auditors recommendation

Effective in February 2006, DHFS revised its procedures for performing eligibility redeterminations for children receiving services under the CHIP and Medicaid programs. As part of the passive redetermination procedures, a renewal form which contains key eligibility criteria is sent through the mail to the beneficiary. The beneficiary (or the beneficiary’s guardian) is required to review the renewal form and report any changes to eligibility information; however, in the event there are no changes to the information and there are only children on the case, a response is not required.

DHFS eligibility determinations are inadequate

Federal regulations require redetermination of client eligibility as defined in the State Plans. The State Plans require an annual eligibility redetermination. In addition, federal regulations require the State to have procedures designed to ensure recipients make timely and accurate reports of any change in the circumstances that may affect their eligibility. (Finding 12-13, pages 73-74) **This finding was first reported in the Statewide Single Audit in 2007.**

Effective February 2006, HFS revised procedures for performing redeterminations to a “passive procedure”

As a result of HFS’ inadequate procedures for performing eligibility redeterminations of beneficiaries of the Medicaid and CHIP programs in accordance with the federal regulations and the State Plans, the auditors qualified their report on the CHIP and Medicaid Cluster programs.

We recommended HFS review its current process for performing eligibility redeterminations and consider changes necessary to ensure redeterminations are performed in accordance with federal regulations and the State Plans for each affected program.

HFS officials accepted the recommendation but stated they do not agree that its previous process failed to comply with federal regulations and the State Medicaid Plan and that the Department has implemented an entirely new redetermination process in compliance with the SMART Act (PA 97-0689). (For previous agency response, see Digest Footnote #4)

Auditors qualified their report on Medicaid and CHIP programs

In an auditor comment we stated the current State Plans require redeterminations of eligibility for all recipients on an annual basis and to have procedures designed to ensure recipients make timely and accurate reports of any change in circumstances that may affect their eligibility. Also, we reiterated the passive redetermination process is not used for expenditures under the “All Kids” program, a State funded

health insurance program similar to Medicaid and CHIP, due to concerns that beneficiaries may not report changes in key eligibility factors in a timely manner and therefore, we did not believe the passive redetermination process meets the eligibility redetermination requirements of the Medicaid and CHIP programs.

HFS accepted the auditors recommendation

MISSING DOCUMENTATION IN BENEFICIARY ELIGIBILITY FILES

Auditor Comment

The Department of Human Services (DHS) and the Department of Healthcare and Family Services (DHFS) could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF) Cluster, Children's Health Insurance Program (CHIP) and the Medicaid Cluster programs.

During our testwork of 50 TANF, 65 CHIP and 125 Medicaid beneficiary payments for compliance with eligibility requirements and the allowability of the relevant benefits provided we noted the following exceptions:

Department of Human Services

- In 2 TANF case files, DHS could not locate the required Responsibility Service Plan completed and signed by the beneficiary.
- In 2 TANF, 21 CHIP and 19 Medicaid case files, DHS could not locate the supporting documentation of the redetermination completed and signed by the beneficiary in the case file.
- In 12 CHIP and 7 Medicaid case files, DHS could not locate adequate documentation supporting income verification procedures were performed.
- In 2 CHIP case files, DHS could not locate adequate documentation of the social security number of the beneficiary being verified.
- In 2 CHIP and 2 Medicaid case files, DHS could not locate adequate documentation of citizenship or residence verification of the beneficiary.
- In 1 CHIP and 1 Medicaid case files, DHS could not provide adequate documentation that cross match verifications had been performed with regard to the beneficiary's personal information.
- In 4 Medicaid case files, DHS could not provide adequate documentation that the beneficiary assigned their right to collect medical benefit payments to the State of Illinois.
- For 1 Medicaid case, the State improperly made medical assistance payments on behalf of a beneficiary that was granted temporary medical benefits until a disability assessment could be completed.
- For 1 CHIP case file, DHS improperly excluded an

Case file documentation to support eligibility could not be located

individual family member's weekly earnings of \$750 in completing the eligibility determination completed for a family.

Department of Healthcare and Family Services

- In 7 CHIP case files, HFS did not have supporting documentation of the redetermination completed and signed by the beneficiary since these were administratively renewed.
- In 1 CHIP case file, HFS could not locate adequate documentation evidencing income verification procedures were performed.

As a result of DHS and HFS' failure to locate case file documentation supporting eligibility determinations for beneficiaries, the auditors qualified their report on the TANF, CHIP and Medicaid Cluster programs. (Findings 12-04 and 12-14, pages 50-53 and 75-76, respectively). **These findings were first reported in the Statewide Single Audit in 2001 and 2009, respectively.**

We recommended DHS and DHFS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

DHS officials partially accepted our recommendation and stated the Department will continue to ensure staff understands the importance of proper and accurate filing processes. In addition, DHS officials stated they are currently utilizing a document management system that captures a portion of the information that is currently printed and placed in a paper file. Specifically, the Department agreed with all but one dot point regarding the State improperly making medical assistance payments and feel the medical payments made on behalf of the client on the case in question were appropriate and allowable. (For previous agency response, see Digest Footnote #5)

Auditors qualified their report on TANF, CHIP and Medicaid programs

In an auditor comment, we stated we understand the limitations of the system used by DHS in its eligibility processes and that certain policies have been established to accommodate those system limitations, however, since the beneficiary was determined to be ineligible in September 2011, benefit payments claimed for federal reimbursement after the determination was made are not allowable costs.

DHFS officials accepted the recommendation and stated they are working with DHS to establish electronic data matches for various factors of eligibility and are moving towards electronic case records.

FAILURE TO PAY MEDICAL CLAIMS WITHIN PRESCRIBED TIMEFRAMES

DHS partially accepted the auditors recommendation

The State is not paying practitioner medical claims for individuals receiving benefits under the Children's Health Insurance Program (CHIP) and Medicaid Cluster programs in accordance with timeframes required by federal regulations.

Federal regulations require the medical providers to submit all medical claims within twelve months of the date of service and require the State to pay 90% of all clean claims within 30 days of the date of receipt and 99% of all clean claims within 90 days of the date of receipt. Once a medical payment has been approved for payment, it is adjudicated, vouchered and submitted to the Office of the Comptroller for payment.

Auditor Comment

During our review of the analysis covering practitioner medical payments during State fiscal year 2012, we noted medical payments were not made within the 30 day payment timeframes required by federal regulations. Management's analysis identified that of the 40,150,513 claims for \$5,400,967,941 paid in State fiscal year 2012, only 73.8% were paid within 30 days of receipt, and 90.7% were paid within 90 days of receipt. Management analysis also identified that of the 3,541,182 CHIP claims for \$242,376,929 paid in State fiscal year 2012, only 77.7% were paid within 30 days of receipt and only 92.8% were paid within 90 days of receipt. (Finding 12-15, pages 77-78) **This finding was first reported in the Statewide Single Audit in 2008.**

HFS accepted the auditors recommendation

As a result of DHFS' failure to pay within the timeframes as prescribed in program regulations, the auditors qualified their report on the CHIP and Medicaid Cluster program.

We recommended DHFS review its current process for paying medical payments and consider changes necessary to ensure medical payments are made within the timeframes prescribed within the federal regulations.

HFS makes untimely payment of practitioner claims

DHSF officials accepted our recommendation and stated they have established internal medical payment pull parameters to allow for payment within the prescribed federal timeframes; however they noted claims may be held for payment by the Comptroller until cash is available. (For previous agency response, see Digest Footnote #6)

MISSING DOCUMENTATION IN ADOPTION ASSISTANCE CASE FILES

HFS monitors compliance with medical payments timeframe

The Department of Children and Family Services (DCFS) could not locate case file documentation supporting the amount of the current subsidy payments for beneficiaries of

the Adoption Assistance program.

Auditor qualification

During our testwork of 50 case files for eligibility requirements and allowability of related benefits for the Adoption Assistance program, we noted the Department could not locate documentation supporting the current amount of subsidy payments. Specifically, we noted the case file for three beneficiaries did not agree to the amount of current subsidy payment and no further documentation was on file to support the amount of the subsidy payment. DCFS claimed reimbursement for adoption assistance benefits made on behalf of the children totaling \$18,554 during the year ended June 30, 2012.

As a result of DCFS' missing eligibility documentation, the auditors qualified their report for the Adoption Assistance program. (Finding 12-33, pages 114-115) **This finding was first reported in the Statewide Single Audit in 2005.**

HFS accepted the auditors recommendation

We recommended DCFS review its procedures for retaining current adoption subsidy agreements and implement changes necessary to ensure such agreements are maintained as required by program regulations.

DCFS officials agreed with the recommendation and stated that rate changes should be the result of amended agreements and that they will add an additional layer of oversight on rate amendments. (For previous agency response, see Digest Footnote #7)

FAILURE TO ENSURE THAT ADOPTION ASSISTANCE RECERTIFICATIONS ARE PERFORMED ON A TIMELY BASIS

Case file documentation missing for Adoption Assistance program

The Department of Children and Family Services (DCFS) did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs.

Audit qualification due to missing or inaccurate eligibility documentation

During our review of 50 recurring subsidy payments made under the Adoption Assistance program, we noted four instances in which DCFS could not locate a recertification form submitted by the adoptive parent(s) within the most recent period. DCFS claimed reimbursement for Adoption Assistance benefits made on behalf of these children totaling \$21,989 during the year ended June 30, 2012. (Finding 12-34, pages 116-117) **This finding first reported in the Statewide Single Audit in 2006.**

As a result of DCFS' failure to ensure adoption assistance recertification were performed timely the auditors qualified their report for the Adoption Assistance program.

DCFS accepted the auditors recommendation

We recommended DCFS implement procedures to ensure recertification forms are received in accordance with the State's established process and maintained in the eligibility files for children receiving recurring adoption assistance benefits.

DCFS officials stated they agree that annual recertification is a good business practice and is implementing additional procedures to ensure reporting to the Post-Adoption Unit and the reporting of follow-up is completed. (For previous agency response, see Digest Footnote #8)

INADEQUATE MONITORING OF IMMUNIZATION PROVIDERS

The Department of Public Health (DPH) is not adequately monitoring providers under the Immunization Cluster program. DPH receives the majority of its federal Immunization Cluster program funding in the form of vaccines which are distributed to medical providers throughout the State.

Adoption recertifications not performed timely

During our testwork over 65 providers, we noted reviews for five providers did not include procedures to review medical records evidencing that vaccine recipients met program eligibility requirements, corrective action plans were not obtained for two providers, and corrective action plans were not evaluated or acknowledged as acceptable for one provider who had findings identified in an on-site monitoring review performed by the Department.

Audit qualification due to untimely recertifications

According to Federal regulations, a record of vaccine administered shall be in each person's permanent medical records and the State is required to perform procedures to ensure immunization records are appropriately documented by the medical providers. Additionally, effective internal controls should include ensuring all monitoring findings are communicated to providers, corrective action plans are obtained for any deficiencies noted and follow up procedures are performed. (Finding 12-44, pages 136-137)

DCFS accepted the auditors recommendation

As a result of DPH's failure to adequately monitor providers, the auditors qualified their report for the Immunization Cluster program.

We recommended DPH review its monitoring procedures for providers of Immunization Cluster Program and implement changes necessary to ensure corrective action plans are obtained and evaluated for all deficiencies identified in

provider reviews.

DPH agreed with our recommendation and stated new procedures have been put into place and the Illinois Vaccines for Children (VFC) program providers have been notified of newly revised guidance from CDC on documenting patient eligibility.

Inadequate monitoring of providers

INADEQUATE PROCEDURES FOR FOLLOW-UP OF INVALID SOCIAL SECURITY NUMBERS

The Illinois Department of Employment Security (IDES) does not have adequate procedures to follow up on invalid social security numbers for claimants of the Unemployment Insurance (UI) program.

To be eligible to receive UI benefits, claimants must be in the labor force, unemployment must be caused by lack of suitable work, and the claimant must be legally authorized to work. As part of determining whether claimants are legally authorized to work, IDES is required to verify the claimant has a valid social security number. With the implementation of the Illinois Benefit Information System (IBIS), IDES planned to automate its process for verifying social security numbers by performing a system cross-match between IBIS and the U.S. Social Security Administration; however, the interface between IBIS and the Social Security Administration was not fully implemented during fiscal year 2012. (Finding 12-58, pages 165-166) **This finding first reported in the Statewide Single Audit in 2009.**

Auditor qualification pertaining to special tests and provisions

As a result of IDES not having adequate procedures to verify social security numbers, the auditors qualified their report for the Unemployment Insurance program.

We recommended IDES follow established procedures to ensure the automated stop is generated for all invalid social security numbers to prevent payment of benefits to ineligible claimants.

IDES officials agreed with our recommendation and stated they went live with real-time social security number validation via the Social Security Administration in December 2012. (For previous agency response, see Digest Footnote #9)

DPH accepted the auditors recommendation

FAILURE TO RETAIN DOCUMENTATION IN ACCORDANCE WITH FEDERAL REGULATIONS

The Illinois Department of Transportation (IDOT) did not retain documentation for construction projects in the Highway Planning and Construction Cluster (Highway Planning) program in accordance with federal regulations.

During our testwork over 65 contractor payments, totaling \$45,514,000, and the related procurement files and other

source documentation we noted the following:

Inadequate procedure to follow up on invalid social security numbers

- The affidavit of availability could not be located for eight contractors.
- The summary of project costs approved by the chief accountant could not be located for three contractors.
- The approved invoice could not be located for one contractor payment totaling \$405,000.
- The warrant and voucher could not be located for three contractors (with sampled payments of \$328,063).

During our review, we also noted these projects were originally bid prior to fiscal year 2006 and the information was purged in accordance with IDOT's record retention policy. However, federal regulations require records to be retained for a period of three years after final payments and all other pending matters are closed and therefore these documents should have been retained. (Finding 12-65, pages 183-184)

Auditor qualification pertaining to eligibility

As a result of IDOT not retaining documentation for construction projects in accordance with federal regulations, the auditors qualified their report for the Highway Planning and Construction Cluster program.

We recommended IDOT review its current record retention policies and procedures and implement the changes necessary to ensure documentation is retained in accordance with federal regulations.

IDES accepted the auditors recommendation

IDOT officials agreed with our recommendation and stated it is their policy to prepare all construction projects according to federal regulations even if the contract will not be paid with federal funds.

Documentation not retained as required

FAILURE TO OBTAIN CERTIFIED PAYROLLS PRIOR TO CONTRACTOR PAYMENTS

The Illinois Department of Transportation (IDOT) did not obtain certified payrolls prior to making payments to contractors for the Highway Planning and Construction Cluster (Highway Planning) program.

During our testwork of 56 contractor payments for regular construction projects totaling approximately \$45,514,000, and 9 contractor payments for advanced construction projects totaling approximately \$878,000, we noted the following:

- Certified payrolls for 7 contractor payments on regular construction projects totaling approximately \$7,892,000 were received subsequent to the payments made to the contractors ranging from 5 to 19 days.

Auditor qualification pertaining to procurement

- Certified payrolls for 30 contractor payments on regular construction projects totaling approximately \$20,439,000 were not dated and as a result we were unable to determine whether they were received prior to making payments to the contractors.
- Certified payrolls and statements of compliance for five contractor payments on advanced construction projects totaling approximately \$769,000 could not be located for our testwork and as a result we were unable to determine whether they were received prior to making payments to the contractors.
- Certified payrolls for 15 contractor payments on regular construction projects totaling approximately \$9,662,000 were not signed by either the Resident Engineer, documentation staff, or EEO personnel and as a result we were unable to determine whether the certified payroll was approved prior to making payments to the contractor.

IDOT accepted the auditors recommendation

Federal regulations require the contractor to submit a copy of all payrolls to the resident engineer for each week in which any contract work is performed. Each payroll submitted shall be accompanied by a “Statement of Compliance” signed by the contractor. (Finding 12-66, pages 185-186)

As a result of IDOT not obtaining certified payrolls prior to payment, the auditors qualified their report for the Highway Planning and Construction Cluster program.

We recommended IDOT establish procedures to ensure weekly payroll certifications are received prior to making payments to the contractors.

Certified payrolls not obtained prior to payments to contractors

IDOT officials agreed with our recommendation and stated they have discussed this issue at the Annual Construction/Materials meeting and at each of the District Spring implementation meetings.

ISSUE INVOLVING MULTIPLE STATE AGENCIES

INADEQUATE ON-SITE MONITORING OF SUBRECIPIENTS

Certified payrolls not received, dated or located

We noted weaknesses in on-site monitoring of subrecipients for the following agencies:

Children and Family Services (DCFS)	TANF Cluster Foster Care - Title IV-E Adoption Assistance	12-32 pages 111-113
IL State Board of Education (ISBE)	Title I, Part A Cluster Special Education Cluster Improving Teacher Quality	12-49 Pages 147-149

Auditor qualification pertaining to Davis-Bacon Act

	State Grants School Improvement Grants Cluster Education Jobs Fund	
Commerce and Economic Opportunity (DCEO)	Weatherization Assistance For Low Income Persons Low-Income Home Energy Assistance Program State Energy Program	12-62 Pages 176-178 12-63 Pages 179-180
Transportation (DOT)	Airport Improvement Program High Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants Surface Transportation – Discretionary Grants for Capital Investment	12-64 Pages 181-182 12-74 Pages 202-204 12-77 Pages 209-210
IL Criminal Justice Information Authority (ICJIA)	Justice Assistance Grant Program	12-91 Pages 236-238

IDOT accepted the auditors recommendation

These agencies pass-through federal funding to subrecipients for the purpose(s) established by federal regulations. As pass-through entities, these agencies monitor subrecipients primarily by reviewing grant applications, receiving periodic financial and programmatic reports, reviewing invoices, establishing policies and procedures, providing training and guidance, performing informal evaluations (on-site reviews) and receiving OMB Circular A-133 audit reports.

Lack of on-site monitoring of subrecipients

According to federal regulations, a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws and regulations. Also, effective internal controls should include ensuring documentation of on-site review procedures adequately supports procedures performed and the results obtained. **These findings were first reported in the Statewide Single Audit for DCFS (2000), ISBE (2012), DCEO (2011, 2012), DOT (2005, 2011, 2012), and ICJIA (2012) respectively.**

As a result of these agencies’ failure to adequately monitor subrecipients, the auditors qualified their report for 15 programs listed in the above table.

We recommended the agencies: (1) properly report federal awards passed through to subrecipients and implement on-site

monitoring procedures to review compliance requirements, (2) establish measurable selection criteria and update its monitoring instruments to include procedures for all direct and material compliance requirements, (3) establish procedures to follow up on on-site monitoring findings to verify corrective actions are being implemented, monitoring reports are prepared timely and supervisory reviews of fiscal on-site monitoring reviews are adequately documented and formally communicated, (4) implement procedures to monitor each compliance requirement administered by its for-profit subrecipients, and (5) establish procedures to ensure all subrecipients receiving federal funds have audits performed in accordance with OMB Circular A-133 and management decisions are issued where required.

ISBE, DCEO and ICJIA accepted our findings and recommendations. DCFS agrees that federal awards should be properly reported and monitored but is currently reviewing the responses received from the federal government and DOT agreed with two findings and partially agreed with one finding. (For previous DCFS and DOT responses, see Digest Footnote #10)

ISSUES INVOLVING AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) AND FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

FAILURE TO COMMUNICATE ARRA INFORMATION AND REQUIREMENTS TO SUBRECIPIENTS AND INACCURATE ARRA 1512 REPORTS

The Department of Transportation (DOT) did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Highway Planning and Construction Cluster (Highway Planning), the High Speed Rail Corridors and Intercity Passenger Rail Services – Capital Assistance Grants (High Speed Rail), and the Surface Transportation Discretionary Grants for Capital Investment (TIGER) program. In addition, DOT did not accurately report expenditures in the quarterly ARRA 1512 report for the Highway Planning program.

We noted DOT did not identify the federal award number, catalog of federal domestic assistance title and number, or the amount of the award attributable to ARRA at the time of each disbursement. In addition, DOT's grant agreements did not identify the requirements for their subrecipients to separately report ARRA program expenditures on the schedule of expenditures of federal awards and the data collection form. We also noted, one quarterly ARRA 1512 report erroneously underreported expenditures by \$2,440. (Findings 12-70 and 12-72, pages 194-195 and 198-199, respectively)

Auditor qualification pertaining to subrecipient monitoring

We recommended DOT implement procedures to ensure ARRA information and requirements are properly communicated to its subrecipients and review the process and procedures in place to prepare and submit ARRA 1512 reports to ensure amounts reported are accurate and reconcile to DOT's financial records.

DOT accepted our findings and recommendations

INADEQUATE PROCESS TO REPORT SUBAWARD INFORMATION REQUIRED BY FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

We noted weaknesses in reporting subaward information as required by FFATA for the following agencies:

Agencies mostly accepted the auditors recommendation

Human Services (DHS)	Special Supplemental Nutrition Program for Women, Infants, and Children Temporary Assistance for Needy Families Cluster Child Care Development Fund Cluster Social Services Block Grant Block Grants for Prevention and Treatment of Substance Abuse	12-11 Pages 68-69
Healthcare and Family Services (HFS)	Child Support Enforcement Medicaid Cluster	12-27 Pages 101-102
Children and Family Services (DCFS)	Foster Care - Title IV-E Adoption Assistance	12-37 pages 122-123
IL State Board of Education (ISBE)	Special Education Cluster	12-52 Page 154
IL Emergency Management Agency (IEMA)	Homeland Security Grant Program	12-86 Pages 226-227

ARRA funds not separately identified

Inaccurate federal reporting

We noted DHS had not developed procedures to report and HFS did not report information required by FFATA, DCFS did not report required information within required timeframes and ISBE and IEMA did not have an adequate process to ensure all subaward information was properly reported.

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 10, 2010.

We recommended the agencies establish procedures to identify all subawards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

DHS, HFS, DCFS, ISBE and IEMA accepted our findings and recommendations.

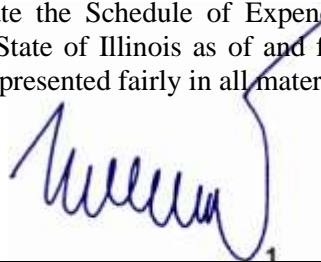
IDOT accepted the auditors recommendation

OTHER FINDINGS

The remaining findings pertain to other compliance and internal control matters. We will follow up on the status of corrective action on all findings in our next Statewide Single Audit for the year ended June 30, 2013.

AUDITORS' OPINION

The auditors state the Schedule of Expenditures of Federal Awards for the State of Illinois as of and for the year ended June 30, 2012 is presented fairly in all material respects.



WILLIAM G. HOLLAND
Auditor General

Subaward information not reported in accordance with FFATA

WHG:JSC:rt

SPECIAL ASSISTANT AUDITORS

KPMG LLP was our special assistant auditor for this audit.

DIGEST FOOTNOTES

Previous response by the Office of the Governor and the Office of the State Comptroller

#1 Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards

2011: (Office of the Governor) The Governor's Office agrees with this finding. The Governor's Office, the Governor's Office of Management and Budget (GOMB) and the Office of the Comptroller are addressing these challenges and have been working to solve some of these problems. The Governor's Office, the Governor's Office of Management and Budget (GOMB) and the Office of the Comptroller have developed a timeline for short term, mid-term, and long range plans. In fiscal year 2012 a letter was signed by all agency heads asking them to recognize the importance to the Governor of timely and accurate reporting. In addition, GOMB continues to work with

Agencies accepted the auditors recommendation

the Department of Central Management Services to develop job descriptions to allow agencies to hire employees skilled in financial statement and single audit preparation. This is a complicated and lengthy process. The GOMB also requested budgetary authority for fiscal year 2013 to hire accountants knowledgeable about governmental financial reporting including compiling the information for federal expenditures, although this was not part of the legislative budget. GOMB and the Governor's Office have been primarily responsible for developing a plan for a statewide financial accounting system. This statewide financial accounting system would also include a grants management module to enable preparation of the Statement of Expenditures of Financial Awards. A steering committee was convened that includes representatives of agencies with substantial federal funding. It is comprised of the chief information officer, members of the General Assembly as well as representatives of the Governor's Office of Management and Budget, the Comptroller's Office and several operating agencies. The steering committee has met several times and has reviewed the information available from work by prior consultants. Currently a request for proposals (RFP) is being developed to secure a consultant. This consultant will develop the necessary statewide accounting requirements and develop an RFP for software and implementation services to address the state's need. Unfortunately capital money has not been forthcoming. The project cannot go forward without funding. Once funding and a vendor are secured it will still take several years for completion and internal control issues will persist. The Governor's office will continue working with the agencies to provide as complete information possible given the State's current capacities.

2011: (Office of the State Comptroller) The Office accepts the recommendation. The IOC will continue to assist the Governor's Office in their efforts to increase the quality of GAAP packages and provide training and technical assistance to State agencies. In addition, legislation was passed by the General Assembly, and if approved by the Governor, it would create a Financial Accounting Standards Board whose mission would be to improve the timeliness, quality and processing of financial reporting for the State.

Previous responses by the Department of Human Services

#2 Failure to Perform Eligibility Redeterminations within Prescribed Timeframes

2011: The Department agrees with the recommendation. IDHS will continue to work with the Department of Healthcare and Family Services to review current processes for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the prescribed timeframes.

#3 Failure to Properly Maintain and Control Case File Records

2011: The Department agrees with the recommendation. Given our current fiscal constraints and continued staffing limitations, IDHS continues to place a high priority on proper case file maintenance. The Department has begun implementation of a document management system that will capture much of the information that is currently printed and placed in a paper file, and route it to an electronic file. This will assist in the reduction of the overwhelming size and amount of paper files in the offices, and better track the location of case file information.

#5 Missing Documentation in Beneficiary Eligibility Files

2011: The Department agrees with the recommendation. We will continue to ensure that staff understands the importance of proper and accurate filing processes. A growing caseload coupled with the inability to hire additional staff presents the potential for paper filing errors and backlog. The Department is currently piloting a document management system that captures much of the information that is currently printed and placed in a paper file, and routes it to an

electronic file. This will assist in the reduction of the overwhelming amount of paper in the offices, and better track the location of case files and their contents.

Previous responses by the Department of Healthcare and Family Services

#4 Inadequate Procedures for Performing Eligibility Redeterminations

2011: The Department accepts the recommendation. DHFS is working with federal CMS to develop a redetermination plan that will insure program integrity while at the same time, not violate Maintenance of Effort (MOE) requirements under the Affordable Care Act (ACA). DHFS is also working with DHS to establish electronic data matches to verify eligibility. A plan to manually use available electronic databases immediately and contract with a vendor to verify eligibility within the next few months has been proposed in Senate Bill 2840, House Amendment 003.

#5 Missing Documentation in Beneficiary Eligibility Files

2011: The Department accepts the recommendation. DHFS is working with DHS to establish electronic data matches for various factors of eligibility and are moving towards electronic case records. A plan to manually use available electronic databases immediately and contract with a vendor to verify eligibility within the next few months has been proposed in Senate Bill 2840, House Amendment 003.

#6 Failure to Pay Medical Claims within Prescribed Timeframes

2011: The Department accepts the recommendation. DHFS established internal medical payment pull parameters to allow payments within the prescribed federal timeframes. During the ARRA period, the Comptroller also prioritized Medicaid claims to achieve compliance with the regulations as allowable by available cash resources. During fiscal year 2011, the State was in compliance with the claims processing requirements all but 10 days, resulting in a receipt of \$1.27 billion in all funds ARRA-enhanced federal match on its Medical Assistance program. In the scope of the entire Medical Assistance budget, the number of instances (10 days, resulting in \$11.4 million of lost federal reimbursement) where timely payment did not occur was not considered significant. The Department will continue to process medical claims within the timeframes required under federal regulations, although they may be held for payments by the Comptroller until cash is available.

Previous responses by the Department of Children and Family Services

#7 Missing Documentation in Adoption Assistance Eligibility Files

2011: The Department agrees that proper documentation should be retained for all cases. A process was implemented in July 2009 to review all case documentation prior to the finalization of an adoption. A review of the background check results is a part of this process. Periodic reviews are performed on cases which opened prior to the review process initiated in July 2009 to ensure that the proper documentation is included in the case files. The Department will make a claiming adjustment for actual amount claimed, \$5,338 during the fiscal year, for the beneficiary payment questioned by the auditor.

#8 Failure to Ensure that Adoption Assistance Recertifications Are Performed on a Timely Basis

2011: The Department agrees that annual recertification is a good business practice and has implemented additional procedures to ensure reporting to the Post-Adoption Unit and the reporting of follow-up is completed. The Department plans to continue the procedure.

#10 Inadequate Monitoring of Subrecipients

2011: The Department disagrees with the finding. Please see the 2011 Single Audit Report pages 124-125 for lengthy response.

In an auditors' comment we stated DCFS determined amounts previously reported as subrecipient expenditures were vendor payments. As a result, DCFS did not identify the amounts passed through to these entities as subrecipient expenditures on the State's schedule of federal awards or in award communications. DCFS notes in their response that they will continue to perform a review of OMB Circular A-133 reports and perform programmatic procedures; however, since these organizations are not considered subrecipients they are not required to have audits performed in accordance with OMB Circular A-133 and we were unable to obtain a population of expenditures for testwork. Finally, consistent with the prior year, DCFS did not perform fiscal monitoring procedures.

Previous responses by the Department of Employment Services

#9 Inadequate Procedures for Follow-up of Invalid Social Security Numbers

2011: We accept the recommendation. IDES has Policy and Procedure (P&P) 5085.10 in place regarding the verification of claimant social security number. The batch process to verify new claimant's social security numbers for our Unemployment Insurance system, IBIS, was reinstated on May 24, 2011. Additionally, on February 2, 2012, IDES submitted a Security Design Plan to the Social Security Administration, which is the first step in enabling IDES to verify social security information in real-time. IDES expects this real-time social security number verification to be in place by June 30, 2012. This will bring IDES in full compliance with P&P 5085.10.

Previous responses by the Department of Transportation

#10 Inadequate On-Site Monitoring of Subrecipients

2011: The Department agrees with the finding. The Department will develop formal policies and procedures to perform periodic on-site reviews and will adequately document such reviews to ensure compliance with OMB Circular A-133. Aeronautics will develop a random selection process that will ensure that 20 percent of all locally let projects receiving federal funds will undergo an on-site review. Detailed written procedures will be in place for projects starting in fiscal year 2013 and will include a random selection process based on the chronological order of executed Agency Agreements.